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## **CHANGING PATTERNS OF PRIVATE-PUBLIC GROWTH AND DECLINE: THE CASE OF GEORGIAN HIGHER EDUCATION**

### **ABSTRACT**

In most post-communist countries, the beginning of the 1990s witnessed creation and growth of private higher education institutions on the one hand and privatization of public educational services on the other. The Georgian developments mostly fit this general pattern, but, in many respects, it is an extreme case. First of all, both private and public sectors in higher education saw striking fluctuations in their growth patterns. Besides, these powerful developments took place against a fairly unchanged regulatory background. For these reasons, examination of the Georgian trends allows better appreciation of the relationship that exists between private and public sectors in higher education, as well as further generalizations. It is argued here that in Georgia, in face of a lax regulatory regime, increased market competition has served as one of the main factors for shaping private-public sector dynamics. That is, rapid private higher education proliferation in the beginning of the 1990s had greatly contributed to the fall in the public sector's enrollment share, while rigorous public sector privatization later took its toll on the private sector's share of enrolment. Examination of institutional types also reveals significant interrelationships between the nature of the courses offered by the two sectors in higher education.

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## 1. INTRODUCTION

In countries of Central Eastern Europe (CEE) and the Former Soviet Union (FSU), political-economic changes that include lessening of state ownership, regulation and funding have produced profound changes in the traditional role of state as the sole provider of higher education. If the communist state was a monopolistic provider of higher education, the beginning of the 1990s witnessed creation and growth of privately owned institutions on the one hand and privatization of public educational services on the other (Slantcheva and Levy 2007). In Georgia too, significant transformations of the higher education field related to the diminished state involvement in funding, provision and governance of higher education has been taking place since the collapse of the Soviet regime. Although Georgian developments are not typical of post-communist countries (in part simply because the processes have been varied across the region), there are good reasons why examining Georgian trends should be of interest to those concerned with the region and beyond. First of all, the scale and intensity of private growth and its subsequent fall on the one hand, and the privatization of public institutions on the other, have been dramatic in Georgia. Moreover, these major transformations of the field of higher education have taken place against the backdrop of a fairly unchanged regulatory regime and broad political-economic picture characteristic in the first decade of Georgia's political-economic transformation. This has crystallized the relationship between the two sectors in higher education and the influence of other important factors, notably market forces, on them. Therefore, although a single case study, examination of Georgian trends lends itself to a meaningful understanding of the private-public interrelationship, as well as further generalizations.

The main focus of the study is the period from the collapse of communism until political-economic changes of 2003. The importance of examining this period is suggested by the magnitude of the changes in public and private higher education fields. Besides, the governmental change in 2003 finally marks a major shift in the regulatory regime, towards both sectors. The nature and growth dynamics of Georgia's private sector is mostly a reflection of the processes taking place within the higher education field, in response to the changing labor market demand. This is not to downgrade the influence of demographic, political-economic or other factors on higher education, even regulatory ones. But the Georgian higher education case, where both public and private institutions evolved in nearly complete freedom from state authorities shows how labor market demand and competition between two sectors in higher education shape their dynamics.

The structure of the working paper is as follows. The first section outlines the most important factors of Georgia's political-economic transformation since independence. The following part offers a brief overview of the processes taking place within the field of higher

education from the early 1990s until 2003. By using private higher education literature, the subsequent sections examine the factors ostensibly responsible for shaping the private-public developmental patterns. The final part of the study briefly appraises the more recent trends.

## 2. THE MODE OF GEORGIA'S POLITICAL-ECONOMIC TRANSFORMATION

After about two centuries under Tsarist and Soviet domination, Georgia gained independence in 1991. During the years immediately following the disintegration of the Soviet Union, the country witnessed political and military conflicts, deterioration in law and order, inter-ethnic clashes and collapse of its economy. Though it is obviously beyond the scope of this paper to dwell upon the reasons for Georgia's troubling path to democracy, several principal factors bear mentioning. These are Russia's determination to keep a geopolitically important region under its control and Georgia's own ethnic and religious heterogeneity. It will not be exaggerated to state that multiple ethnic and religious cleavages and continued conflicts have had most damaging impact on post-Soviet developments in Georgia. Ensuing instability, in turn, has made the newborn state still more vulnerable to the external control and manipulation (Hunter 1994).

Georgia is a multi-national and multi-cultural state where ethnic Georgians account for about 70% of the population. Although characterized by deep-seated mutual prejudices, relations between Georgians and the country's ethnic minorities have been mostly peaceful throughout the centuries, including the period under the Soviet rule. However, even then nationalistic sentiments in Georgia remained one of the strongest in the Soviet Union.<sup>1</sup> The immediate aftermath of the collapse of communism has witnessed further polarization of its population along ethnic, political and ideological lines. During the formative years of Georgian independence movement, several steps towards self-determination and against what was perceived as Russification and the loss of national values were taken, which alienated non-Georgian populations considerably.<sup>2</sup> Besides, the ultranationalism of Georgia's first elected president, Zviad Gamsakhurdia, and his lack of political skill played a crucial role in escalating mutual distrust and hostility between Georgians and its ethnic minorities, which finally developed into bloody clashes in South Ossetia in 1991 and full-scale war in Abkhazia in 1992-93.

Georgia's first elected president was violently ousted by a military coup in January 1992.<sup>3</sup> His short-lived rule was followed by a decade of Eduard Shevardnadze's leadership during which the country regained stability. In the mid 1990s, some economic growth also took place, but the economy started to collapse again following the Russian economic crisis in 1998-99. Under president Shevardnadze's leadership, the political system grew over-centralized and the executive power—ineffective and corrupt. Political chaos had a disastrous effect on the country's

economy, which, by the end of 1996, had shrunk to around one-third of its size in 1989. Georgia of that period was often referred to as a 'failed state' because of the country's inability to control its territory, to collect public revenues and provide public goods.

Thus, during the early post-independent years, Georgia was plagued by interethnic strife and power struggles among its key political figures. Since independence, government preoccupied with military conflicts had failed to introduce reforms in economic, legislative or any other sphere of societal activity. The higher education field was no exception. The creation and growth of private higher education and privatization of public institutions—the most dramatic shift in the whole history of the Georgian higher education—took place precisely during this time frame. Thus government officials played hardly any role in introducing or attending to these changes. This is to say that the rigorous dual privatization in higher education should be seen as an outcome of the Georgian government's negligent attitude towards processes taking place in the higher education field and not of its coherent market liberal policies.

The government became a key player and started to assume an active role in higher education policy-making only after the political changes of 2003, when popular demonstrations, triggered by fraudulent parliamentary elections, forced Shevardnadze to resign. The (declared) resolute determination of the new government, mostly composed of young, Western-educated officials and led by Mikheil Saakashvili, is to integrate the country into Western institutions, to combat rampant corruption and to reorient the economy toward market-liberal principles. Launched by the Ministry of Education, the reform plan that aims at overhauling the system of higher education and thus bringing it closer to European standards has been one of the most ambitious among all reform proposals of the new government.

### 3. INTER-SECTORAL DYNAMICS

#### 3.1. Brief Overview of Public and Private Higher Education Growth Patterns during the period of 1990-2003

Before going on to describe the origins and subsequent development of private higher education institutions in Georgia we should first define what "private" denotes in this particular context. This paper employs the definition according to which **private** higher educational establishments are those *privately owned* institutions that are mostly *funded privately* and meet the legal-structural criteria for private higher education institutions of the countries in which they operate. Levy (1986a, 1986b, 1987, 1992) has emphasized multiple problems that arise when trying to accurately define private higher education institutions. For one thing the legal term

“private” encompasses institutions of rather different structure, which are linked with the state in most different ways. However, he suggests an approach to analyze the differences between private and public forms of organization by accepting the legal nomenclature and then investigating the empirical realities along the dimensions of funding, ownership, governance and mission; whereas none of these dimensions is fully consistent for distinguishing between two types of educational organizations in practice, private-public differences have more often than not been marked. Defining private institutions in the post-communist context perhaps poses fewer difficulties seeing that those newly emerged institutions exhibit almost complete distinctiveness on one of the most important criteria – finance. This is to say that governmental subsidies or even tax exemptions are still rarely available to those institutions. In fact, tuition dependency constitutes the main comparative characteristics of post-communist private institutions. Much of the post-communist, and especially Georgian, private higher education institutions are also quite private in their governance as well as on their ties with the labor market. This is to say that private institutions are very private in the Georgian higher education. However, on the other side, public institutions, though still vastly different from private, are less public than they used to be. Accordingly, private-public distinctiveness is sharp, but qualified in the Georgian context.

As in other countries in the region, public higher education predates private in Georgia. *The Decree of the Supreme Council of the Republic of Georgia* passed in June 1991, served as the basis for the establishment of first privately owned institutions. Since then, the growth of private institutions was so rapid that by the 1992/93 academic year, there already were 131 such higher educational establishments (Table 1).<sup>4</sup>

**Table 1: Numerical Overview of the Private Higher Education Sector, 1990-2003**

Year	Number of HEIs	Number of Students	Private enrolm. as % of the total HE enrolm.
1991/92	48	10633	9.4
1992/93	131	33063	26.7
1993/94	Na	Na	
1994/95	93	41348	30.4
1995/96	109	42006	33.8
1996/97	122	42889	33.1
1997/98	159	40162	31.5
1998/99	154	38272	29.8
1999/00	162	40126	29.7

<b>Year</b>	<b>Number of HEIs</b>	<b>Number of Students</b>	<b>Private enrolm. as % of the total HE enrolm.</b>
2000/01	146	33138	23.8
2001/02	153	31887	21.6
2002/03	154	31465	20.5
2003/04	150	29338	19.2
2004/05	172	35440	20.5
2005/06	146	30512	21.1

Source: The State Department of Statistics

Note: Data for the academic year of 1993/94 are unavailable.

Table 1 shows that the private sector continued to expand further until 1996/97 when the sector enrolled the highest number of students. Despite the fact that in 1994/95 there was some fall in the number of private institutions, there was not at that point a decrease in private enrollment. Although this is the period when the Georgian government took its first steps towards regulating the sector, it will be shown in the following sections that there is no further evidence suggesting that the decrease ensued from those measures. Instead, the institutional fall might point to the fact that smaller institutions which could not attract sufficient number of students could not stay in business, while those surviving the competition managed to enroll more students. Thus, measured in the share of all student enrolments, the growth of the private sector had reached its peak during the academic year of 1995/96 (a time not uncommon for private peaking in the region), when the sector accommodated 33.8 percent of students enrolled in all higher education institutions. However, from that point there has been a striking reduction in the private sector enrollment share. It is important to add that the size of the sector has been significantly decreasing in absolute terms as well, noticeable from 1996/97.

Equally prominent are the changes that have been taking place in the Georgian public higher education sector since the collapse of communism. The state-provided education in pre-transition Georgia was composed of 19 institutions offering training in more than 400 disciplines. Before the changes of 1989, the higher education cohort enrolment level in Georgia was around 19 percent, fairly high according to the Soviet standards (UNICEF Innocenti Research Centre 2001). During the years immediately following Soviet rule, the number of public enrolments actually dropped. As can be calculated from Table 2 below, by 1997/98, the number had fallen by 20 percent compared to 1990/91. It is only from 1997/98 that we observe the public participation rise, clearly owing to the growing body of self-financed students. State institutions were authorized to admit self-financed students in 1993, a substantial privatization of the public sector. And, if during the first academic year only 7.8 percent of all students enrolled in the public sector paid tuition fees, by 2002 that figure would be 43.3 percent.<sup>5</sup>

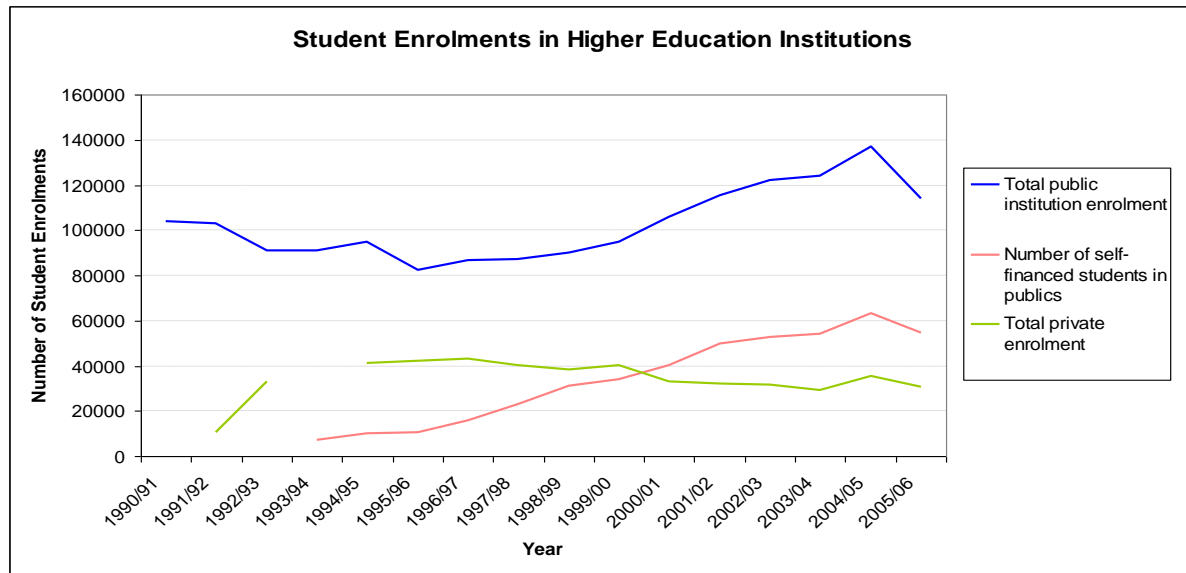
**Table 2: Numerical Overview of the Public Higher Education Sector, 1990-2003**

Year	N of public institutions	Total public institution enrolments	Self-financed students as % of the total public enrolm.
1990/91	19	103 893	---
1991/92	19	102 818	---
1992/93	18	90 909	---
1993/94	23	91 110	7.8
1994/95	23	94 642	10.7
1995/96	23	82 230	12.8
1996/97	21	86 506	18.1
1997/98	23	87 258	26.1
1998/99	24	90 054	34.3
1999/00	24	95 013	35.9
2000/01	26	105 822	38.1
2001/02	26	115 546	43.3
2002/03	26	122 223	43.1
2003/04	26	123 866	43.6
2004/05	26	137 021	46.3
2005/06	25	113 801	47.9

Source: Calculated from the State Department of Statistics Data

### 3.2. Interrelation between the Private-public Growth Patterns

As just demonstrated, the growth and decline of the share of private enrolments has been spectacular in Georgia. Although to a lesser extent, the tendency is noticeable in those post-communist countries that witnessed explosive expansion of private institutions in the beginning of the 1990s, as well as beyond the region (Levy in progress). However, the private higher education decline he finds has been recorded mostly in relative, not in absolute, terms. In Georgia, not only did the share of private enrolments fall by almost 15 percent over a few years time (from 33.8 percent in 1995/96 to 19.2 percent in 2003/04) but the decline was equally sharp in absolute figures as well. Namely, if in 1996/97, some 42,889 students attended private higher education institutions, their number had fallen to 29, 388 in 2003/04 (that is a one third drop) (Table 1). On the other hand, after its own initial fall, the public sector's rate of participation has been growing noticeably (Table 2). Graph 1 below captures the private-public growth dynamics, showing that public enrolments expand in line with the increase of self-financed students, while the latter is negatively correlated with the private enrolment growth.

**Graph 1: Student Enrolments in Higher Education Institutions**

Note: A figure for private enrolments for the academic year of 1993/94 is unavailable.

Source: The State Department of Statistics of Georgia.

Again, private higher education literature shows that a decline in private enrolment shares after initial explosive growth is not uncommon internationally. In fact, it often happens that an easy initial proliferation of private educational institutions gives rise to strong governmental regulatory action. This was markedly true for some post-communist nations. In the mid-1990s, 'delayed regulation' of Russian and Romanian governments served to inhibit unfettered private growth to some extent (Levy 2005). But this paper draws two points of distinction for the Georgian case. One is that the sharp decline in private enrolments concerns not only proportional shares but also absolute numbers. The other distinctive point of our case is that the Georgian decline is primarily the result of increasing competition from the public sector.

This finding is comparable to that of Otieno-Levy on Kenya (2007). A broader parallel between its analysis and ours on Georgia lies in its focus on competitive inter-sectoral impacts: changing dynamics in one sector affect the other sector, spurring the changes in the second sector that in turn affect the first sector. More often, a lack of flexibility in responding to the changing labor market demands has been characteristic of public institutions (Levy 1992). In Georgia too, the inability of public institutions to quickly restructure their curriculum and course-offerings necessitated by powerful political-economic changes served as one of the main enabling factors for incredibly easy private growth. However, from the mid 1990s, public institutions started to emerge as tangible competitors for the self-paying student body. This is not to say that the major reforms were undertaken to transform the sector to suit the requirements of the new economy. Quite the opposite: the reform efforts were mostly absent until the political changes of 2003.



However, owing to the negligent attitude from governmental authorities, public institutions had enjoyed unparalleled freedom to introduce highly demanded courses, not typically offered in public sectors, and open new campuses to cater to the needs of those who could and would pay the tuition.<sup>6</sup>

As expected, there were other factors at work as well, but their impact on private-public dynamics seems to be less significant. One is downward demographic trend that post-communist Georgia has been experiencing. The share of population aged 0-17 of total population has decreased by 4.2% over a decade: from 29.4% in 1989 to 25.2% in 1999 (UNICEF Innocenti Research Centre 2001). As the fall in the rate of population increase is noticeable since 1989, the expected consequences on higher education enrolment rates becomes more considerable from 2006/07, when the part of the population born after 1989 reaches the university age. But even when considering clearly manifest declining demographics, the argument still remains: thus far, we only witness private enrolment decrease, whereas the rate of participation in public sector has been rising each year.

Another factor that the private higher education literature cites in connection to sectoral share decline is governmental efforts directed at regulating the private growth (Levy 2005). In Georgia attempts to establish some control over the easily proliferated institutions were begun in 1995. *“State Program for Education Reform and a Plan for its Realization”* was the first major document issued from the Ministry of Education intending to accommodate the reform of the higher education field. It also formed the basis for 1997 Education Law. One of the major aims of the document was to fill in the legislative void and sanction practices initiated from below at the institutional level already in operation. For instance, it elucidated the regulatory regime with regard to private institutions and provided firmer legal grounding for the widespread policy of admitting self-financed students into public institutions. It also approved the two-level system of undergraduate and graduate studies characteristic of the Anglo-Saxon tradition, which had been first launched by the Tbilisi State University during 1994-95s and which is broadly part of Europe’s “Bologna Process.”

The 1997 Education Law also envisaged curriculum reform, defined the state education standards and provided bases for introducing quality assurance mechanisms. If only formally, a license became necessary for institutions to get started, whereas accreditation mechanisms would not get implemented earlier than 2004.<sup>7</sup> The Law on Education was followed by the numerous governmental decrees and ministerial orders, mostly aimed at regulating the enrolment growth via licensing and accreditation procedures. Such regulation was naturally especially relevant to the fast-growing private sector. Among the governmental efforts most notable are the 1999 Ministerial decision to renew giving out licenses after two years of pause, establishment of the

Licensing Committee, developing the guidelines for a new accreditation process through the joint efforts of the Ministry of Education, higher educational leadership and international experts. The whole uncertainty surrounding the licensing procedure—a common reality in other countries of the region and beyond—was partially resolved by the enactment of *the Law of Georgia on Licensing Entrepreneurial Activities* in 1999 that elucidated the terms and requirements for licensing entrepreneurial undertakings in general and educational activities in particular. *The Law on Licensing Educational Institutions*—a further legal act towards clarification of licensing requirements for higher education organizations— was prepared by the Ministry of Education in 2002 and endorsed by the Parliament of Georgia in 2003. But, even though multiple, the reform efforts were incomplete, inconsistent and ineffective.

In summary, the Georgian authorities started to issue licenses to private institutions already in 1991, but subsequent legal acts towards regulating unrestricted expansion followed only from the mid 90s. To ensure they meet certain standards for appropriate facilities and qualified personnel, institutions were required to obtain a license, but in reality, almost no institution has ever been denied one. On the other hand, there is ample evidence pointing at the corrupt practices pervasive in licensing agencies of that time. Both, a 2000 Lorentzen and a 2002 Gvishiani and Chapman studies of the Georgian higher education sector, as well as numerous interviews with stakeholders and the ministry officials indicate that the licensing process had been a source of corruption endemic to the higher education system and to the country in general (Janashia 2004).<sup>8</sup>

### 3.3. Public and Private Institutional Types

Thus, the initial failure of public institutions to meet unleashed student demand on higher education has made spectacular expansion of private institutions possible, which, together with the ensuing public expansion, has made for equally spectacular private fall. There is a clear correlation not only between the growth patterns, but also between the nature and type of Georgia's two sectors in higher education.

As in other countries with few or no restrictions imposed on private growth, Georgia's private sector is mostly comprised of small, non-university type institutions that are heavily tuition-dependent and serve demand-absorbing function. Other motives for global private higher education growth, such as religious and ethnic, play marginal roles in Georgia. This is despite the ethno-linguistic and religious diversity of Georgia's population, thus suggesting an exception to the literature's association of national population diversity with special private higher educational institutions that cater to that diversity.<sup>9</sup> For example, Georgian and not a minority language of the country is the main language of provision in most private institutions.

The only exceptions to this generalization are a few top institutions, usually established jointly with foreign organizations, which offer education in English. However, this has to do with the absence of text-books in Georgian or with an attempt of institutions to attract foreign students, rather than with serving the needs of the country's ethnic minorities.

Furthermore, on the religious side too, the private sector is limited. In fact, there are only two institutions: the *Orthodox Christian Academy* established by the Georgian Patriarchate in 1998 and the Catholic *Sulkhan-Saba Orbeliani Institute of Theology, Culture and History*, established by the Catholic Church in the same year. Although fully funded by the state, the former is under the authority and control of the Georgian Patriarchate and aspires to train followers and missionaries for "re-evangelization" of the nation. The latter institution, in contrast, is a secular establishment that provides training in philosophy, theology, history and culture. It is funded mostly by the Catholic Church.

Nor does the Georgian Private higher education sector include much of elite standing, or, better said, it is registered to certain kinds of niche institutions. In these respects, Georgia is basically typical of the region (Slantcheva and Levy 2007, Levy 2007). Among the Georgian private institutions that have set high academic standards notable are *Georgian Institute of Public Affairs (GIPA)*, *European School of Management (ESM)*, *Caucasus School of Business (CSB)*, *International Black Sea University*, *Tbilisi Institute of Asia and Africa (TIAA)* and *Grigol Robakidze University "Alma Mater"* (Kachkachishvili 2001). Even though they are distinguished from the rest of the sector by numerous factors (most significant being the role played by international organizations in their establishment and funding) Georgia's top private institutions too are small non-university type establishments, serving a similar pragmatic mission by providing instruction in selected, high-demand fields rather than concentrating on academic research.<sup>10</sup>

Strikingly, the same characteristically private purpose of accommodating the demand for business oriented subjects has underlain the recent *public* enrolment growth. In the beginning of the 1990s, all post-communist countries witnessed a decline in governmental funding to higher education but the slashing was especially strong in Georgia. For example, during the first phase of transformation, the share of public spending on higher education within the GDP fell from more than 7% in 1991 to less than 1% in 1994, while the GDP itself collapsed by more than 75% during the same time span. Since the mid 1990s, higher education expenditure has been growing somewhat. Despite this increase, in 2002, it only constituted roughly half of the amount spent in *developing* countries (Orivel 1998, Gvishiany and Chapman 2002). In the face of these problems, public institutions have been trying to increasingly complement scarce public revenues with private funds, mostly by means of study fees. As was noted, in general, the growing body of self-

financed students is a striking aspect of privatization within the public sectors in almost all post-communist countries (Slantcheva and Levy 2007).<sup>11</sup> In Georgia, the number of self-financed students has grown rapidly since 1993/94, when institutions first started to charge tuition fees, so that in 2005/06 almost half of the students, enrolled in the public sector, paid for their studies (Table 2). Student payments represent the major source of income for most public universities. In 2001-2002, for example, revenues generated from student tuition at Tbilisi State University and Medical University constituted respectively, two and three times higher than funds received from the state.

The dependence of public institutions on tuition fees is a remarkable privatization. In finance, it clearly makes the public and private sectors more alike. Indeed the financial change then relates to other changes. It is now difficult to discern the difference between activities undertaken and mission pursued by Georgia's two sectors in higher education. In an attempt to attract more fee-paying students, public institutions, like private counterparts, have tried hard to stay attuned to labor-market fluctuations by providing training in high demand fields like information technology, law, business administration, and foreign languages. Whatever their full profile, all public universities run programs in market-oriented law and economics. In addition, besides the official Georgian language of instruction, courses are offered in languages of the country's minorities, such as Russian, Armenian and Azeri, as well as in English and German. The same holds true for religious education. A wide availability of religious studies in the public sector can be seen as a reaction against communist atheism and reflects the absence of clear separation between the state and religion, which, to a certain extent, obviates the need for its private provision. Again, according to private higher education literature, such ethnic and religious appeals have been characteristic to private higher education (James 1987, Levy 1987). As the Georgian case defies certain private sector patterns characteristic elsewhere, even more remarkable is the private-public juxtaposition – the public sector undertaking a kind of internal diversification (ethnic and religious) normally associated with the private sector yet largely absent from the Georgian private sector.

Although Georgian developments run parallel to those observed elsewhere in the region, in no other country were public institutions granted with such leeway to open new business oriented courses and new campuses to run them, as in Georgia. Georgia thus represents an extreme case not only with respect to intensive private growth and its equally intensive fall but also with respect to aberrant public sector in its being private in some key respects.

A wide availability of high demand subjects in the public sector and its resultant increased student choice has significantly affected private higher education dynamics. As private higher education growth pushes public higher education to partly privatize, so, in turn, that public

reform creates challenges back to the private higher education. It seems that when it comes to business oriented courses, the few top private universities with a solid reputation usually rank first or near-first in students' preference orderings.<sup>12</sup> However, those who cannot get there opt for studying business at lower ranked public institutions that still have higher standing and legitimacy than the nameless, undifferentiated and poorly endowed private institutions. The latter, thus, turn out to be the least preferred alternative available to students.

#### 4. "DELAYED, DELAYED" REGULATION<sup>13</sup>

That both private and public higher education institutions escaped state regulation for a significant period of time thus represents the main distinguishing character of Georgia from other post-communist countries. However, the regulatory regime within which higher education institutions operate started to change fundamentally following the governmental change in 2003. Although pace and efforts have varied, reforms were undertaken in all public sectors, education being one of the most striking. One of the first and important steps that the new Ministry of Education took towards restructuring the higher education sector was to pass *the Law on Higher Education* in 2004, which established a voucher based formula-funding model, discussed below. The introduction of unified entrance examinations, first held in 2006, and implementing quality assurance procedure were other important developments aimed at curbing widespread corruption and establishing some control over unruly processes taking place in the field.

Responsible for carrying out accreditation of higher education institutions, *The National Education Accreditation Center* was set up in October 2004. In the same year but before the agency started functioning revision of all licensed higher education institutions was carried out, as the result of which only 78 out of 178 licensed institutions satisfied nominal requirements. It is important to note that among the institutions that were not allowed to admit students for the 2005/2006 academic year were ten public institutions. The state reactive action, which most countries in the region experienced in the middle of the 1990s, in Georgia, thus, takes place only after 2003. However, Georgia stands out to the degree that strengthened regulatory measures are directed not only at private but also at public institutions, as the latter have also suffered from chaos and quality failure.

That quality requirements are set so that it is challenging to meet for both private and public universities naturally fosters the competition between the two sectors in higher education. Besides, newly implemented policy which allows students receiving state grants to choose between public and private universities further reinforces the competition and fear of it. Funds are no longer allocated to public institutions directly but they rather follow students, which is to say that institutions have to compete for students in order to receive public finance. Considering

the high prestige and social standing that public institutions still enjoy in Georgia, it is revealing that in 2006, more than 20 percent of students receiving state grants choose to study at private institutions (Table 3). Evidently, notwithstanding the increased marketing orientation of public higher education, some private institutions continue to hold on their own.

**Table 3: Number of students admitted in 2006 – total, receiving state grants and self-financed, by public and private institutions**

HEIs	Total number of Students admitted in 2006	Among Them					
		Receiving state grants					Self Financed
		Total	30% grant	50% grant	70% grant	100% grant	
Public	15583	6561	2929	1647	1225	760	9022
Private	3896	1710	864	369	256	221	2186
<b>Total:</b>	<b>19479</b>	<b>8271</b>	<b>3793</b>	<b>2016</b>	<b>1481</b>	<b>981</b>	<b>11208</b>

Source: MoES. in Martin Godfrey (2007)

However, it should be stressed again that these are a few semi-elite private universities that successfully compete with their public counterparts. The fact that the number of fee-paying students at public universities greatly outnumbers that of at private institutions (more than four times, as Table 3 shows) further provides evidence supporting our main argument that considers the drop in private enrolments as stemming from increased competition from the public sector.<sup>14</sup>

Another important point that emerges from the above table relates to the major shift in governmental ideology towards higher education. In 2006, even more students, that is, around 58 percent of the total public university enrolments, were paying for their own studies, at the same time as only less than 5 percent of the total student number received full governmental funding. By contrast, before the introduction of the voucher formula funding mechanism, there only were students paying the whole tuition and those fully funded by the state. It must be noted the decrease in the number of public university students receiving full governmental funding is the result of the changes in the mechanism how governmental funds are allocated not in the amount of it. The changes in higher education policies according to which governmental financial support to higher education applies to both public and private institutions and more and more students are made to bear at least some fraction of the cost of their tuition reflects the recent

tendency to introduce free market principles into higher education. Besides, if before, an uncommonly private nature of Georgia's public sector was the institutional response to macroeconomic pressures and its resultant decreased institutional funding against the background of total governmental negligence, the current changes originate from the government and are the part of its strong market-liberal politics.

An additional point is that although the recent developments such as moving to voucher funding, cutting down the staff at public universities drastically, setting centralized entrance exam procedure and strengthening quality assurance process so that it is difficult to comply even for well-established public universities, are dramatic and have no precedent in the Georgian context, the changes are less reflected in the numbers. Tables 1 and 2 indicate that the scale of the changes in the growth patterns of both sectors was more pronounced in the mid 1990s than it is since 2003.<sup>15</sup> It is probably too early to definitively interpret these figures but one possible explanation further reinforces the main claim made in this paper about the relative significance of market forces in shaping private-public dynamics in the Georgian context. The severe slashing of state financial support for public institutions, coupled with the declining demographics, has given rise to especially fierce competition between the two sectors for tuition-paying students. In view of the almost complete absence of governmental control in the past, the sharp decrease in the private enrolments can therefore be attributed to this very factor of increased market competition. On the other hand, institutions that had survived the struggle and stayed in business were less affected by the delayed delayed regulation, despite its magnitude.

## 5. CONCLUDING REMARKS

As noted, Georgian developments mostly fit the pattern found in many countries in the region and beyond, but what makes them an extreme case is the scale and magnitude of these developments. Over the period of less than two decades, Georgia has witnessed the establishment of the first private higher education institutions, its incredible expansion and equally spectacular fall. During the same time frame, Georgia's public sector has undergone equally fundamental transformation. Following their initial fall, public enrolments expanded significantly, matching the magnitude of its privatization. Thus, if the rapid private higher education proliferation greatly contributed to public enrolment decrease, later, public-sector reform took its toll on the private higher education developments. But the inter-sectoral influences are not limited to figures only. The inter-sectoral influences in the Georgian higher education system are so great that the Georgian case defies certain private sector patterns found elsewhere. Namely, as private contributions play crucial role in survival of resource-starved public universities, the latter increasingly assume roles usually associated with private sector. This, in turn influences the choice of roles and mission that is left for private institutions to pursue.

This is the reason why needs of Georgia's ethnic and religious minorities has been accommodated mostly by the public not the private sector.

Finally, implications of new governmental policies, aimed at injecting strong market-oriented elements into the system, for the two sector dynamics are further revealing. That more than one-fifth of the students receiving state grants opt to study in newly-established private institutions point toward the fact that, over this short period of time, some Georgian private institutions managed to emerge as tangible competitors of their well-established and still more prestigious public counterparts.



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## NOTES

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<sup>1</sup> For instance, attempts to abolish Georgian and instead introduce Russian as the state language in 1970s triggered fierce public opposition and demonstrations from students and leading intellectuals. Other Soviet republics that opposed authorization of the Russian and thus kept their native language as the official language were Latvia, Lithuania and Estonia.

<sup>2</sup> Passing the legislation that established the Georgian as the only language used in the public sphere in 1988 was one of such steps that contributed to intensification of feuds of the ethnic minorities about their status in the newly awakened country. The citizenship law adopted in June 1990 was more inclusive, granting citizenship to all individuals who had resided permanently in the country. But the election law passed in August of the same year prohibiting regionally based parties to register for parliamentary elections proved to be further damaging to the Georgian-minority relations.

<sup>3</sup> Since gaining independence, there was no constitutional transition of power in Georgia. In 1992, an elected president was overthrown by a military coup, while in 2003 – he was forced to resign following public protests.

<sup>4</sup> For the detailed data on the Georgian private higher education see PROPHE country data, Georgia at [http://www.albany.edu/dept/eaps/prophe/data/National\\_Data/PROPHEGenericDataTableGeorgia\\_0606.xls](http://www.albany.edu/dept/eaps/prophe/data/National_Data/PROPHEGenericDataTableGeorgia_0606.xls)

<sup>5</sup> As the volume on post-communist private higher education demonstrates, a large share of self-financed students is a comparative characteristic of post-communist higher education (Slantcheva and Levy 2007). This trend has also been evident in some developing countries, notably Kenya. The share of self-financed students in Georgia roughly parallels the Kenyan trends (Otieno and Levy 2007), while it is one of the highest in the post-communist region. For example, in 1999, around 21 percent of Lithuanian students financed their own studies (OECD 2002) while only 16 percent of all full-time students enrolled at Hungary's public universities in 2001 were self-financed (Reffy 2003). Other notable parallels between Georgia and Kenya concern how Kenya's self-financed students and broader privatization within public institutions has challenged private higher education, diminishing its share of total enrollment. So, inter-sectoral competition becomes vibrant as private institutions challenge their public counterparts and then reformed privatized public institutions challenge private institutions.

<sup>6</sup> The examples of weak government indirectly spurring public university reform observed in Georgia and other countries in the region runs contrary to most higher education literature on (public sector) reform that tends to associate reform with strong government.

<sup>7</sup> There are several reasons responsible for this. Firstly, not just higher education provisions, but implementation of laws in general had proven to be most enduring setbacks in Georgia of that period. The Education Law, in particular, lacked the depth and detail necessary for a successful application. Secondly, the pressure instigated from public institutional leadership opposing accreditation of public institutions seems to have prevailed over the effective functioning of the accreditation working group. Exploiting their status, some of the most prestigious and well-established institutions opted not to abide in any way by the new regulation and continued awarding their own institutional degrees (Gvishiani and Chapman 2002). The Georgian example of public institutions restricting introduction of the quality assurance mechanism

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stands in stark contrast to post-communist communist experience in which accreditation process was brought into play as an effective means of controlling and regulating private sector expansion. Clearly, it could be employed for thwarting the growth of private institutions, which, in spite of their being poorly endowed and less prestigious, have considerably fostered competition. But it should be remembered that in Georgia, quality is by no means a concern only for private sector. While public institutions still continue to enjoy higher prestige and status, they too have many reasons to fear quality evaluation (Pachuashvili in progress).

<sup>8</sup> The results of the post-2003 revision of licensed higher education institutions are indicative of the previous corrupt practices with relation to the licensing. After passing the new law on higher education and before implementing accreditation procedure, the Ministry of Education carried out validity test of 178 licensed higher education organizations. Only 78 institutions satisfied nominal requirements for material base, space and personnel laid down in the Law on Licensing. The majority of institutions that did not meet the licensing standards were private. It must be noted that new government undertook some resolute measures to curb the corruption from all spheres of public life, including higher education. The World Bank's "Anticorruption in Transition 3" report ranked Georgia among the countries exhibiting the most dramatic improvement in the fight against corruption (the World Bank 2007).

<sup>9</sup> Georgia is a fairly heterogeneous country with only 70% of the ethnic Georgian population, 65% of which are the Georgian Orthodox Christians.

<sup>10</sup> Like most newly-emerged top institutions in post-communist countries, they would thus qualify what Daniel Levy has termed as "semi-elite" (personal communication from Daniel C. Levy, April 11, 2005).

<sup>11</sup> The term **privatization** is used here in connection to institutions that remain public sector organizations but try to diversify sources of funding, which usually involves introducing tuition fees, selling goods and services or encouraging individual and corporate philanthropy. In the broad sense, however, permitting private educational organizations constitutes most complete and evident form of privatization (Jones 1992).

<sup>12</sup> Table 3 below shows that more than 20 percent of students receiving state vouchers opted to study at private universities in 2006.

<sup>13</sup> In relation to the Georgian developments, the term *Delayed Delayed Regulation* has been employed by Daniel Levy. That is, both in the region and beyond it has been common for private institutions to proliferate in an anarchic setting, which usually triggers a reactive action or "delayed regulation" from state authorities. However, as will be shown, in Georgia state reactive action was delayed for an uncommonly long period of time.

<sup>14</sup> Please note that the level of tuition fees is roughly comparable at both sectors in higher education, so there is no financial incentive for students choosing the public alternative.

<sup>15</sup> That *The Tbilisi Technical University* - one of the biggest and most prestigious of Georgia's higher education establishments - did not get accreditation and therefore was not allowed to enroll students for the academic year of 2007/08 is almost scandalous in the Georgian setting, but the change is insignificant statistically.