

## Public-Private Partnerships: Organisational Conformity of Private Higher Education Providers to Meet Market Demands

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### Abstract

This article discusses public-private partnerships in the provision of higher education in South Africa. It does so by briefly tracing the historical development of public-private partnerships in the higher education system of South Africa. The discussion is from the point of view that public-private partnerships are as a result of partner institutions seeking ways to survive by conforming to the demands of the labour market. Such conformist approach largely affects private institutions because they need to survive competition in the free market economy. As such, the 'natural selection model' of the Darwinian Theory of evolution, despite its criticisms and shortfalls within social sciences, is used as the framework for analysis of the developed partnerships typology. Private partner institutions enter into partnerships with public sector institutions because they have identified a demand by the market which public institutions have a difficulty to fulfil. The biggest market demand, which public-private partnerships largely serve, is the mediation of distance education by offering face-to-face tutorials and lectures. However, the objectives of entering into partnerships by partner institutions are usually different from those revealed by analysis of a typology of partnerships. Hence, this article presents a typology of partnerships and analyses it.

### Introduction

The existence of the private sector implies the existence of the public sector. The differences between the two sectors depend on the variables used to define what constitutes public or private sectors, in a particular country. This article shall not revisit the differentiation debates between the two sectors, as they are widely debated by many sociologists, economists (or economic analysts) and even educationists and (for example, Geiger, 1986 and Levy 1986a) and many other analysts who may not be classified within these categories.

While the development of either sector, on one hand, is not necessarily dependent on the other. That is, there may be no causal nexus between the two sectors but parallel development, and most often, unequally. In such cases, the establishment of private institutions are not meant to address any particular demands or gaps in the market, but purely to compete with the existing. On the other hand, causal nexus may exist in the establishment of either sector. Where such nexus exists, the reasons for establishment of the other sector are often due to gaps (perceived or real) or shortfalls experienced by the existing service provider, whether public (state) or private (non-state). For instance, several present day higher education institutions in South Africa were originated by private individuals and/or

entering into partnerships. Sometimes such revelation of objectives is shown to be in contradiction to what partner institutions claim to be their objectives of entering into partnerships. This discussion leads, as a fifth point, to a discussion on what underpins public-private partnerships in the provision of higher education in South Africa. The discussion seeks to interpret the identified objectives for partnerships with the assistance of international literature on the subject. Sixth, the article concludes by revisiting the debate on identified objectives of partnerships and their intended and unintended consequences.

## **Public-Private Partnerships in the Provision of Higher Education in South Africa in Historical Perspective**

In South Africa, the public sector higher education comprises institutions that are established by an Act of parliament; are administered and accountable to the state; are financially subsidised from the state coffers and are expected to conform to the state policies and regulations. The private higher education institutions or providers are those that are established by private individuals, organisations or bodies and are administered privately and accounting to individuals or structures that own or control them. They are financially independent from the state and, therefore, participate freely in the market. Private institutions, as with the private sector industry, have to operate according to the existing laws, policies and state regulations.

As it can be observed, the above distinction of public/private follows the "liberal-economist model" which Weintraub (1997:7) describes as a 'distinction primarily in terms of the distinction between state administration and the market economy'. However, the dimensions of public/private in the South African higher education context, and generally elsewhere (see Weintraub, 1997), are complex than that. Making the dichotomy even more complex are partnerships between these sectors.

Besides the relatively long histories of the stand-alone private higher education sector in South Africa, there is also a long history of partnerships between public and private sector institutions. Using the historiography of private higher education institutions, and the nature of services they have been offering throughout their history as pivot for analysis of resulting types reveals that there are two basic types of private institutions in the South African context. Without assigning the exact time periods in which they existed (or prominent) these shall be aptly called the 'old generation' and 'new generation' private institutions. The resulting partnerships between the 'old generation' private institutions and public institutions and between the 'new generation' private institutions and public institutions are thus termed the 'old generation partnerships' and the 'new generation partnerships' respectively.

### **The 'Old Generation' Private Institutions and Partnerships**

The 'old generation' private institutions largely comprise Professional Institutes, some theological colleges and a few comprehensive correspondence colleges. Their history of establishment and development dates back from the late 19<sup>th</sup> century at the time of the development of mining industry for Professional Institutes and in the early 20<sup>th</sup> century with regard to correspondence colleges (Mabizela, 2001). Some of the major group of 'old generation' private institutions include the Institute of Bankers (IOB) in Southern Africa (established in 1904, Intec College (1906), Lyceum College (1917), Rapid Results College (1928), Success College (1940), Damelin College (1943) and the Apostolic Faith Mission (AFM) Theological College (1950). While it may be argued that these were not higher

The need for wider recognition and closer control over the curriculum led to the next major change ... in 1976 when an affiliation agreement was entered into with Andrews University (located in Berrien Springs in Michigan in the USA), to offer the B.Th (Bachelor of Theology) and BBA (Bachelor of Business Administration) degrees... The escalating cost of post-graduate study overseas precipitated plans to offer such degrees at Helderberg College (College History, <http://www.hbc.ac.za>).

During the explosive establishment and growth of private higher education in the 1990s, many correspondence colleges of the 'old generation' began to offer face-to-face contact higher education programmes alongside their traditional matriculation, technical and vocational courses. Some even began to forge partnerships with foreign transnational higher education institutions.

### **The 'New Generation' Private Institutions/Partnerships**

The inclusion of face-to-face contact provision and incorporation of clear higher education programmes by the 'old generation' private institutions was partly spurred by competition from the 'new generation' private providers. These were more of providers than institutions. The 'new generation' private higher-education institutions came to the scene, roughly, by the late 1980s and were part of the explosive surge of private higher education in South Africa in the early 1990s. They are face-to-face tuition providers. They largely specialise, particularly in business and management subjects. Some have managed to have their own accredited programmes and, on that basis and other requirements, they are officially registered with the Department of Education as higher education institutions in accordance with the Higher Education Act (Act 101 of 1997, as amended) (Department of Education, 1997a).

The 'new generation' partnerships, which are a result of partnerships between the 'new generation' private institutions and public higher education institutions began with private individuals offering tutorials and lectures to, particularly, UNISA students (i.e. students meant to study through distance education). On identifying increasing demand for such tutorials and lectures, the individuals began to establish centres that served this purpose leading to the mushrooming of the phenomenon, especially in the big cities (Mabizela, 2005:2). Some centres developed into private institutions and began to develop their own programmes. Unlike in the 'old generation' partnerships where public institutions initially offered programmes of private institutions, the dominant feature in the 'new generation' partnerships is that private institutions offer programmes owned by public higher education institutions, mainly through franchise agreements. This is the phenomenon that Klijn and Teisman (2000:85) describe as contracting-out rather than being a partnership.

Besides the ensuing competition between the 'old' and 'new generation' partnerships, fuelling the growth of the 'new generation' partnerships was the transformation context of higher education in the 1990s. A few years before the democratic elections of 1994 there was mounting pressure specifically on historically white institutions (HWIs) to adhere to the principles of transformation (see Kaplan, 1994). One way of addressing the transformation imperatives was for these institutions to admit black students, which prior to 1994 the law had barred them from doing so. Some HWIs, especially the Afrikaans institutions, started distance education with a view to increase their enrolments, especially of black students and, indeed, the impact of such enrolments was significant as attested by Bolsmann and Uys (2001:179-80). Partnership agreements with private institutions became a vehicle towards

method to deliver their tuition (DoE, 1996: 160). Concern about the impact of this new phenomenon began to grow, leading to extensive debate on how it should be regulated.

Subsequent to the Constitution and the NCHE report, the White Paper on Higher Education (DoE, 1997b) declared recognition of a relatively well-established private higher education sector, 'offering programmes under franchise from professional institutes or from local and international universities, and in some cases under their own auspices'. The White Paper further declared that the Ministry wishes to avoid the risk of *laissez-faire* proliferation of higher education programmes offered by an increasing range of providers, without benefit of a planning framework and without adequate safeguards to ensure the quality of provision. Furthermore, the policy states that the Ministry recognises that private provision plays an important role in expanding access to higher education, but

The key challenge in expanding the role of private institutions is to create an environment which neither suffocates educationally sound and sustainable private institutions with state over-regulation, nor allows a plethora of poor quality, unsustainable 'fly-by-night' operators into the higher education market (DoE, 1997b).

Indeed, the above wording illustrates how policies influence organisations. The unregulated rapid spread of partnerships became so huge that it could no longer be ignored, prompting the Education Minister to impose a moratorium on new partnerships from February 2000. According to the Council on Higher Education (CHE, 2000: 45), some partnerships could have possible detrimental effects on other public institutions, meaning that some public institutions could be in danger of losing potential students. It, however, recognised that private higher education institutions and their agreements with public institutions could

enable private institutions to contribute to providing access to higher education of quality and meet development needs, on their own, or in responsible partnerships with South African public institutions, CHE (2000:45).

The National Plan for Higher Education, introduced in 2001, lifted the moratorium and declared that the Ministry would not fund student places in partnerships unless such programmes were approved (by the CHE) in the institution's three year rolling plans. In terms of the National Plan, institutions are required to seek approval for introduction of programmes for which state subsidies are not required. Moreover, programmes should meet quality assurance criteria set by the CHE, through its higher education quality assurance committee, the HEQC (Higher Education Quality Committee). Equally, public institutions concerned should take full academic responsibility for partnership programmes and students enjoy all benefits that come with registration at that public institution (DoE, 2001: 66).

The South African Universities' Vice Chancellors Association (SAUVCA now called Higher Education South Africa - HESA) has added its voice. In the face of criticism of member universities, who were perceived to be benefiting excessively from private partnerships, it conducted a study on regulatory issues. From the findings of its study, SAUVCA developed a Code of Conduct for its members. The Code of Conduct aims to ensure protection of students, proper conduct of the universities within partnerships, and ethical methods of marketing programmes and assessing students (Kotecha, 2002: 132).

takes care of adaptation decision-making within organisations, can be used complementary to the natural selection model. Further reading on the resource dependence model can be found in the works of Pfeffer (1987), Finkelstein (1997) and Hillman *et al.* (2000)

The natural selection model in social sciences is largely used by sociologists and analysts of the economic sector organisations, pioneered by Lamarck with Schumpeter and followed by many other analysts including Aldrich and Pfeffer (1976) and Nelson and Winter (1977), who studied environments of organisations over time and the evolutionary nature of innovation, respectively. According to the natural selection model in socio-economic sciences, environmental factors select organisations that best fit the environment for survival (Aldrich and Pfeffer, 1976:79). That is, those organisations that adapt well to prevailing changes in their environments will survive over those that do not. A more detailed definition closely based on the biological definition of natural selection is by Knudsen (2002:452) wherein he defines natural selection as 'differential extinction and proliferation of variations of identity', which cause the 'differential perpetuation of the relevant replicators'. The natural selection model identifies three stages and these are: the occurrence of variations; the selection criteria and retention mechanism (Aldrich and Pfeffer, 1976:81).

The first stage of the natural selection model identifies the 'occurrence of variation' of organisations. In applying that theory to the South African context of higher education system, as outlined above, it means that there is a variation of private providers of higher education alongside the public sector institutions. Throughout their history, the number of institutions in both sectors grew and the form and services they offered have been varied in order to adapt to the prevailing environment. Such varied forms and services are partly responsible for the continued occurrence of variation. This is characteristic to the natural selection model, as identified by Aldrich and Pfeffer (1976:86) that 'organisations may introduce variation into a population by deliberately varying from customary modes of behaviour' and by creation of new ones. Part of such varied services was and still is the formation of partnerships between institutions. This is an observation also made by Aldrich and Pfeffer (1976:87) that 'attempts are made to stabilise relations with other organisations, using tactics ranging from tacit collusion to legal contracts' as a planned response to environment.

The second stage is 'selection', which takes place when an environment differentially selects 'some variations over others or selectively eliminates certain variations' (Aldrich and Pfeffer 1976:81). Eventually, only those institutions that fit the environment will survive. In the analysis of private institutions in South Africa and their adaptation strategies it can be said, therefore, that the demise of Rapid Results College; the failure of Intec College to offer higher education programmes despite the attempts; and the cessation of partnerships by Lyceum and Damelin colleges with public institutions are examples of consequences of 'selection' criteria.

The third and final stage is 'retention', which occurs when certain variations have been positively selected, preserved and duplicated or reproduced (Aldrich and Pfeffer, 1976:81). However, Aldrich and Pfeffer (1976:96) further argue that 'the retention of certain forms does not mean that the form has retained the original function for which it was selected'. This means that the surviving institutions may have undergone changes in its functions as a direct consequence of their changing environment. Such changes may be different to those for which institutions were selected before and which ensure their survival to date. Indeed, as much as Intec College did not succeed, despite the attempts, to offer higher education

higher education and has had partnerships with public institutions. Damelin College has become a major player in the provision of higher education by private sector institutions and has since incorporated face-to-face contact delivery of tuition. Hence, Aldrich and Pfeffer (1976:85) argue that the natural selection model does not only apply to the 'survival or failure of entire organisations but also to the partial modification of structure and activities', while the rest of the structure remains unchanged. The authors observe that organisations 'may almost all survive, but that each has undergone significant internal transformations' (Aldrich and Pfeffer, 1976:85). This observation explains the different forms of survival of the same conditions by the different colleges.

Thirdly, and related to the point above, the presentation of the model suggests that it happens linearly. That is, from the first to the third stage, at which point the state of equilibrium is achieved. Emphasis is not put on the cyclical nature of the natural selection process. That is, those institutions that have survived the third stage, might still find themselves obsolete in future due to the continuous nature of the natural selection process. In essence, all three stages can be found occurring during the same time.

Despite these criticisms of the natural selection model, its application in the analysis of public-private partnerships in the provision of higher education in South Africa is still very relevant.

It is not surprising, though, that the framework theory used to understand public-private partnerships in higher education is largely to be found in the analysis of organisations in the economic field instead of education field. Partly, the reason for using economic analysis framework is because the partnerships under review are established as businesses and, therefore, the fitting theoretical framework is from a business point of view. Indeed, due recognition is given to the few private institutions that operate as not-for-profits, which share the same historical environment with for-profits. Their development has patches of distinctiveness to that of for-profit private institutions, however, the focus is largely on the latter due to their large numbers and therefore dominance. Where essential, especially in the developed typology, the distinction between the two shall be made clear and explicit.

The natural selection model partly helps to explain why private institutions enter into partnerships with public, transnational and other private institutions. It, however, falls short in assisting to explain the nature of public-private partnerships. Below is the presentation of the empirical typology of public-private partnerships in the provision of higher education. It is then followed by further analysis that seeks to interpret and understand the nature of public-private partnerships.

### **A Typology of Public-Private Partnerships in the Provision of Higher Education in South Africa**

In order to understand the wide variety of private institutions and their partnerships with public institutions, it is necessary to develop a typology. Once developed a typology becomes useful in at least two ways: as a tool for research, and as a tool for analysis. Similarly, Jacobs (2000:220-21) argues that a typology aids analysis and its purpose is to reveal the different kinds of structure that combine with different processes within partnerships, and that its value 'is to account for the observable variety of organisational arrangements that bring together public and private-sector organisations'.

partnership students. The main operation of private partner institutions is to offer face-to-face tuition of franchised learning programmes, to the extent that they are often dependant on these franchise agreements for survival. Their facilities tend to be limited to classrooms where tuition is delivered or practical training conducted. Theoretically, private partner institutions in Specialist Partnerships should not be able to register with the Department of Education at the same time as they supply partnership services, because they would be specialising in the same franchised partnerships fields of study.

### *Comprehensive Partnerships*

Private partner institutions that typify Comprehensive Partnerships in this study are sometimes referred to as 'multipurpose providers' (CHE, 2003: 10). They offer a diverse choice of learning programmes drawn from various fields of study, some of which may be franchised from public distance and face-to-face institutions, transnational institutions, professional institutes and various examination boards. Private institutions within Comprehensives strive to develop their own higher education learning programmes alongside franchised ones, thus, they are Comprehensive institutions themselves. They have their own physical facilities to cater for face-to-face provision of tuition, and often invest heavily in creating a campus environment. The facilities may include a library, a computer laboratory, student recreational facilities, classrooms and administration offices. Comprehensive Partnerships' private partner institutions tend to target school leavers. All but one of the twelve Comprehensive Partnerships private partner institutions examined in the empirical study had their own learning programmes that were accredited by the CHE and registered with the Department of Education.

Competition in the private higher education sector has forced Comprehensive private institutions to become more serious about academic excellence, in terms of both the delivery of quality education and academic staff development. As a result, some have ventured into research, academic publications and participation at academic conferences. Not only do these institutions compete vigorously within the private sector, they also regard themselves as competitors to some public higher education institutions.

### *Capacity Development Partnerships*

Private partner institutions within Capacity Development Partnerships are concerned with the development of their disciplines and personnel and, to differing levels, are prepared to invest resources. Generally, the nature of operations within these partnerships is carried out in three ways:

- by convincing public partner institutions to develop the capacity of private partner personnel in various ways, such as curriculum development, lecturing and different components of examination process;
- by training the personnel (or senior students) of public partner institutions, perhaps through in-service training at the private partner institutions; and
- by recruiting and training school leavers.

The general purpose of such training and development is to increase expertise (quantity) and to improve the level of competency (quality) within private partner institutions. The credibility of Capacity Development Partnerships depends both on the capacity development of private partner personnel and the internship services for public partner students, because

roughly equivalent to the 'old generation' of private institutions and 'wave III' equivalent to the 'new generation'. The 'old generation' mainly comprises not-for-profit, university level institutions while the 'new generation' is dominated by for-profit and non-university higher education providers. The 'new generation' private institutions, as it occurs in many developing countries with mushrooming private institutions, is generally demand absorbing and largely for-profit (see Levy 2003:20).

Furthermore, Geiger (1986) identifies a typology of "mass", "parallel" and "peripheral" private HE sectors. This typology is developed on the basis of roles that private sectors fulfil in a country and in relation to public sector institutions.

It has been consistently observed internationally that the dichotomy between public and private sectors continues to be blurred because the public sector tends to adopt private sector tendencies and the private sector organisations are becoming more like public sector institutions (see, for example Altbach, 1996; Larkin, 1994 and Pring, 1987). In fact, the objective of getting private sector enterprises contributing resources to the education system that is largely offered by the public sector is itself seen as another form of privatisation of public sector institutions (Pring, 1987; Psacharopoulos, 1991 and Teixeira and Amaral, 2001). The diversification of sources of funding, in particular, is an important condition for institutional innovation which partly determines the survival of private sector institutions and has now been adopted by public sector institutions in competitive environments (see Shils, 1997:149).

The exchange or blurring of traditional roles that define the publicness or privateness of the two sectors is sometimes formalised in their partnerships. These partnerships are sometimes referred to as the third sector (Larkin, 1994:7). Stephenson (1991:111) argues that public-private partnerships are a way of attaining and, hopefully institutionalising, the participation of the private sector in the market-driven economy in which public sector is also expected to participate. Indeed, partnerships can also be three-way or more wherein the public sector, the private sector and independent organisations (such as universities, local communities, non-governmental organisations, transnational bodies, etc) become involved in a project or programme.

In a study of organisation, practices and functioning of fifteen private higher education institutions in South Africa, Kruss (2004: 113-6) identifies two sub-sectors, each with two forms. These are the 'mobility' sector (with 'international' and 'local' mobility) and the 'credentials' sector (with 'specialised occupational credentials' and 'specialised corporate credentials'). Kruss's typology reflects the functions that institutions purport to fulfil.

The above typologies only focus on private institutions and not on partnerships. A few authors internationally have ventured into developing a typology of public-private partnerships. Linder (2000: 23) developed six types – partnership as management reform, partnership as moral regeneration, partnership as risk shifting, partnership as restructuring public service, and partnership as power sharing. Linder's typology is based on theoretical claims about the purpose of partnership. It, however, shows the nature of functions each partnership is intended to perform.

Menendez (2003) developed a typology of public-private partnerships in relation to Science, Technology and Innovation (STI) policies and strategies in Spain. This typology is based



win the trust of potential students. Public institutions needed to reflect compliance with the transformation agenda. Thus, from the point of view of both the private and public sector education institutions, partnerships grew spontaneously because of a demand and transformation as Pampallis (2004:424) observes, not because of 'any ideological attachment to neo-liberalism or to a belief in the superiority of the private sector in delivering public services' or ensuring efficient delivery or power sharing (see also Linder, 2000:31). However, Stephenson (1991) is critical and cautions about such perceived efficiency supposedly brought about by the involvement of the private sector.

At the time when the 'old generation' partnerships began there was a prominent demand for training of qualified professional for orientation of the demands of the labour market. This is the reason why during that period there were many professional institutes that mushroomed. Thus the partnerships that were prominent were between professional institutes and public sector institutions and were not based on financial profiteering by either of the partners.

There is a diverse way by which private partner institutions use or benefit from partnerships, while continuing to conform to the demands of the market. These diverse ways, which find expression in partnerships, result in the typology presented above. The typology suggests that private partner institutions perform the following functions

- To provide administrative services mainly on behalf of public face-to-face institutions that venture into distance education, hence Service Partnerships. Face-to-face public institutions are not designed to offer distance education hence they need the services of private sector institutions that are experienced in distance education.
- To mediate distance education provided by public institutions by offering face-to-face tutorials and/or lectures. The students are registered with public distance education institutions. Other than this mediation, there is not clear value addition provided by private partner institutions to the development of programmes or curriculum.

In turn, partnerships offer

- legitimacy to the operations of private institutions because they become associated with established public institutions. Such legitimacy helps private institutions to gain recognition from potential students and the government. Such is the case with Comprehensives. They are not dependant on partnerships for survival.
- Development of capacity of private partner institutions by tapping from the experience of public institutions. This is, however, on a very small scale relative to other partnership types.
- Access to students who would otherwise have a difficulty accessing higher education. This is also on a very small scale.

I suppose the sourcing out arrangement as defined by Klijn and Tesman (2000) entails that partner private institutions do not perform any duties regarding the development of study materials but only get involved in the distribution of learning packages to distance education students of public face-to-face partner institutions. This is the case with Service Partnerships. So, many of what are classified as partnerships in this study are actually outsource arrangements between public and private institutions.

The majority of private providers of higher education in South Africa are for-profit and, therefore, behave as businesses. Certainly, their underlying motive for entering into

possible; seeking of legitimacy by private partner institutions (by association with established and reputable public institutions) and the flexibility to offer education that is not bound by time and place. These are what really shape private institutions and the nature of partnerships they enter into with public higher education institutions; transnational institutions and other private institutions.

The danger of traditional public services offered by private for-profit institutions lies with the fact that the latter concentrate on the profitability of the service rather than articulation of values. It is doubtful if in the majority of public-private partnership studied that the public sector partners do assume this role of being guardians of social ethics and values. This is because a number of public partner institutions are also driven into partnerships by a need to make money.

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<sup>1</sup> When referring to the private sector, the terms institutions and providers are used interchangeable because they both define the nature of private institutions, especially those in the partnerships in South Africa. A simple logic followed is that providers do not necessarily have to be institutions (e.g. individuals can be providers of education), while (private) institutions serve as providers as well being institutions.

<sup>2</sup> The word provision in this article is used to mean delivery of higher education.

<sup>3</sup> The Council on Higher Education is a statutory body established to advise the Minister of Education as well as accredit institutions and learning programmes at higher education level, among other duties.

<sup>4</sup> The partnerships between the old generation private partner institutions and public higher education institutions under this type have since been terminated. This was as a direct result of the Department of Education policy that came into effect in 2001.