Financing education through public-private partnership

Governance, transparency and accountability

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Introduction

Public-private partnerships (PPP) in education – i.e. financing by the government and service delivery by the private sector with inbuilt institutional mechanisms of transparency and accountability – have secure potential for providing affordable quality education, especially for under-served sections of society, and achieving the Millennium Development Goals (MDGs). Service delivery in PPP by private entrepreneurs and non-state providers gained momentum in the early 1980s (Malik, 2007) and there now are a number of models from around the world (see Box 1).

Pakistan has a population of 192 million and a literacy rate of 61 per cent: 69 per cent for males and 45 per cent for females. The provision of education is a constitutional responsibility of the state (18th Constitutional Amendment, 2010), and the government has been partially successful in providing school-aged children with access to education. However, affordable quality education remains a serious concern of stakeholders. Despite lofty political claims, one out of three school-aged children is not in school, 40 per cent of the children enrolled drop out before reaching Grade 4 and only 23 per cent of those enrolled appear for the Grade 10 examination. Pakistan is at serious risk of not achieving its MDG and Education for All (EFA) targets by 2015.

Service delivery in the public sector has deteriorated for a number of reasons, including lack of resources, low motivation, poor training and few opportunities for continuous professional development, limited capabilities and a weak didactic resource base, absenteeism, teacher unions, lack of monitoring and evaluation and lack of incentive-based performance measures (Malik, 2007). Dissatisfied and disappointed with the quality of instruction in the public school system, parents have been seeking better educational opportunities for their children in private schools.

Box 1

Other examples of innovative PPP initiatives in education

Models of innovative financing around the globe that involve the contracting of services and management in education include: Education Service Contracting and PPP for School Infrastructure in the Philippines; Universal Secondary Education in Uganda; Concession Schools in Bogota, Colombia; Independent Schools in Qatar; Contract Schools and Charter Schools in the United States; Khazanah Trust Schools in Malaysia; Private Finance Initiatives in the United Kingdom; Private School Finance in Australia, Canada and New Zealand; and the Build Transfer Lease Scheme in South Korea.

Cost-effective private service delivery has another successful PPP model in education vouchers. Examples include: the targeted voucher programme in Colombia; voucher schemes in Chile and Qatar; private school subsidy programmes in Australia, Canada, Côte d'Ivoire, the Netherlands, New Zealand and Sweden; state tax credit programmes and the Milwaukee Parental Choice Program in the United States: the Senior Secondary Voucher Programme in Rajasthan, India; and the Training Assistance Voucher Programme in Lao PDR. Other examples of PPP in policy, strategy and education support services are private sector school reviews in Abu Dhabi, Dubai, Thailand and the United Kingdom; private sector accreditation in the Philippines; and school testing services in the Philippines and the United States (LaRocque, 2012).

The growth of low-cost private schools

Those parents who were affluent and could afford it sent their children to expensive elite schools in the cities and rural areas or to district public schools that charged fees. The less affluent also started looking for private schools in urban and rural areas that charged lower tuition fees. The growth of low-cost private schools has been phenomenal and is continuing at a gallop (Malik, 2012). In 2001, the proportion of private schools up to the secondary level was 21 per cent (Government of Pakistan, 2001); by 2006, it stood at 33 per cent (and 42 per cent in Punjab, the country's largest province). The pattern continued until expenditure for private education exceeded that for public education (Government of Pakistan, 2006). Between 2000 and 2005, the number of private schools rose from 32,000 to 47,000, and by the end of 2005 one in every three enrolled children at the primary level was studying in a private school (Andrabi et al., 2007). The private sector has come to play an important and growing part in the delivery of educational services – especially in urban areas, where private schools account for well over half of total enrolment (Government of Pakistan, 2011).

The unenviable performance in public education system and other development indicators resulted in an incessant demand for an education system that provides an affordable quality education for all (Malik, 2010). In order to cater for the dire need and facilitate education through the private school sector, the Punjab Government introduced instruments for PPP in education through the Punjab Education Foundation (PEF) Act, 2004. The PEF emerged as a public sector institution with a mandate to provide affordable quality education and facilitate the opening of low-cost private schools. The statute empowered the PEF with complete administrative and financial autonomy under the governance of a Board of Directors. It also provided for the recruitment of management professionals through a transparent process with competitive market salaries.

The PEF introduced the Foundation Assisted Schools (FAS) programme in PPP mode in 2005 with a pilot project of 54 schools with 2,227 students at the cost of PKR 5 million[1]. In the FAS model, funding for education at primary, elementary, secondary and higher secondary (for females only) is provided by the PEF through the state exchequer while service delivery is by the private sector. The hallmark of the model is that funding follows the students and not the schools. Private schools, selected through a competitive transparent process using advertisements in national dailies, enter into partnership with the PEF through a contract with specified terms and conditions. The PEF pays PKR 400 per month as tuition fee to the private schools on the basis of per-child enrolled, and the schools cannot charge the students for anything. In the FAS model, private schools are relieved of the onerous task of collecting fees on a monthly basis and at the same time parents have more disposable income.

The chief determinant of the continuation of the partnership is the Quality Assurance Test (QAT) conducted by the PEF through an independent third party. It is mandatory that 66.6 per cent of students enrolled get marks above 45 per cent in the QAT. In case of failure, the partner school is given another chance and a second QAT is conducted after six months. Two consecutive failed attempts in the QAT mean the end of the contract as per the terms and conditions of the PPP agreement. In order to avoid this, the private schools have not only engaged quality women and men for mentoring assignments but also improved the infrastructure of the schools with better teaching-learning environments (Malik, 2007).

The model has been a huge success and 1.6 million children are now being educated through the FAS programme in 36 districts of Punjab with an annual budgetary allocation of PKR 6 billion. In addition to the testing through QAT twice a year by the PEF, it is mandatory for PEF-financed private schools to take part in the examinations conducted under the auspices of the Government of Punjab through the Punjab Examination Commission (PEC) and respective Boards of Intermediate and Secondary Education (BISE). Comparative analysis of the learning outcomes and test scores in all subjects in public schools and PEF-assisted schools shows better learning outcomes for students in private schools – despite the fact that government schools require twice the resources to educate a child compared to private schools (Andrabi et al., 2007).

The PEF has also introduced an Education Voucher Scheme (EVS) in PPP mode for the promotion of affordable quality education for the poorest of the poor living in remote rural areas and decrepit urban slums, giving freedom of choice to the parents to select a school of their preference in their vicinity (see Box 2). The best outcome of both FAS and EVS initiatives is that there has not been even a single drop out, in a social environment where the drop-out rate in public schools is 40 per cent by the time students reach Grade 4.

The convincing explanation for attendance and retention is the pecuniary interest of the private school entrepreneurs, since funding from the PEF follows the number of students enrolled and truancy or absence means a deduction in the private schools' income (PEF, 2012).

The need for consistent, transparent and accountable management

The success of good policies, well-designed instruments and maverick mercurial ideas squarely hinges on their implementation by dedicated professional management teams with stoic determination and ownership of the initiatives. In terms of governance and accountability benchmarks in the PEF, the record has been mixed during the last seven years (2005–12). PPP experience in the PEF demonstrates that overall governance and management are critical to successful implementation.

Despite the early successes during 2000–07, the programme's growth ground to a halt in June 2008 following a change in the provincial government after the general elections. Although legislation provided the criteria for the selection of the Board of Directors and appointment of the Chair, the government ignored the process and constituted a Board based on political considerations and affiliations. The criteria for and mode of appointment of the Chief Executive Officer (CEO) of the PEF is also prescribed in the PEF Act 2004 (i.e. advertisement of the post and selection by the Board). However, the government started appointing bureaucrats as the CEO and Directors in the organisation. The new Board also remained incomplete till 2009 and capable management staff left the organisation, creating a void. These departures from statutory norms seriously compromised the credibility of the PEF as an institution, and people started raising eyebrows about the integrity of the processes (Malik, 2010).

Box 2

The Education Voucher Scheme in Punjab

In addition to the Foundation Assisted Schools (FAS) programme, the Punjab Education Foundation (PEF) also introduced an Education Voucher Scheme (EVS) in the PPP mode. In the FAS model, a school is selected by the PEF and all the children enrolled in that particular school are entitled to get free education; in EVS, on the other hand, the parents choose the school since they receive a non-tradable instrument in the form of a voucher, redeemable only against the payment of tuition fees at any participating EVS partner school within a radius of 2 kilometres of their household. EVS has prodigious accomplishments in terms of the learning outcomes of the students, with ensured gender parity since it is mandatory for parents to send both girls and boys to EVS schools in order to receive the vouchers. The initiative has successfully reduced child labour rates as children previously working – especially girls engaged in household chores – have begun attending school (PEF, 2012). EVS started with 1,000 students in 2006, and 110,000 students were the beneficiaries of the initiative by May 2012. The Quality Assurance Test (QAT) standards of the PEF are also applicable to EVS partner schools and the beneficiary students.

Consistent government policies are extremely important for the continuity of initiatives and the process of scaling up programmes to include more beneficiaries. The Board of the PEF is charged with the responsibility of ensuring transparency of processes in the organisation. Once it is constituted on political considerations, the process of selection of partner schools is compromised, thus making transparency and accountability questionable and jeopardising the sacred trust among the partners. Unfortunately, successive governments have viewed the initiatives of the previous government through the eyes of politics, deciding that continuity of programmes will not score them political points. In the case of the PPP initiatives of the PEF, the new government in 2008 capped the programmes for more than a year. However, it had to change the policy later due to the power of the voters; there were millions of beneficiary households across the province and they influenced the government to change its mind.

Good governance, transparent processes and institutional accountability are vital for all successful programmes. The statutory financial accountability mechanism of the PEF is regulated in three ways: by the Finance Committee constituted by the Board; through an annual audit by the Auditor General of Pakistan, with the report placed before the Public Accounts Committees of the Provincial Legislature; and through a commercial audit conducted by a firm of Chartered Accountants selected by the Board through an open advertisement and selection process. A performance audit should also be conducted through an external evaluation by a firm of very high eminence and erudition selected by the Board through a transparent selection process, but this has not been the case during the last four years. Nor have audited reports by the Auditor General been placed before the legislature for the scrutiny of public representatives.

Conclusion

The effectiveness, affordability and social acceptability of the PEF's programmes have generated great demand from the general public, elected representatives, district governments, civil society organisations, print and broadcast media and private schools. This demand is the best hope for their survival as the government would have no option but to continue funding them. The main challenge for the PEF leadership, however, is to win back the lost confidence of the general public, partner schools, international donors and agencies.

Financing by the state exchequer and service delivery by private service providers in PPP is cost-effective and economical. In terms of access, quality and retention, the model has a clear comparative advantage over the public school system, the former generally marred by the menaces of teacher absenteeism, truancy, teacher unions and political interference. Ideally, the public school system should work, but while governments strive to improve this, the private sector should be provided with a level playing field for effective service delivery. For the success of any initiative in PPP, especially to promote affordable quality education and better access on a sustainable basis, the mutual trust of the partners – state institutions and schools – is of pivotal importance. Political will and consistency are quintessential pre-requisites. Virtuous implementation teams with impeccable professional integrity, recruited on merit, are one of the most important factors for stellar performance and secure service delivery. Mutual trust and confidence, good governance, transparency, merit and inbuilt institutional accountability are extremely important levers for the smooth operations of PPP programmes. PPP in the education sector is definitely a step forward to provide affordable quality education to the less privileged, more marginalised and less affluent sections of society and achieve the MDG targets.

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Endnote

[1] 1 Pakistani Rupee = approximately 0.007 British Pounds or 0.011 US Dollars.

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