

Public-private partnerships in education



Many governments are exploring options and mechanisms to involve the private sector in providing education. This involvement comes in many forms. From the supply side, the public sector may fund private school operations with vouchers, subsidies, capitation grants, stipends, and contracts for education systems. From the demand side, there are mechanisms that can promote parental choice, school competition, and accountability. The idea is that parents choose the best schooling alternative for their children following quality criteria, generating demand pressure on schools to increase enrolment and attain higher productivity (better academic results at a lower cost). Indeed, the role of public-private partnerships (PPPs) is increasingly recognised by governments that are developing institutions, funding mechanisms and regulatory frameworks to leverage private capabilities and expertise to enhance public education.

PPPs are common in several OECD countries where more than 20 per cent of public expenditure is transferred to private organisations, either directly or through households, to pay for education services and enable school choice. But now, increasingly in developing countries, there is a recognition of the role of private schools and the development of mechanisms that use private schools' capacity to expand access. Several countries subsidise private schools, mostly faith-based non-profit organisations, either with school inputs (such as teacher salaries and textbooks) or through per pupil grants. The Gambia, Mauritius, Tanzania and Uganda collaborate with non-public schools to deliver education. More recently, excess demand from attempting to universalise primary education coupled with limited public funding has increased the number of private low-cost schools that cater to low-income students, mostly at the secondary level.

There is a growing trend now for governments to:

- Strengthen the capacities of their public agencies to regulate, monitor and contract private schools
- Develop private operators' capacity to deliver quality education by facilitating access to capital and technical assistance to improve educational and management practices
- Create institutions that assist in the implementation of PPPs and guarantee the necessary flows of information.

But what do we know about these public-private partnerships in education?

The strengths of the four main types of PPP contracts – vouchers, subsidies, private management, and private finance initiatives – need to be assessed by how they assist in the attainment of three

key objectives. These objectives are: (i) increased enrolment; (ii) improved educational outcomes; and (iii) enhanced equality in access to a quality basic education. Proponents of PPPs provide the following six reasons to support their case that there might be a positive relationship between PPPs and education outcomes.

- 1 PPPs can induce competition in the market for education. The private sector can compete for students with the public sector. In turn, the public sector can react to the competition by improving the quality of public education.
- 2 PPP contracts allow more flexibility than most arrangements in the public sector do. Generally, the public sector has high inflexibility in hiring teachers and organising schools, while PPPs do not. A flexible contract can create a better fit between the supply and demand of education.
- 3 Private providers in PPP contracts are usually chosen through an open bid process based on quality criteria. Contracts usually stipulate a certain quality of education, and the best proposals are chosen. By itself, this characteristic of the contract can increase the quality of education.
- 4 PPP contracts can achieve an optimal level of risk-sharing between the government and the private sector. The change to an optimal level of risk-sharing may increase efficiency in the delivery of services and, consequently, may induce more resources and higher provision in the education sector.
- 5 The private sector can have higher standards in delivery of education services. PPP contracts can reflect specific standards and quality targets. Therefore performance during the life of the contract, with adequate supervision, can lead to education improvements.
- 6 A model of PPPs that combines the strengths of government, the private sector, and civil society stakeholders to advance education can create new, sustainable education reform initiatives.

Yet what is the empirical evidence to support the case of such benefits through the PPP approach?

Unfortunately the evidence base required to make this assessment is still lacking. While the literature on vouchers is large and the strength of the empirical evidence is strong, the evidence on the other three types of contracts – subsidies, private management, and private finance initiatives – is far less abundant or robust.

Future experimentation with PPP models needs to be accompanied upfront by a rigorous impact evaluation design. However, although drawing on a small set of empirical studies, a number of lessons have been learnt.

What lessons have been learnt?

Improve the perception of the role that the private school sector plays for the public benefit

In many countries the initial culture is hostile to private providers of education, particularly those that are for-profit. One option would be to introduce a policy that clearly defines the place of private providers in the national long-term education strategy.

Allow not-for-profit and for-profit schools to operate

Private for-profit schools play a significant – and indeed growing – role in many countries. While private schools are often seen as catering solely to the wealthy, the reality is that for-profit schools are important in providing education 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 organisations.

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 was nearly US\$3.5 billion, up from just US\$86 million in 1990 and US\$401 million in 2002, and most of it is in developed countries. Although foreign direct investment in education still remains considerably smaller than in other sectors of the economy. In 2007, it accounted for less than 0.1 per cent of foreign direct investment in the service sector.

Set up 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. The consumer protection objective of many of these regulations is laudable. Minimum standards can help ensure the quality and safety of private sector provision and protect consumers from unscrupulous operators. But these benefits must be balanced against the negative impact of overly restrictive entry regulation. Poorly designed registration criteria for private schools often have the opposite impact of what is intended.

Rather than promoting increased access, higher quality and safer schools, overly restrictive registration criteria can, as well as producing long, convoluted school registration processes and onerous regulatory mandates, reduce access by deterring potential providers or by increasing 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 the government will have fewer levers to protect consumers. This can impose costs on consumers, and invariably these costs will fall disproportionately on the poor, who have fewer education options. Governments should ensure that school registration criteria include the following five key components, that

is, that they are: (i) realistic and achievable, while meeting policy goals efficiently and effectively; (ii) objective and measurable, to minimise discretion and limit scope for corruption; (iii) openly available to prospective private school entrants; (iv) output-focused to allow for flexible and diverse delivery approaches; and (v) applied consistently across various levels of government.

Provide 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 upfront – for example, free or discounted land, establishment grants and education infrastructure. Land can be especially important in urban areas where land is expensive. Governments can also encourage private investment by facilitating work visas for foreign teachers, management and technical staff.

Summary

In summary, PPPs may offer more scope for rapidly increasing access to quality education than do alternative funding and delivery models – even fully public and fully private models – but there can be some challenges and risks involved in PPPs. There is still a lack of robust empirical evidence to guide the innovator's path, evidence that could both illustrate the diverse channels of relationship between the private provision of public services and educational outcomes and shed light on concerns associated with 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 are likely to have different requirements for being effective. Going forward though in these turbulent financial times, it is likely that many more countries, both developed and developing, will be looking for ways to leverage the capacity and expertise of the private sector to provide education.

One certainty, though, is that contracting out of educational services, wherever it is done, will remain controversial. Critics will continue to make some of the following arguments: that PPPs merely lead to the privatisation of education and thus a reduction in the government's control over a public service. That increasing educational choices available to students and their families may increase socio-economic segregation if better-prepared students end up self-selecting into high-quality schools further improving their outcomes. Or the concern that poorer students that are left behind in the deteriorating public schools lose the support and pressure from more educated parents to improve quality.

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