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From issue: **Higher Education and Competitiveness** (Summer 2014)

■ AQ FEATURE

Higher Ed: Private Investors Get Into the Game

BY [Gabriel Sánchez Zimny](#)

Investment in high-tech, higher ed.

The combination of sustained economic growth in Latin America, a region-wide expansion of the middle class, and a newly competitive business environment has boosted demand for quality education, and stoked desires for alternatives.

The alternatives are coming from a slew of new and lower-cost online courses. This innovation has produced a wave of private investment in Latin American education in the past decade. Laureate Education, for example, led by Doug Becker, who also founded Sylvan Learning Systems in the United States, is a leading global provider of higher education. Since its first Latin American acquisition in 2000, Laureate has been rapidly expanding in the region and now owns 29 schools in Mexico, Honduras, Panama, Costa Rica, Peru, Brazil, and Chile. In fact, Latin America is Laureate's largest market, and just one of its universities—the *Universidad del Valle de México*—counts 120,000 students on 37 campuses.



Douglas L. Becker, chairman and CEO of Laureate Education, at the Latin America Clinton Global Initiative in Rio de Janeiro. Photo courtesy of Dado Galdieri/Bloomberg/Getty.

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Another leader in private higher education is the Whitney International University System, founded by Randy Best. With \$400 million in revenues and over 200,000 students in Argentina, Brazil, Chile, Colombia, Costa Rica, Panama, and Paraguay, Whitney offers accredited post-secondary degrees through its distance learning software. In 2009, DeVry Inc., a publicly traded for-profit that provides higher education services around the world, acquired 82 percent of *Fanor*, a university in northeastern Brazil with some 10,000 students. And now, even private equity investors

are getting into the act. Linzor Capital, which operates in Chile, Argentina, Mexico, and Colombia, entered the education market in 2009 by gaining a majority stake in the *Universidad de Santo Tomás de Aquino*, Chile's oldest private university.

Apart from the major firms, a new group of entrepreneurs is also getting involved on the ground floor. David Stofenmacher, for example, founded UTEL, an online university in Mexico with more than 9,000 students. UTEL offers BA, MA and PhD degree courses in management, IT, marketing, industrial and computer engineering, and accounting, among other subjects. Dionisio Garza of Mexico led the expansion of the *Universidad Regiomontana*, a private institute in Monterrey that offers undergraduate and graduate coursework in business, architecture, engineering, and social sciences. Julio Noriega of Peru is bringing investors into the technical and vocational sectors with *Instituto Peruano Alemán*. And in Brazil, Carlos Souza has replicated the Massive Open Online Course (MOOC) model that has seen success in the U.S., with popular online course offerings at Wharton and Stanford business schools. Souza's version of this is known as *Veduca*, an online coursework platform with 3 million visits since its launch in March 2012 and \$1.3 million in outside investment.

Will this movement make a noticeable impact in the region's access to education? Latin America has over 100 million students in hundreds of thousands of schools spread across highly fragmented systems. Across the region, barely 20 percent of adults over 25 have any university education and less than 10 percent have completed higher studies. Chile leads the region, enrolling over half of its youth in higher education, although only 20 percent actually graduate.

The regional power-houses fare even worse. Mexico has a higher education enrollment rate of just 32 percent, although that is up dramatically from 15 percent in 1991. In Brazil, more than half the enrolled students drop out before finishing, and only 11 percent have completed a higher ed degree.

Private sector online education may help provide a measure of access to students, young and old, who have historically been outside the tertiary educational system. A larger issue, however, is the quality of the education provided by these for-profit online courses or even degrees. A key problem is the existence of high barriers to entry for new competition, among them an outdated approach to accreditation. Accreditation in Latin America is extremely complex, generally dominated by established universities, and tied to traditional measures of educational infrastructure, making the approval of new entrants unnecessarily difficult. Establishing a more flexible, modern standard for accrediting these new schools and courses, while still ensuring quality control, will be essential for the region to meet both popular and labor market demands.

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