

Conclusions

Despite recent increases, enrollment rates remain low in several developing regions, and the quality of education lags considerably behind that in developed countries. Given market failures and equity considerations in many countries, the public sector continues to be an important player in providing education services. However, increasing access, equity, and achievement in education in developing countries will require innovative programs and initiatives from the private sector as well as public resources and leadership. One form of public-private partnership (PPP) that has been tried in education and other sectors involves the government contracting with private organizations to provide a specified service of a defined quantity and quality at an agreed price for a specific period of time. When central and local governments provide the finance for education services but contract out the actual provision of those services to the private sector, this can help to improve the quality of education and rapidly expand access to schooling, especially for under-served parts of the population.

Nevertheless, PPPs are a controversial subject. Some studies suggest that this arrangement can lead to students being segregated by income level and academic achievement, with no improvement in average academic achievement. Other studies suggest that, in large-scale voucher programs, the positive effects of competition benefit only high-achieving students and that not all parents choose their children's schools based only on academic criteria. While private participation in primary and secondary education has increased significantly over the last two decades in various forms of contracting models, there is not

enough rigorous research on the effects of contracting in education to be able to draw many definite conclusions at this time.

A framework for understanding public-private partnerships in education

For education services to be provided successfully, all participants—citizens, service providers, and governments—should be held accountable. Contracting in education can improve service delivery by clearly assigning responsibilities among these actors, identifying objectives and outputs, gathering information on the performance of the partnership in order to assess its progress, and ensuring enforceability of the contracts.

Many forms of contracting are currently used in education in developing countries. Some governments buy the services involved in producing education (inputs), such as teacher training, management, curriculum design, or the use of a school facility from private organizations. Other governments contract with private organizations to manage and operate public schools (processes), including all of the activities involved in the education process. Some other governments contract with private organizations to provide education to specific students (outputs). The challenges and potential benefits of contracting for services that are inputs, processes, or outputs are very different. There are seven main forms of contracts:

- *Management services.* Weak school management is a common constraint to improving public school performance. To address it, some governments have brought in private organizations to



manage public schools. Management contracts can entail the private organization managing a single school or an entire school district. Its responsibilities usually fall into four categories: financial management, staff management, long-term planning, and leadership. Nonmanagerial personnel usually remain as public sector employees.

- *Support services.* Noninstructional activities, including maintenance, student transportation, and school meals, are often very costly for public schools. Policymakers in many countries have contracted out these kinds of support services to increase cost-effectiveness and free up resources and time so that school staff can focus on the learning process. Usually, governments tender contracts that cover multiple schools so that contract management expertise can be developed in a single place and so that the contracts are large enough to attract many bidders.
- *Professional services.* Contracting out professional services such as teacher training, the provision of textbooks, curriculum design, and quality certification of schools is straightforward and usually effective. Its main advantage is that it brings private providers' expertise to bear on public education. The content and oversight of contracts are critical when buying inputs. Simple input services are relatively easy to specify in contractual terms, and the performance of the contractors can also be conveniently monitored. Also, because there are almost always many potential providers, contractors must be competitive to be awarded a contract, and the government can credibly threaten cancellation if the provider's performance is not up to par. Another advantage is that economies of scale can often be achieved because one organization can deliver these input services to multiple schools under many contracts.
- *Operational services.* In some countries, the government contracts with private organizations to operate public schools. In these operational contracts, private agencies both manage and staff the public school. The aims of these initiatives are usually to free schools from public service constraints, give them autonomy, and to harness the interest and knowledge of parents and other community members to improve the oversight of the school. In many cases, the local community also contributes to the construction, upkeep, or improvement of school facilities.
- *Education services.* Instead of engaging a private entity to operate a public school, some governments pay for students to enroll in private schools, thus, in essence, buying outputs. By enrolling students in existing private schools, governments can quickly expand access without having to spend the money to build and equip new schools. Other governments pay for students to access specialized services in the private sector, such as alternative education not available in the public sector. When governments contract for education services, they are underwriting individual student enrollment by means of vouchers, scholarships, or per pupil subsidies, all of which make it possible to target benefits to specific students and groups.
- *Facility availability.* Governments have tried to mobilize private investment in needed capital stock in many different sectors, including education. Contracting for the provision of school facilities is appealing because it relieves governments of having to provide capital up front and all at once. Contracting for the private finance and construction of facilities allows the government to pay for these capital investments over the term of the contract instead of all at once.
- *Facility availability and education services.* Sometimes, governments contract with the same private firm not only to build the facility but also to undertake all of the activities associated with delivering education and related services. In these cases, the government simultaneously implements two forms of contract with the same operator—a contract for facility financing, development, and availability and a long-term contract

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for providing education services. The rationale cited most often for this form of dual contracting is to obtain necessary capital investment while giving the contractor a big incentive to organize and deliver services as efficiently as possible. The efficiency gains that the private organization can capture from both constructing and operating the schools may make up for the potentially high costs of borrowing.

International experiences of using public-private partnerships to fund existing private schools

Many governments around the world have been exploring different ways to involve the private sector in providing education, including vouchers, subsidies, capitation grants, stipends, and contracts. In addition, demand-side mechanisms such as vouchers have the advantage of promoting parental choice, school competition, and accountability. The idea is that parents choose the best school for their children on the grounds of quality, which in turn puts pressure on schools to compete to attract students and to achieve better academic results at a lower cost.

The most common type of partnership is where the government funds existing private schools, mainly to increase access to education but also to enhance quality by enabling poor students to attend better-performing private schools and to increase school competition to promote efficiency. Governments are increasingly recognizing that PPPs have a useful role to play in education and are developing institutions, funding mechanisms, and regulatory frameworks to leverage private capacity and expertise to enhance public education.

Countries lie on a continuum in the extent to which they are using PPPs. This continuum ranges from those countries in which education is provided only by the public sector to those in which it is largely publicly funded but privately provided. Countries in which the government is fully responsible for education and related services and assumes all regulatory and financing functions have no PPP environment. Countries that allow private schools

to operate within a centrally determined regulatory framework but provide them with no funding from the public budget can be described as having a “nascent” PPP environment. Countries where the government subsidizes private schools can be described as having an “emerging” PPP environment. A “moderate” PPP environment is evident in those countries where the government enters into contracts with private schools that requires them (and pays them per pupil) to educate a specified number of students for a specified length of time. In countries with an “engaged” PPP environment, private organizations sign an agreement with the government to manage and operate public schools in exchange for payment from the public budget. In the strongest or “integral” PPP environment, the public sector funds private schools by providing students with vouchers that will pay for their education at whatever school they choose to attend, thus encouraging student choice and school competition (see figure 2.1 in chapter 2).

Some governments have used universal voucher programs to increase access to high-quality schooling and to make schools more diverse. Several high-income countries have school financing systems that use vouchers or similar mechanisms, including Belgium, the Czech Republic, Denmark, Ireland, the Netherlands, and Sweden. Prominent features of voucher systems include the following characteristics:

- Funding is based on expressed demand by parents.
- All private schools share the risk that without students they will have to close.
- Private schools are diverse and innovative.
- Parents and students can freely choose between public and private schools.
- Finance and provision are separate.
- All schools must comply with education standards defined by the central government.

Developing countries have begun to recognize the important role that private schools can play in increasing access and improving the quality of education through competition. Several countries subsidize private schools, mostly faith-based



nonprofit organizations, either by funding school inputs (such as teachers' salaries and textbooks) or through per pupil grants. The governments of The Gambia, Mauritius, Tanzania, and Uganda have formed alliances with private schools to deliver education. Recently, as a result of the drive towards universal primary education, there has been more demand for education than the public education systems in many countries can handle. This problem, coupled with limited public funding, has resulted in a growth in the number of private low-cost schools that cater to low-income students.

Experience with PPPs across the world has shown the importance of: (i) strengthening the capacity of public education agencies to regulate, monitor, and contract with private schools; (ii) building the capacity of private providers to deliver high-quality education by giving them more access to capital and technical assistance to help them to improve their educational and management practices; and (iii) creating institutions to implement PPPs and to guarantee access to information about educational outcomes of schools.

Targeting voucher programs to underserved populations (such as girls and disadvantaged, hard to reach, and minority students) can increase equity in access to schooling and in eventual educational achievement. A program in Bangladesh that gave stipends to girls substantially increased girls' enrollment. A similar program in Pakistan helped to solve the under-supply of education services in urban areas by encouraging new private schools to open. Another way to target is to use funding formulas that favor students from lower-income families. For instance, in South Africa, the government categorizes public and private schools on the basis of their relative poverty level and provides them with subsidies based on the level of tuition and other fees that they require their students to pay. As a result, the poorest schools receive the highest subsidies.

Contracts to provide education services are another kind of PPP in which the public sector contracts with private providers to educate a specific number of students in exchange for a per pupil payment. These

contracts differ from voucher-like programs in that they introduce a risk-sharing element. The public and private sectors face the same risk of financial loss for noncompliance and share the same incentives to improve their performance.

Governments can contract with NGOs to provide professional and support services to public and private schools that cater to low-income students. For example, in some situations, the capacity of the public sector to deliver high-quality education is compromised by a lack of knowledge about effective pedagogical practices. PPPs enable governments to introduce into public schools education methods that have proven to be effective in private schools by contracting with private agencies to provide teacher training, curriculum design, textbooks, and supplemental services. In Colombia, the government contracts with the Escuela Nueva Foundation to train rural schoolteachers, distribute textbooks, update curricula, and provide technical assistance to rural schools.

Governments can also contract with private organizations to take over the operation of entire schools, including teaching, management, finance and staffing, support services, and building maintenance. Schools that are publicly funded but privately managed have the potential to improve quality and increase efficiency because they have more autonomy than traditional public schools, which means that they are subject to fewer constraints such as bureaucratic requirements and pressure from teachers' unions. In addition, in schools that are publicly funded but privately managed, decisions about school management are made at a level that is closer to the beneficiary than in other schools. When governments make such operation contracts with private organizations, they are leveraging not only the organization's expertise, but also its innovative instructional and management practices. Publicly funded private schools can transform the education system from the outset, simply by providing a wider range of schooling alternatives. Moreover, because they must offer free education, they provide additional places for students who are traditionally underserved.



The United States has a highly decentralized education system and an active capital market that invests in for-profit education management organizations and institutions that channel funds to education businesses. Consequently, the United States is the country with the most experience with contracting for the private operation of public schools. There are two types of private management of schools in the United States—education management organizations and charter schools. Other countries are following suit. The government of Qatar introduced the independent school program in 2004 as part of an overarching decentralization reform; the management of all public schools will be transferred to independent operators by 2011 in order to promote accountability and improve academic performance. Latin America has two examples of privately managed public schools. The first one is Venezuela's Fe y Alegría Network, which provides free education to poor communities in underserved areas and receives funding from the government through an agreement between the Ministry of Education and the Venezuelan Association of Catholic Education. Fe y Alegría schools account for 8 percent of total enrollments in Venezuela. In Colombia, the concession model was created in 1999 to provide high-quality education to low-income students. Concession school operators are private schools or universities that have excellent academic performance records.

Contracting out school operations can replicate and scale up successful practices to bring them within reach of more students. The World Bank's *World Development Report 2004* identifies a lack of systematic learning from innovation and insufficient replication of successful practices as problems at the basic education level. Two additional ways to give schools an incentive to improve their outputs are to allow the most competent operators to manage more schools and to standardize good practices based on either on local research or proven examples of success on the ground.

Publicly funded private schools lead to innovation and experimentation because they have autonomy over the selection and

implementation of their educational strategies. Also, contracts for operational service attract a wide range of different kinds of private providers, which means that the supply of education becomes more diversified. Colombia, Qatar, and the United States have explicitly created incentives to attract high-performing or specialized education organizations to drive up the overall quality of the education provided in those countries. In Colombia, bidders to run concession schools had to show that they already operated education institutions that had scored above the average on national examinations. Qatar allowed international operators to bid to run schools and allowed providers to make a reasonable profit as an incentive to attract bidders.

In many of the PPP models, decision-making power over school management is transferred to the school itself, which makes the provider much more immediately accountable to the user of the service (parents, students, and local communities) and which tends to lead swiftly to increased efficiencies in inputs and improvements in service. Although privately operated public schools spend less money per pupil than public schools do, they are more successful in raising their students' academic achievement. One reason for this is that they have more autonomy than public schools to make decisions about pedagogical methods and the management of their financial and human resources. Although the concept of a charter school requires open enrollment and free education, these schools are allowed to tailor their curricula to target specific populations, such as likely dropouts or students with a particular academic interest.

The United Kingdom's private finance initiative model allows private consortiums and public authorities to become partners with the government in the construction and maintenance of education facilities. This kind of initiative has been accompanied by a substantial growth in the global pool of capital available for investment in infrastructure. Infrastructure funds manage an estimated \$133 billion, 77 percent of which was raised between 2006 and 2007 (Palter, Walder, and Westlake 2008). This



model has now spread from the United Kingdom to several European countries as well as Australia, Canada, and Egypt.

What do we know about public-private partnerships in education?

Increasing the private sector's role in education through PPPs can have several benefits over traditional public delivery of education, including greater efficiency, increased choice, and wider access to government services, particularly for people who are poorly served by traditional schools. Increased private involvement in education, through contracting or vouchers, may also increase the expertise and capacity of the education sector and has the advantage of avoiding the operating restrictions faced by traditional public schools, such as inflexible salary scales and work rules.

The main goals that governments hope to achieve by contracting with the private sector in education are to increase enrollment, improve educational outcomes (such as standardized tests scores and dropout rates), and widen access to education for low-income families. They also hope to reduce the costs of providing education while increasing its cost-effectiveness.

This book has assessed the strengths of four types of contracts—vouchers, subsidies, private management, and private finance initiatives—in the context of four main objectives—increasing enrollment, improving education outcomes, reducing inequality, and reducing costs. In terms of enrollment, vouchers and subsidies can deliver very strong results, as long as the private supply is adequate. However, these contracts may cause students to desert public schools for better-performing private schools. Private management and private finance initiatives presumably require large initial capital investment in the construction of schools, which in turn may limit their ability to produce substantial changes in enrollments. Vouchers, subsidies, and private contracts can have strong links with education outcomes. In contrast, private finance initiatives' power to influence education outcomes is small.

The main challenge involved in evaluating contracting programs is the problem of

endogeneity, which typically arises because of self-selection. The challenge is to build the right comparison group, whose data can be compared with those involved in the contracts to judge the program's effectiveness. This challenge exists in the case of all impact evaluations of any kind, but in education it is exacerbated by the fact that self-selection comes from two sources—schools and students. For instance, in subsidy programs, schools first decide whether to apply for the subsidy and then students decide which school to attend, based partly on whether the school receives a subsidy or not. There are six empirical strategies that can be used to overcome endogeneity—randomization, regression discontinuity analysis, instrumental variables, Heckman correction models, difference in difference estimators, and propensity score-matching (see appendix B).

Although only very few empirical studies of the impact of PPPs exist, it is possible to draw some useful lessons about the feasibility of certain contracts. It seems that the private management of public schools has had a positive impact on student test scores. Less is known, however, about what exactly it is about charter and concession schools that make them perform better than other schools.

Most studies have shown that the private management of public schools is effective in a range of respects. The body of evaluation evidence on charter schools in the United States has grown substantially in recent years. This research has found that, initially, students in charter schools seem to score lower than their peers in public schools on standardized tests, but after a period of time (usually three years), their scores increase to levels similar to those of their public school peers. Evidence from randomized interventions from Chicago has shown that the positive effects of a charter school education on test scores are concentrated in the early grades. Studies of Colombia and Venezuela similarly concluded that privately managed schools tend to yield higher test scores than public institutions for students at the end of their basic education. These two studies used propensity score matching estimators with only

limited data, and, therefore, their results should only be used with care.

Vouchers are associated with much controversy. Several countries allow parents to choose to send their children to any school, provide public funding for private and religious schools, and allocate resources to schools based on their enrollment rates—in short, voucher-like systems. Some of these systems are more than 100 years old, such as those in Denmark and the Netherlands, while others are more recent, such as those in Chile and Sweden. Colombia's targeted program has been the subject of extensive analysis because of its randomized design. Colombia's program is well targeted, effective, and efficient. It provided quality education to more than 125,000 students at a lower cost than public schools did, and much of this positive effect has been shown to be a result of competition. On the other hand, the evaluation evidence of the voucher reform of 1981 in Chile is mixed. While some studies found the reform to have had positive effects, others have challenged these findings as having problems of selection bias and a lack of adequate instruments. Furthermore, for many years following the voucher reform, overall school quality in Chile did not improve. Things have been changing more recently, as there have been rapid increases in test scores. In general, in most universal voucher programs in Europe, the availability of school choice has led to a more competitive schools market, and in most cases this competition has led to better outcomes overall, as would be predicted by theory. Nevertheless, there is much to learn about school choice and vouchers.

Two types of PPPs on which much more research effort is needed are subsidies (public funds given to private schools) and private finance initiatives (long-term government contracts with private partners to provide school infrastructure). However, neither the lack of evidence in one area nor the positive results in another are reasons to ignore PPPs or to embark on a large-scale expansion. Such programs should be piloted and rigorously evaluated in different settings, and this study provides guidance on how to conduct better evaluations in these important areas.

The empirical literature on vouchers is large and technically strong. The evidence on the other three types of contracts—subsidies, private management, and private finance initiatives—is less abundant, with the evidence on the impact of private management mainly consisting of the charter school literature in the United States. Therefore, more research on the relationship between PPPs and education outcomes is urgently needed. Future evaluations of PPP models need to be rigorously designed from the outset.

Improving education policy and regulatory frameworks

Some policy changes can provide an enabling policy and regulatory frameworks for private schools in developing countries. Such a framework would create the conditions under which private schools can operate effectively and efficiently, while ensuring that education is still of high quality.

Provide a sound basis for the private school sector. In many countries, the current climate in the education sector is hostile to private providers of education, particularly those that are for-profit. Some governments do not allow any for-profit schools to be opened at all, while others try to limit or tax any surpluses that they may make. However, once governments recognize the benefits that private education can yield to the sector as a whole, they can start by adopting a policy that clearly welcomes private providers and encourages them to establish new schools or universities. Ideally, this policy statement would define the place of private providers in the national long-term education strategy to give potential investors and partners the confidence to invest.

Consider allowing private schools to set their own tuition and other fees. Many countries and jurisdictions, including Ghana, India, the Sindh province of Pakistan, the Philippines, and Vietnam, limit the tuition and fees that private schools can charge, require that they consult the governments about any increases, or regulate the distribution of tuition fees. These restrictions do not encourage private providers to get involved in increasing the supply of education. If, instead, governments allowed

private schools to set their own fees, this would give private providers an incentive to invest in the education sector.

Consider allowing both not-for-profit and for-profit schools to operate. Several governments restrict the extent to which for-profit providers can operate in the education sector or limit the funding for not-for-profit private schools. However, this bias against for-profit provision is not universal. Private for-profit schools are growing in many countries. While private schools are often seen as catering solely to the wealthy, the reality is that for-profit schools provide a significant number of places to the poor. Private for-profit schools come in a variety of forms, including single owner-operated schools, chains that operate a large number of schools, and education management organizations, such as Edison Schools. For-profit schools serve the full range of communities, including elite families, middle-income families, and the poor.

Promote and facilitate foreign direct investment in education. Foreign direct investment in education is small but growing in developed countries, developing economies, and transition economies. In 2005, foreign direct investment in education globally was nearly \$3.5 billion, up from just \$86 million in 1990 and \$401 million in 2002, and most of this investment has been in developed countries. However, foreign direct investment in education remains smaller than in other sectors of the economy. In 2007, it accounted for less than 0.1 percent of foreign direct investment in the service sector. Therefore, there is scope for governments of developing countries to promote and facilitate foreign direct investment in their education systems.

Establish clear and objective establishment criteria and streamline processes for registering private schools. Many countries limit the scope for new providers to enter the education marketplace. Many of these regulations are aimed at protecting consumers, which is a laudable objective. Establishing minimum standards can help to ensure the quality and safety of private sector provision while still protecting consumers from unscrupulous operators. However, poorly designed registration criteria for private

schools often have the opposite impact of what is intended. Rather than increasing access, improving quality, and making schools safer, overly restrictive registration criteria, long and convoluted school registration processes, and onerous mandatory regulations can deter potential providers or increase their costs so much that the schools become unaffordable. Alternatively, such regulation may push schools to operate outside the law as unregistered or clandestine providers, meaning that the government would have fewer ways to protect consumers. This can impose costs on consumers, and invariably these costs will fall disproportionately on the poor, who have fewer education options. In particular, governments can ensure that school registration criteria are

- realistic and achievable, while meeting policy goals efficiently and effectively;
- objective and measurable, to minimize discretion and limit scope for corruption;
- transparent and available to prospective private school entrants;
- output-focused to allow for flexible and diverse delivery approaches;
- applied consistently across various levels of government.

Give subsidies to the private school sector. In addition to providing general investment incentives, governments can encourage private investment in education by offering monetary or in-kind subsidies to private schools. These subsidies can be given up front, for example, as free or discounted land, establishment grants, or education infrastructure. Land can be especially important in urban areas where it is expensive. Governments can also encourage private investment by facilitating work visas for foreign teachers, management, and technical staff. It is important to ensure that private schools have sustainable funding to underwrite their effective operation and to minimize corruption in the delivery of services. Broadly speaking, governments should preside over school funding systems that are integrated, neutral, responsive to the changing needs of schools, and targeted to low-income families. Ideally, the

funding system should have the following characteristics:

- Public and private schools should be funded within the same system.
- Demand-side financing techniques should be used where necessary.
- Funding for schools should be targeted to factors that pose barriers.
- The criteria for receiving funding need to be transparent, publicly available, and easily understood.

Ensure that PPP contracts are flexible enough for private providers. The key to implementing successful PPPs is ensuring that the private partners are given considerable flexibility in terms of how they deliver the service for which they are being contracted. The government should spell out its required outputs and performance standards and set penalties for failing to achieve them and rewards for achieving them, but thereafter, they should leave providers to decide for themselves how best to deliver the required outputs to the specified standard. Providers must have as much management freedom as possible, especially in staffing and employment and budget allocations as well as over the curriculum.

Improve information flows and establish an effective quality assurance system. A key weakness in many countries is the lack of available information on the private education market. This is especially important given the growth of private education in many countries and the wide variations in price and quality. Many countries have only limited information on the fees that they charge, the programs that they offer, and the qualifications of their staff. Even the regulatory authorities have little information on either the size or nature of the private school and tertiary education sectors. Some countries publish exam scores on a school-by-school basis (for example, the Philippines and Uganda), while others have found innovative ways to provide consumers with information on the performance of schools and tertiary education institutions. Well-informed consumers and regulators are an important component of any regulatory framework for education. One way to ensure that consumers are kept informed is

for governments to put stringent requirements on education providers to disclose information about their operations. This could be done by

- requiring schools to disclose information to regulators and the general public,
- introducing a system for collecting and disseminating information from schools on a number of specific indicators,
- introducing school reviews to collect information, and
- creating independent review and accrediting agencies.

Implementing education public-private partnerships in developed and developing countries

Good design, while important, is not sufficient to ensure the success of a PPP in education. It must also be effectively and efficiently implemented. Weak implementation of PPPs can expose governments to substantial financial and policy risks, but governments can take several actions to improve the way in which PPPs are implemented.

Employ a transparent, competitive, and multi-stage process for selecting private partners in PPPs. A key element of effective contracting is a transparent and competitive bidding process. Bidding for service delivery contracts such as school management initiatives or private finance initiative contracts should be open to all private organizations, including for-profit and not-for-profit providers. Contracts should be open to any local, national, and international organizations that may wish to bid for the opportunity to operate a public school. The contracting agency should select providers by means of a multi-stage process, and these stages should consist of

- clarifying requirements, including objectives, services, and outcomes;
- developing a procurement strategy and identifying a technically strong procurement team;
- writing the request for proposals;
- inviting expressions of interest;
- conducting contract prequalification checks;

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- interviewing bidders, assessing proposals, and negotiating with a shortlist of bidders;
- selecting the preferred bidder and awarding the contract;
- advertising the result of the selection process;
- commencing the service.

Split the purchaser and provider roles within the education administrative agency. PPPs function better when the education department separates its purchaser role from its provider role. In this situation, the ministry's policy and regulatory functions are kept separate and distinct from its service delivery and compliance functions. If the same government department is responsible for both purchasing and provision (and regulation) of education, there is a risk that it will be biased in favor of public schools because private sector competition can threaten the viability of some public schools.

Build the capacity of the contracting agency. The key to successfully designing and implementing PPPs is to ensure that the government agency responsible for PPPs has the resources, information, and skills needed to design, develop, and manage the complex contracting processes that underlie PPP programs. In particular, the recent shift away from input controls to output-based contracting means that government agencies must develop their capacity to

- assess services to determine when contracting is appropriate;
- design, negotiate, implement, and monitor education service contracts;
- develop legislation that supports a competitive and transparent system;
- develop appropriate quality assurance mechanisms.

Establish appropriate performance measures and include performance incentives and sanctions for failing to perform in PPP contracts. Establishing appropriate performance measures is critical in the design of all contracts. Performance measures are necessary for determining whether the service provider has met the agreed terms and

conditions of the contract. Performance measures are even more important when they are prerequisites in the contract to the provider's compensation. The performance measures and standards in each case must be carefully designed because they can introduce perverse incentives and lead to undesirable outcomes. For example, it is usually desirable to bear in mind the following issues:

- A heavy emphasis on test scores may crowd out focus on other skills.
- Setting measurable outcomes may lead providers to pay too little attention to achieving other desirable outcomes.
- High scores in external tests may provide schools with an incentive to select only strong students.

Develop an effective communications strategy. Efforts to involve the private sector in education often face concerted opposition from rival political parties, labor unions, the media, the public at large, and specific interest groups. Therefore, a crucial component of any PPP in education is an effective, strategic (as opposed to piecemeal or ad hoc) communications strategy, as this can substantially reduce political risk and be an effective way of promoting a PPP initiative.

Introduce a framework for evaluating program outcomes. PPPs should be accompanied by a well-designed, rigorous evaluation. Although a wide range of PPPs exists around the world, there is a lack of rigorous evidence on the impact of these partnerships on academic outcomes and other education indicators. This is especially the true for PPPs outside the United States and for nonvoucher programs.

Recommendations

Where appropriate, PPPs can increase access and improve quality in education by giving students choices and by putting competitive pressures on schools. Public funding of private schools is justified because disadvantaged students will benefit from the opportunity to enroll in schools appropriate for their needs. Nevertheless, ensuring academic quality in this kind of education



system is a persistent challenge. Experience with PPPs in various countries yields the following recommendations:

- *Include output specifications that define performance standards and facilitate the measurement and tracking of quality and school efficiency.* Performance indicators can be quantitative, such as standardized tests or enrollment figures, or qualitative, such as school and parent surveys or school inspections. It is particularly important to include quality indicators that will encourage improvements in the performance of private schools and, equally important, to reinforce them with appropriate supervision.
- *Define operating requirements and performance standards that private schools and operators should follow.* Private schools should meet eligibility criteria to receive public funding (such as infrastructure and staff requirements), follow national curricula, and meet performance benchmarks.
- *Reward innovation and quality improvements.* One way to reward schools is to provide monetary awards for good performance. Conversely, sanctions for poor performance should include the revoking of any subsidies.
- *Help private schools to deliver high-quality education and accompany voucher programs with capacity-building interventions.* Some private schools lack the capacity to improve the quality of the education that they provide because their teachers lack qualifications, the schools lack the resources to buy materials and textbooks, and school management is not aware of the most effective teaching techniques and management processes. Some ways to help build this kind of capacity in private schools include increasing their access to capi-

tal and preferential loans to improve infrastructure and other critical inputs; and providing technical assistance and quality certification to enhance financial management, instructional delivery, and school leadership.

- *Establish a specialized group of authorities to manage PPP programs and the flow of funds from the government to private schools, and to enforce qualifying criteria and regulations.*

The role of the World Bank Group

International organizations can be vital in promoting high-quality private education in several ways. They can provide “early stage” equity and loan capital to finance investments in the private education sector. Private schools sometimes find it difficult to access short-term (five to seven years) investment capital because private equity is generally not interested in such a short time horizon. International lenders can help to increase the attractiveness of the private education sector as an investment target. They can also work with private sector banks to mitigate some of their investment risks. Also, they can increase the capacity of both private banks and the education sector and help countries to create regulatory frameworks that enable the development of private education in developing countries.

The main focus of most education projects supported by international organizations is on improving public sector schools and tertiary education institutions. However, the International Finance Corporation (IFC) also provides financial and technical support to private education projects, including operations that provide education entrepreneurs in Ghana with access to capital, and it has recently launched a microcredit program in Kenya, which targets private school providers and includes a technical assistance facility component.

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