Public Private Partnerships in Education

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Role of Government in Education

- Rationale for government involvement in education:
  - Externalities
  - Capital market imperfections
  - Agency concerns
  - Equity
  - Information asymmetries

- Government has a variety of policy instruments at its disposal in order to meet its policy objectives:
  - Ownership/Delivery
  - Funding
  - Regulation/Information

- PPPs recognise that governments can meet their policy objectives using different service delivery models – not just ‘traditional’ public finance/public delivery model.
### IV. Examples of PPPs

<table>
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<th>Type of PPP</th>
<th>Examples</th>
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| Contracting for the Delivery of Education Services | Government Sponsorship of Private School Students, Cote d’Ivoire  
- Educational Services Contracting, Philippines  
- Alternative Education, New Zealand  
- Universal Post Primary Education and Training Policy, Uganda  
- Fe y Alegria, South America and Spain |
| Private Management of Public Schools               | Concession Schools (Bogota), Colombia  
- Railways Schools, Pakistan  
- Independent Schools, Qatar  
- Quality Education for All (Punjab), Pakistan  
- CDG Lahore/CARE Schools, Pakistan  
- Contract schools and Charter Schools, USA  
- Transformed Schools, China |
| Infrastructure PPPs                                | Private Finance Initiative, UK  
- Proyecto Prestacion de Servicios, Mexico  
- New Schools Private Finance Project, Australia  
- PPPs for Educational Infrastructure, Canada  
- Offenbach and Cologne Schools Projects, Germany  
- Swinburne University of Technology, Australia  
- National Maritime College, Ireland  
- Montaigne Lyceum (The Hague), Netherlands  
- PPP for New Schools, Egypt |
### Examples of PPPs (Cont’d)

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<td>Targeted Individual Entitlement and independent school subsidies, New Zealand</td>
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<td>Private school subsidies, Cote d’Ivoire</td>
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<td>School funding in the Netherlands</td>
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<td>School funding in Denmark</td>
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<td>School funding in Sweden</td>
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<td>Milwaukee Parental Choice Programme, USA</td>
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<td>Punjab Education Foundation programmes, Pakistan</td>
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<td>Private Sector Quality Assurance</td>
<td>USA, Oman, Philippines</td>
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<td>Public/Private Sector Affiliation Arrangements</td>
<td>Ghana, Sri Lanka, Pakistan, China, New Zealand, South Africa</td>
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<td>Innovation and Research PPPs</td>
<td>Netherlands – Government programs encourage industry-public research institute research. PPPs represented 6.3% of the S&amp;T budget in 2003</td>
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<td>Australia – Government programs encourage industry-research institute partnerships and promote commercialization of public research. PPPs represented 9.1% of the S&amp;T budget in 2002/03.</td>
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Potential Benefits of PPPs

- Increase efficiency – improved performance incentives and increased competitive pressure
- Improve quality of service delivery
- Secure specialised skills that may not be available in sector
- Overcome public service operating restrictions – salary scales, civil service work rules
- Permit quicker response to changing demands and facilitate adoption of service delivery innovations
- Allow government agency to focus on functions where it has a comparative advantage
- Increase access, especially for groups who have been poorly served under traditional forms of service delivery
- Increase transparency of government spending by making the cost of services more visible.
Educational Service Contracting, Philippines

- Government contracts with private schools to enrol students in areas where there is a shortage of places in public high schools
- Administered by the Fund for Assistance to Private Education, a private not-for-profit organisation
- Nearly 400,000 students in 1,500 schools – and rising
- Certification program for schools participating in ESC
- Other contracting schemes exist at tertiary, school and ECE level.
Private Management of Public Schools

- Private management of public schools – relatively recent phenomenon in education
- Involves governments or public authorities contracting directly with private (for-profit or not-for-profit) providers to manage a public school
- Schools remain ‘free’ to students – no fees
- Schools responsible for all aspects of school operation
- Used in most disadvantaged areas.
Concession Schools, Bogota (Colombia)

- Private schools contracted to manage poorly performing public schools
- 25 schools serving over 26,000 students – disadvantaged students
- Autonomous
- 15 year contract
- Designed to overcome problems faced by public schools – inability of schools to hire own staff, lack of labour flexibility, bureaucracy
- Schools paid $US500 per student per year – below public school unit cost
School Contracting Initiatives, Pakistan

- **Quality Education for All (Punjab):**
  - 2,400 schools managed by National Rural Support Network, governed by management contract
  - Began as pilot in 48 schools in 2002

- **Railways Schools:**
  - Beaconhouse Schools managed 19 Railways schools from 2003-2005
  - Contract was for 33 years but it ended early – poor contract design

- **City District Government of Lahore (CDGL)/CARE:**
  - CARE, a local NGO, manages 172 public schools in Lahore on behalf of the CDGL (97,000 students)

- **Developments in Learning**
  - DIL, an NGO, contracts with providers to operate 150 public schools
  - DIL provides funding and local NGOs manage schools on their behalf.
Punjab Education Foundation – Assisted Schools Program, Pakistan

- Punjab Education Foundation (PEF) pays private schools Rs300/month for each student they enroll (up to set maximum number of students)
- Schools are located in poor urban and rural areas. Schools cannot charge students tuition or other fees.
- Schools must meet regular quality assurance tests in order to remain in FAS program.
- PEF Budget = Rs70 million (2005/06)
- Program introduced in November 2005 (5 districts; 54 schools; 22,000 students)
- Currently operates in 10 districts; 203 schools; 77,000 students. Further expansion plans already in place.
Education Management Organisations (EMOs), USA

- 535 schools being managed by 59 EMOs and nearly 240,000 students in 24 states/DC in 2004/05
- Edison Schools, National Heritage Academies and White Management are largest providers
- Two forms of contracting with schools:
  - Direct. EMOs are contracted directly by local school board to manage a public school
  - Indirect. EMOs manage charter schools either as the holder of the school charter or under contract to the organization that holds the school charter
- Latter form becoming more common – in 2004/05, 86% were privately managed Charter schools.

History:
- Began early 1990s - EAI
- Initial setbacks (eg. Baltimore)
- Setbacks in 2000/01 – Edison Schools financial situation
- Recovery
- Growth in recent years – number of schools up by factor of four between 1998/99 and 2004/05
- Chicago Public Schools (Renais-sance 2010), Denver Public Schools, Philadelphia.
EMO Managed Schools/Enrollments, 1998/99-2004/05

- Number of Schools
- Enrollments

<table>
<thead>
<tr>
<th>Year</th>
<th>Schools Under EMO Management</th>
<th>Enrollments</th>
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<tbody>
<tr>
<td>1998/99</td>
<td>135</td>
<td>0</td>
</tr>
<tr>
<td>1999/00</td>
<td>230</td>
<td>0</td>
</tr>
<tr>
<td>2000/01</td>
<td>285</td>
<td>0</td>
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<tr>
<td>2001/02</td>
<td>368</td>
<td>0</td>
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<tr>
<td>2002/03</td>
<td>406</td>
<td>0</td>
</tr>
<tr>
<td>2003/04</td>
<td>463</td>
<td>0</td>
</tr>
<tr>
<td>2004/05</td>
<td>535</td>
<td>0</td>
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Vouchers/Subsidies

- Many countries are making use of vouchers/subsidies in education

- More than 30 countries using demand-side financing mechanisms to finance education - vary from small/targeted to full/national programmes:
  - *Iskolar* programmes in the Philippines
  - Swedish school choice programme
  - Denmark, Ireland, Netherlands, Australia, New Zealand, Ontario, Sweden – public funding of private schools
  - Chile – national programme
  - USA – Florida, Milwaukee, Cleveland voucher schemes for poor kids
  - Pakistan – Punjab Education Foundation
  - Senegal and Cameroon - subsidies for private schools.
Plan de Ampliación de Cobertura de la Educación Secundaria, Colombia

- Introduced in Colombia in early 1990s. Program provided 125,000 vouchers from 1992-1997.

- Offered vouchers to students entering sixth grade, the start of Colombian secondary school.

- Key elements of the program included:
  - vouchers available to children from low-income families who had attended a public primary school and had been accepted at a private school
  - vouchers were renewable subject to satisfactory academic performance
  - Voucher value = $US190 – half the cost of private secondary school
  - school received voucher funds directly from the bank
  - schools were allowed to charge top-up fees; and
  - there was minimal regulation of private schools.
National Voucher Program, Chile

- Nationwide voucher program implemented in 1980
- Applies to public and private schools – secular and religious
- Monthly payments are made to schools on a per-student basis
- Initially, subsidised private schools could not charge top-up fees
- Voucher schools must follow certain operational guidelines (eg. basic facilities, certified teachers, class size, etc)
- Vouchers cover most or all of the tuition at eligible schools
Infrastructure PPPs

- Increasingly common form of contracting for a range of public services – eg. transport, water, telecommunications, etc.

- Less common, but increased use as a form of procurement for educational infrastructure.

- Used in a range of developed and developing countries – school construction, classroom blocks, hostels, laboratories, etc.

- Different types of infrastructure PPPs, each exhibiting varying degrees of private sector risk assumption and responsibility – DB, DBFO, BOOT, BOO, etc.
Infrastructure PPPs: Summary Examples

- Bulk of PPPs in education are at the school level – UK, Ireland, Australia, Nova Scotia, Germany, Netherlands, Ireland, Hungary, Finland, Denmark, etc.
- Some higher/tertiary education examples of PPPs – Australia, UK, Mexico
- Examples of education PPPs in both developed and developing countries
- Private Finance Initiative (PFI) in UK is largest PPP education programme – Schools, Higher/Further Education
- Australia also making increasing use of PPPs:
  - New Schools Initiative I and II in New South Wales
  - Southbank Education and Training Precinct, Victoria
  - University of Queensland/University of Southern Queensland
  - Swinburne University of Technology, Victoria
- Proyecto Prestacion de Servicios in Mexico, schools in Egypt
- Other countries, including Botswana, Colombia, Belgium, Austria and the Czech Republic reportedly examining PPPs in education.
Private Finance Initiative (PFI), Britain

- PFI part of broader policy of public service modernisation in Britain – began early 1990s, renewed emphasis in 1997
- Context – big backlog in school repairs (£7 Billion)
- 144 signed projects for Department of Education and Skills – £4.1 billion (13% of total)
- 30+ PFI deals in progress in the Higher/Further Education sector, with a capital value of £630 Million
- Typically – 30% of costs are for caretaking, maintenance and other services
- Decision to use PFI based on Value for Money, not accounting treatment

Building Schools for the Future programme:

- 15-year investment programme – £2.2 billion capital investment per year
- focus on secondary schools
- Local Education Partnerships (LEPs) work with Local Authority and Partnerships for Schools to develop infrastructure strategy
- LEP contracts to deliver the investment through PFI and conventional procurement
PPP for New Schools, Egypt

- PPP to build over 2,200 new primary and secondary schools in Egypt, in an attempt to meet President’s target of 3,500 new schools by 2011.
- Initial project started in late 2006 – 50 schools in 11 governorates.
- Response by private sector led to expansion in early 2007 to include a further 2,210 schools around the country.
- Government provides land, while private sector constructs schools and provides maintenance under 15-20 year agreements.
- Value estimated at LE200 Million.
Proyecto Prestacion de Servicios (PPS), Mexico

- Government contracts with private providers to design, finance, build, operate, and maintain assets and services in health, education, and transport.

- Twenty-eight projects are being developed in these three sectors, including 5 polytechnic colleges.

- Currently, the Government is piloting PPS to build a new campus for the University of San Luis Potosi, with an expected $US30 million investment. The project is expected to expand the enrollment capacity of the university from 1,500 to 5,000 students by 2010.

- The PPS scheme is based on the UK’s PFI model, and is oriented to the provision of services of social infrastructure.

- Under the program:
  - private sector partners invest in school infrastructure and provide related non-core services
  - the Government grants a long term contract for the provision of services
  - assets can be owned by either the government or private investor
  - payments are for services delivered and are subject to performance standards.
New Schools PPP and New Schools PPP II, New South Wales (Australia)

- PPP for finance, design, construction and operation of public schools in New South Wales, Australia.
- PPP involved 9 public schools built between 2002 and 2005 and a further 9 public schools from March 2006.
- Long-term contracts – 30 years.
- Private sector finances, designs and builds schools. It also provides cleaning, maintenance, repair, security and other services to schools under long-term contract (until 31 December 2032).
Evidence on PPPs

- Limited rigorous evidence on the impact of PPPs
- Amount of evidence varies by type of PPP – relatively better evidence on Charter Schools and vouchers in the USA
- More and better evaluations required, especially outside impact of vouchers/Charter schools and outside of the USA
- Best evaluations involve random assignment and use a true control group or natural experiment. Other techniques are available, including propensity score matching, local average treatment effects and regressions discontinuities
- Following slides present summary evidence on PACES voucher and Concession Schools in Colombia, Chile voucher program, Charter Schools in USA, Fe y Alegria and infrastructure PPPs
- Much debate over impact of vouchers in Chile and USA – results inconclusive
- Many studies on impact of charter schools, though few randomized trials – mixed effects. Hoxby and Rockoff (2005) use randomized trial and find positive impact on education outcomes
Infrastructure PPPs

- Limited evidence on impact of infrastructure PPPs.

- Available evidence shows lower costs and more timely delivery of PPP infrastructure projects compared to traditional methods of procurement.

- United Kingdom:
  - 88% (National Audit Office) and 76% (Treasury) of PFI projects were delivered on time or ahead of time – compared to 30% under pre-PFI experience
  - 79% (National Audit Office) and 80% (Treasury) were delivered at or below the agreed price – compared to 27% under pre-PFI experience.

- New Schools Project (New South Wales, Australia): infrastructure delivered 2 years earlier and 7% cheaper than under traditional procurement methods.
## Value for Money Comparison: Public vs Private Sector, NSW New Schools II Project

<table>
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<tr>
<th>Delivery Method</th>
<th>Public Sector Comparator (PSC)</th>
<th>Private Sector Delivery</th>
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<tr>
<td></td>
<td><strong>PSC Best Case</strong></td>
<td><strong>PSC Most Likely</strong></td>
</tr>
<tr>
<td>NPV of Project Cost</td>
<td>$226.3 M</td>
<td>$235.3 M</td>
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<tr>
<td>% Savings</td>
<td>21.6%</td>
<td>24.6%</td>
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PPPs and the Education Sector

Education is well suited to infrastructure PPPs:
- Stable/slow changing sector and technology
- Strong private involvement in other sectors such as construction
- Services can be relatively easily defined, contracted and measured/monitored
- Long planning horizons – ‘known’ demographics

Some special challenges in the education sector, particularly in developing countries:
- Weak capacity in education departments to implement contracting initiatives and infrastructure PPPs
- Politicisation of education/corruption
- Decentralised nature of education in many countries
- Small project size for infrastructure – £28 M vs £115 M/project for transport under UK PFI
- Education seen as ‘public’ or ‘non commercial’ in nature
- Policy risk – effect on investment intentions
Performance Indicators

- Important aspect of contracting under PPPs is the ability to specify, monitor and enforce contracts.

- Degree to which performance indicators can be specified will vary depending on the nature of the service – infrastructure easier than learning.

- Performance indicators can either qualitative or quantitative.

- Quantitative indicators include standardised test scores, drop out rates and teacher turnover rates.

- Qualitative methods include parent and teacher surveys, third-party review including site visits and accreditation requirements.

- Extensive use of indicators in UK Local Education Authority contracts with private providers (70+), Concession Schools, infrastructure PPPs, EMOs, Pakistan, etc.

- Indicators range from sophisticated to quite basic.
Possible Performance Indicators

- Student performance on standardised achievement tests
- Literacy rates
- Nutritional indicators
- Individual student learning gains
- Proportion of students performing at/above/below grade level in a given curriculum area
- Student performance in areas that cannot be readily measured using standardised tests
- Student attendance
- Suspension/expulsion/drop-out rates
- Graduation rates
- Parent and student satisfaction
- Teacher satisfaction
- Teacher turnover rates
- Parent and community engagement with school
- School climate
- Relationship with contracting agency
- Infrastructure – on-time completion, maintenance indicators, budget out-turn, etc.
Conclusion

- PPPs not a panacea, but can improve operation of education sector
- Many examples of PPPs across education sector in developed and developing countries
- Rationale for private involvement in education is similar to other areas, although some unique characteristics
- Infrastructure PPPs affect only ‘non-core’ business – management/contracting initiatives go further and address core business
- Potential ‘third way’ for improving efficiency/performance in education sector
- Not just private delivery that generates gains – different regulatory environment matters too
- Policy frameworks important – think broadly about role of government and innovative policies
- Limited number of evaluations so far – more studies required.
- Complex – requires considerable capacity.
“It doesn’t matter if a cat is black or white, as long as it catches mice.”

- Deng Xiaoping