

Introduction

Despite recent increases, enrollment rates remain low in several developing regions. Efficient and equitable access to education is proving to be elusive to many people. Often low-income families, girls, indigenous peoples, and other poor and marginalized groups have only limited access to education. Several Sub-Saharan African and South Asian countries have yet to achieve universal primary coverage, even though enrollment rates across all developing countries increased from 81 percent in 1991 to 86 percent in 2006. The quality of education, as measured by standardized tests, is low and represents a major challenge. The majority of students from those developing countries who participate in international assessments score poorly, and this is the case even in the absence of most low-income countries, which tend not to participate in such assessments.

Given market failures and equity concerns, the public sector remains an important player in providing education services, but making high-quality education accessible for all in developing countries requires innovative programs and initiatives in addition to public resources and leadership. There are ways in which the public and private sectors can join together to complement each other's strengths in providing education services and helping developing countries to meet the Millennium Development Goals for education and to improve learning outcomes. These public-private partnerships (PPPs) can even be tailored and targeted specifically to meet the needs of low-income communities.

The concept of a public-private partnership (PPP) recognizes the existence of alternative options for providing education

services besides public finance and public delivery. Although there are many forms of PPPs, including partnerships where private organizations support the education sector through philanthropic activities and high-engagement ventures, this study examines PPPs in which the government guides policy and provides financing while the private sector delivers education services to students. In particular, governments contract out private providers to supply a specified service of a defined quantity and quality at an agreed price for a specific period of time. These contracts contain rewards and sanctions for nonperformance and include situations in which the private sector shares the financial risk in the delivery of public services.

This partial definition covers several types of contracts, depending on the specific services provided. The contracts vary in their degree of complexity. For education, the services provided can range from the construction, management, or maintenance of infrastructure (often referred to as a private finance initiative) to the provision of education services and operations, as in voucher schemes or charter schools.

Building on previous work, the international literature, the results of recently completed and ongoing impact evaluations, and the *World Development Report 2004* (World Bank 2003a) framework, this book presents a conceptualization of the issues related to PPPs, a detailed review of studies with rigorous evaluations, and guidelines on how to create successful PPPs in education. The World Bank has been involved in exploring the private sector's participation in the provision of public goods for several years (see Bell 1995 for a general overview).



PPPs have been studied in depth in health (World Bank 2003b; Harding 2002) and in education (Jallade 1973; Blomqvist and Jimenez 1989; Lockheed and van Eeghen 1998; James 1993; LaRocque and Patrinos 2006; World Bank 2006). Recent contributions to the literature are the proceedings from a conference jointly organized by the World Bank and Harvard University in 2005 (Chakrabarti and Peterson 2008; Patrinos and Sosale, 2007). Also, the World Bank held a follow-up international conference on PPPs in 2007 where six rigorous studies of PPPs in education were presented.

This book shows how PPPs can facilitate service delivery and lead to additional financing for the education sector as well as expand equitable access and improve learning outcomes. It goes on to discuss the best way to set up these arrangements. A wide range of education contracting models exists, and all of them have the potential to improve the education system. However, few existing programs have been evaluated, and too few of these evaluations

are rigorous. Nevertheless, it is possible to glean some information about promising approaches from a careful review of the existing studies.

Private providers are playing an increasingly important role in education

Private participation in education has increased dramatically over the last two decades across the world, serving all types of communities—from high-income to low-income families. Although governments remain the main financiers of education (at least of primary and secondary education), in many countries private agents deliver a sizable share of education (table 1). A number of governments contract with the private sector to provide some of the services involved in producing education, such as teacher training, management, or curriculum design. Other governments contract with a private organization to manage and operate a public school, as is the case with charter and concession schools. Still other contracts require private organizations to provide education to a specific group of students by means of a subsidy, a contract, or a voucher. In the most common type of PPP, the government provides subsidies to existing private schools or to fund student places. The continuum of the extent to which countries are using PPPs ranges from those in which education is provided only by the public sector to those in which it is largely publicly funded and privately provided.

Some countries make a sharp distinction between the role of the public sector as education financier and that of the private sector as education provider. For instance, in the Netherlands, all education is publicly financed, including private schools, which enroll more than two-thirds of all students. In other countries, the private sector plays an important role in providing education, but the government only subsidizes some of the students who attend private schools (for example, Chile). Several African countries have different types of nonpublic schools, including government-subsidized independent schools (for example, the Gambia), partially subsidized mission or religious

Table 1 Growing private enrollment rate in education, 1990 and 2005, selected countries

Country	Primary %			Secondary %		
	1990	2005	% Change	1990	2005	% Change
Benin	3	12	300	8	25	213
Brazil	14	10	-29	35	12	-66
Bulgaria	0	0	0	0	1	100
Chile	39	51	31	49	52	6
Colombia	15	19	27	39	24	-38
India ^a	10	20	100	10	23	130
Indonesia	18	17	-6	49	44	-10
Jordan	23	30	30	6	16	167
Netherlands	69	69	0	83	83	0
Pakistan ^b	25	27	8	24	25	4
Peru	13	16	23	15	22	47
South Africa	1	2	100	2	3	50
Thailand	10	16	60	16	13	-19
Togo	25	42	68	17	28	65
Tunisia	1	1	0	12	5	-58
Ukraine	0	0	0	0	0	0
United States	10	10	0	10	9	-10

Sources: Kingdon 2007; www.uis.unesco.org; www.worldbank.org/education/edstats; www.oecd.org.

Note: Compatibility across countries is limited because of different definitions of education expenditure. However, compatibility within each country across years is ensured. Most recent data available within two years of the year indicated.

a. Rural, based on household surveys.

b. Based on household surveys.



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schools (for example, Lesotho), and at least partially subsidized community-organized schools (for example, Kenya). Elsewhere, some countries have public schools that are supported financially by the private sector (for example, Pakistan). Overall, the private sector's participation at the primary school level has grown more than its participation at the secondary level, but there is significant variation across countries. While overall private participation is typically higher at the secondary level, private participation at all levels continues to grow. One way to categorize the types of PPPs is to separate financing from provision (figure 1).

The governments of many developed countries have found a range of different ways to leverage the capacity and expertise of the private sector to provide education. In a subset of OECD (Organisation for Economic Co-operation and Development) countries, more than one-fifth of public expenditure is transferred to private institutions, either directly or by subsidizing households to pay for the school of their choice. Moreover, on average, OECD countries spend 12 percent of their education budgets in education institutions that are privately managed. These governments have financed a wide variety of schools on a per pupil basis to meet demand for different kinds of schooling. In the United States, the number of private companies providing supplemental academic services (academic tutoring) increased by 90 percent in just one year, between 2003 and 2004. This sharp increase was partly driven by the 45 percent increase in federal funds allocated to supplemental education between 2001 and 2005.

In several developing countries, governments subsidize private schools, mostly operated by faith-based nonprofit organizations, by financing either school inputs, such as teacher salaries and textbooks, or per pupil grants. Although schools managed by faith-based organizations and local communities are often not considered to be strictly private, in this book the term "private" encompasses the whole range of nongovernment providers of education services. Across the world, enrollment in private primary schools grew by 58 percent between

Figure 1 Financing and provision of services in public-private partnerships

		Provision	
		Private	Public
Finance	Private	<ul style="list-style-type: none"> • Private schools • Private universities • Home schooling • Tutoring 	<ul style="list-style-type: none"> • User fees • Student loans
	Public	<ul style="list-style-type: none"> • Vouchers • Contract schools • Charter schools • Contracting out 	<ul style="list-style-type: none"> • Public schools • Public universities

Source: Adapted from World Bank 2006.

1991 and 2004, while enrollment in public primary schools grew by only 10 percent. Globally, there are approximately 113 million students in nongovernment schools; 51 million are at the secondary level.

Public-private partnerships are also being used to build school infrastructure. PPPs are a useful way to increase the funding available for constructing or upgrading school buildings and often yield better value for money than traditional public sector investments. In such partnerships, the government usually contracts a private company to build and/or maintain school buildings on a long-term basis, typically 25 to 30 years. In this type of PPP, the private sector supplier assumes responsibility for the risk inherent in the ownership and efficient operation of the project's facilities. This method of financing school buildings is used in many OECD countries but most extensively in the United Kingdom. In recent years, several developing countries have also tried this approach, though it is too early to see results.

Private education providers are also playing an increasingly important role in delivering education to low-income families. They include a range of school operators including faith-based organizations, local communities, nongovernmental organizations (NGOs), and private for-profit and not-for-profit schools. Some African and South Asian countries, where demand exceeds the supply of school places and public funds are limited, have experienced growth in the number of private low-cost schools that cater to low-income students, mostly at the secondary level.



The arguments in favor of public-private partnerships

The theoretical literature on the topic suggests four positive outcomes of the private provision of public services:

- *PPPs can create competition in the education market.* The private sector can compete for students with the public sector. In turn, the public sector has an incentive to react to this competition by increasing the quality of the education that it provides.
- *PPP contracts can be more flexible than most public sector arrangements.* Generally, the public sector has less autonomy in hiring teachers and organizing schools than the private sector does. Public-private contracts can be a better fit between the supply of and demand for education. Flexibility in teacher contracting is one of the primary motivations for PPPs.
- *Governments can choose private providers in PPP contracts by means of an open bidding process in which the government defines specific requirements for the quality of education that it demands from the contractor.* The contracts often include measurable outcomes and clauses that specify the condition to deliver a certain quality of education, and the contractor with the best or lowest cost proposal is then chosen. This one characteristic of the contract alone can raise the quality of education.
- *PPP contracts can achieve an increased level of risk-sharing between the government and the private sector.* This risk-sharing is likely to increase efficiency in the delivery of services and, consequently, to induce the channeling of additional resources to the provision for education.

So increasing the private sector's role in education can have several potential advantages over the traditional public delivery of education. Whether these benefits are actually realized depends greatly on how well designed the partnership between the public and private sector is, on the regulatory framework of the country, and on the capacity of the government to oversee and enforce its contracts and partnerships with the private sector. When a PPP is implemented correctly, it can increase efficiency

and choice and expand access to education services, particularly for households that tend to be poorly served by traditional delivery methods. PPPs also allow governments to take advantage of the specialized skills offered by certain private organizations and to overcome operating restrictions such as inflexible salary scales and work rules that may prevail in the public sector.

Another advantage is that governments can contract out to the private sector in a range of initiatives that can include everything from nonacademic activities such as food services and management contracts involving a few schools, to subsidizing the tuition at private schools for hundreds of thousands of students, to long-term, multimillion dollar infrastructure partnerships. For policymakers, contracting is a middle ground between government delivery and outright privatization and does not attract as much controversy and criticisms as privatization. Contracting can also enable governments to target initiatives towards particular groups in society or to achieve specific outcomes. In addition, it is a way to bring the private sector's skills and resources into the education sector (as is the case of capital investments for school construction under private finance initiatives) and to increase efficiency and innovation in the delivery of education. Contracting can do all of this while allowing governments to keep schools accountable.

The arguments against public-private partnerships

There is a body of literature that argues that there are negative outcomes associated with the private provision of public services:

- PPPs will lead to the privatization of education and thus will reduce the government's control over a public service.
- Increasing the educational choices available to students and their families may increase socioeconomic segregation if better prepared students end up self-selecting into high-quality schools, thus further improving their outcomes.
- PPPs will lead to poorer students being left behind in the deteriorating public schools that lose the support of more educated parents.



PPPs may face resistance from certain stakeholders. For instance, teachers and other employees may see PPPs as a threat to their job stability, while teachers' and public sector unions may see them as a way of diminishing their influence over their members' terms and conditions of service. Policymakers need to take these points of view into account when designing their contracting initiatives. They should consult with stakeholders and share the contract documentation with them. It may also be useful for policymakers to recruit leading figures in the politics and business communities who understand the potential benefits of PPPs and can use their influence to help to overcome any resistance.

There can also be some challenges and risks involved in PPPs. Inputs to education, processes, and outputs are very different and require several different forms of contracts (including management, support, professional, operational, educational services, and infrastructure). All of these variations need to be assessed separately as they require different approaches in order to be effective. For example, in many countries, it is likely that the capacity of public agencies will have to be developed before it will be possible to expand the schooling options available to low-income students. In some cases, there may even be a need to build the capacity of private operators to deliver high-quality schooling.

While one advantage of PPPs is that they can be a more cost-effective way to provide education than the traditional public sector approach, there are some instances in which this may not be the case. For example, contracting for facility availability may be more expensive than traditional procurement methods when the costs of awarding and managing contracts or of private borrowing are particularly high. Also, if poorly handled, contracting can even reduce already low levels of government accountability and control (Kingdon 2007). It can also create opportunities for corruption in the awarding of the contracts. Therefore, partnerships that provide financing to private schools but do not demand accountability can have negative consequences (Kingdon 2007).

In countries where PPPs have not been extensively tried before, the government may need to change its education policies and regulatory framework. The government must clearly create an enabling framework that includes:

- defining the place of private providers in the national education strategy;
- setting clear, objective, and streamlined criteria that the private sector must meet in order to establish and operate schools;
- introducing school funding systems that integrate public and private schools and that are neutral, responsive, and targeted;
- establishing an effective quality assurance system.

Good design cannot ensure the success of a PPP in education as it must also be implemented effectively and efficiently. To ensure this, governments should choose their private partners by means of a transparent, competitive, and multi-stage selection process. Second, they should assign the roles of purchaser and provider of education services to different entities within the education administrative agencies. Third, they must ascertain that the private agency in question has sufficient capacity for the task at hand. Also, government education institutions must develop their own capacity, establish quality assurance mechanisms, develop appropriate performance measures for contractors, and devise incentives to achieve performance targets as well as sanctions for nonperformance.

The evidence

The existing evidence from around the world shows that the correlation between private provision of education and indicators of education quality is positive, which suggests that the private sector can deliver high-quality education at a low cost. Using data from the OECD's Programme for International Student Assessment, Woessmann (2005) showed that publicly operated schools deliver lower test scores than privately operated schools, but publicly funded private schools are associated



with higher academic achievement than publicly operated institutions. Therefore, partnerships in which the private sector is the operator and the public sector is the financier have the potential to increase enrollment while keeping the education budget in check.

Also, although more rigorous evidence is needed, it is clear that PPPs, contracting, and subsidy arrangements can rapidly expand access to schooling and increase its quality, especially if coupled with rigorous quality assurance mechanisms and such interventions as teacher training and school improvement initiatives. In doing so, it particularly benefits marginalized groups and the poor who are ill served by traditionally delivered public services. Private school contracting programs and programs involving the private management of public schools can provide the poor with low-cost or free access to education. In fact, these contracting initiatives are usually aimed directly at the poor, including the schools run by *Fe y Alegría*, a Jesuit order that provides education in remote rural areas, under contract to the governments of several Latin American countries.

Strategic use of the private sector has led to the rapid expansion of access to education in several countries. Senegal and Tanzania deregulated the secondary education sector at a relatively low cost and a positive correlation with enrollment. Colombia's targeted voucher program provided places in private secondary schools for more than 100,000 students from poor families. Several rigorous evaluations have shown the program to be a success (Angrist et al. 2002; Angrist, Bettinger, and Kremer 2006). Voucher students were more likely to pass college entrance exams, had higher graduation rates, and scored better on standardized tests. The program cost less than public secondary schools on a per pupil basis. In Bangladesh, BRAC's (Bangladesh Rural Advancement Committee) Non-Formal Primary Education Program started in 1985 with 22 one-room schools. By 2007, it was serving more than 1.5 million children in more than 20,000 pre-primary and 32,000 primary schools, which accounted for 11 percent of primary school children in

Bangladesh. BRAC schools teach the same competencies as government schools, but they enroll and retain a higher proportion of hard-to-reach children, such as girls, who constitute 65 percent of students. There was a boom in the creation of private schools in Pakistan between 2000 and 2005, with 15,000 new private schools being set up. This increase happened to an equal extent in both urban and rural areas and reached both low- and high-income households (Andrabi et al. 2008). The enrollment rate in private schools of children from the poorest households in rural areas jumped from 0 percent to 6 percent. The private schools charge very low fees, less than 10 cents a day (Andrabi et al. 2006). In this way, private provision has increased enrollment in rural areas and among low-income households at a very low cost. These examples show that, when implemented correctly, PPPs can help countries to satisfy unmet demand for schooling.

With regard to the effects of charter schools, some useful lessons have emerged from a small set of empirical studies. Based on evidence from Colombia and Venezuela, it is known that the private management of public schools has a positive impact on student test scores. However, we know less about precisely which characteristics of charter and concession schools (publicly funded, privately operated schools) make them perform better than public schools, other than perhaps fewer civil service constraints, more school autonomy, and the increased length of the school year. Nonetheless, it seems from existing evaluations that flexibility in the contract is an important factor in determining positive education outcomes.

As for vouchers, they are associated with much controversy. In several countries, governments allow parents to send their children to the school of their choice, fund private and religious schools from the public budget, and allocate resources to schools based on enrollment. These types of programs deliver similar benefits to those offered in voucher programs. Some of these arrangements are over 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 voucher program has been subject to extensive analysis because of its randomized design. These evaluations have shown that the program is well targeted, effective, and efficient. The evidence from Chile's voucher program is mixed and controversial. Some studies have found that it has had several positive outcomes, but other studies have challenged this, arguing that the original studies had problems of selection and a lack of adequate instruments. Furthermore, for many years following the voucher reform of 1981, overall education quality in Chile did not improve (Hsieh and Urquiola 2006). More recently, there have been some rapid increases in test scores and an ongoing revision of the school financing formula as an attempt to reduce equity concerns. Universal school choice (where all parents in a country can choose their children's schools by means of a voucher) in Europe has led to a more competitive schools market. In most cases, this competition yields better outcomes overall, as would be predicted by theory. Nevertheless, there is much that we still need to learn about school choice and vouchers.

Some of the evidence of the impact of public provision of private services on education outcomes, including measures of student achievement, is positive but is not enough to justify either ignoring PPPs or expanding them on a large scale. The few

studies that have been carried out so far suggest that contracting out to the private sector can have several benefits, including greater efficiency, increased choice, and wider access to education, particularly for those households who have been poorly served by traditional methods of providing education. In general, private management of public schools tends to be efficient and yield higher test scores than public institutions when students reach the end of basic education. In addition, despite being controversial, vouchers can improve academic outcomes, especially for the poor.

However, few of the existing empirical studies of PPPs can be considered to have yielded robust conclusions. There is a need to evaluate how PPPs work most effectively in different contexts, particularly where contracting models need to be improved or fine-tuned and in countries where partnerships are still nascent. While much is known about funding school choice, much less is known about which characteristics of charter and concession schools make them perform better than public schools. More research is also needed on universal versus targeted school choice and on private finance initiatives. These programs should be piloted and rigorously evaluated in different settings. Because of the pressing need to increase the evidence base in these areas, this study provides guidance on how to carry out better evaluations of a variety of aspects of public-private partnerships in education.

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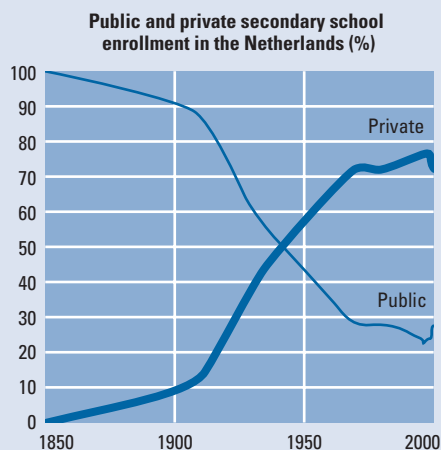
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The Netherlands provides a model of school choice that delivers access and quality education; an example of the potential of public-private partnerships in education.

One of the key features of the Dutch education system is freedom of education—freedom to establish schools, determine the principles on which the school is based, and organize classroom teaching. In fact, the Netherlands has one of the oldest national systems based on school choice in the world. Although all schools in the Netherlands are government funded, most are administered by private school boards. As a result, most children in the Netherlands attend private schools, a trend that has been increasing over the past 150 years. Parents can choose among several schools, and school choice is often promoted by the government as a way to increase competition in the school system. Efficiency increases as public and private schools try to improve their outcomes to develop a good reputation and thus attract more students.

In the Dutch education system, education policy is determined centrally but the administration and management of schools is decentralized at the school level. The central government

exercises ultimate control over both public and private schools. Students from the Netherlands do exceptionally well on international academic achievement tests such as the Third International Mathematics and Science Study (TIMSS). The Netherlands scored near the top in reading and math in 2003 and was the top performer in mathematics and science achievement for the final years of secondary school in 1995. The country achieves high scores even after controlling for national income and expenditure per student. Thus, the system is not only successful academically but is also cost effective, yielding good results at relatively low cost. Previous research has found that religious schools perform slightly better than public schools in academic achievement. More recent research has shown that the substantial degree of competition in the system is one determinant of its high academic achievement rates. Thus, a large school choice system can promote efficiency and equity without necessarily leading to privatization or reduced public scrutiny. All this lends



Source: Patrinos 2002.

credence to the arguments of the proponents of school choice. However, the question remains whether these outcomes can be expected in other countries or whether the Netherlands is unique. If they can be generalized, what can other countries do to promote academic achievement and to ensure they are accessing all available resources, both private and public?

Sources: Netherlands Ministry of Education 2002; James 1984; Justesen 2002.

