

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

Type of PPP	Examples
Contracting for the Delivery of Education Services	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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)

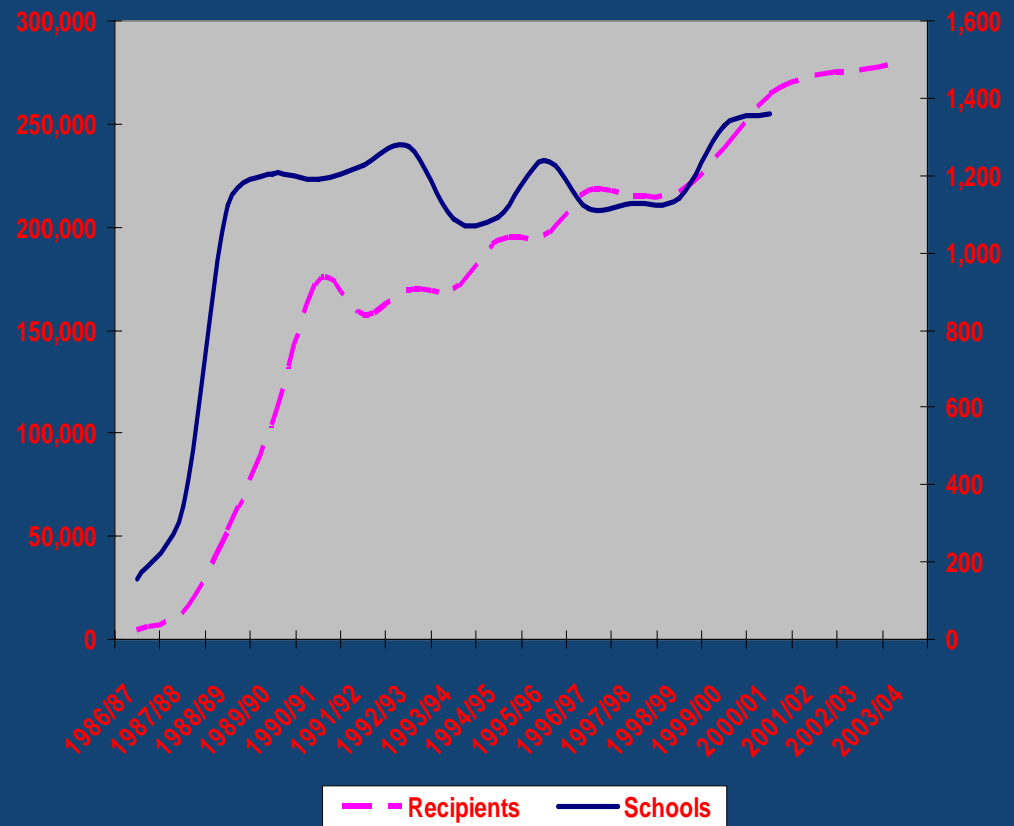
Type of PPP	Examples
Vouchers/Subsidies	<ul style="list-style-type: none"> ■ PACES, Colombia ■ Targeted Individual Entitlement and independent school subsidies, New Zealand ■ Private school subsidies, Cote d'Ivoire ■ School funding in the Netherlands ■ School funding in Denmark ■ School funding in Sweden ■ Milwaukee Parental Choice Programme, USA ■ Punjab Education Foundation programmes, Pakistan
Private Sector Quality Assurance	<ul style="list-style-type: none"> ■ USA, Oman, Philippines
Public/Private Sector Affiliation Arrangements	<ul style="list-style-type: none"> ■ Ghana, Sri Lanka, Pakistan, China, New Zealand, South Africa
Innovation and Research PPPs	<ul style="list-style-type: none"> ■ Netherlands – Government programs encourage industry-public research institute research. PPPs represented 6.3% of the S&T budget in 2003 ■ Australia – Government programs encourage industry-research institute partnerships and promote commercialization of public research. PPPs represented 9.1% of the S&T budget in 2002/03.

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.

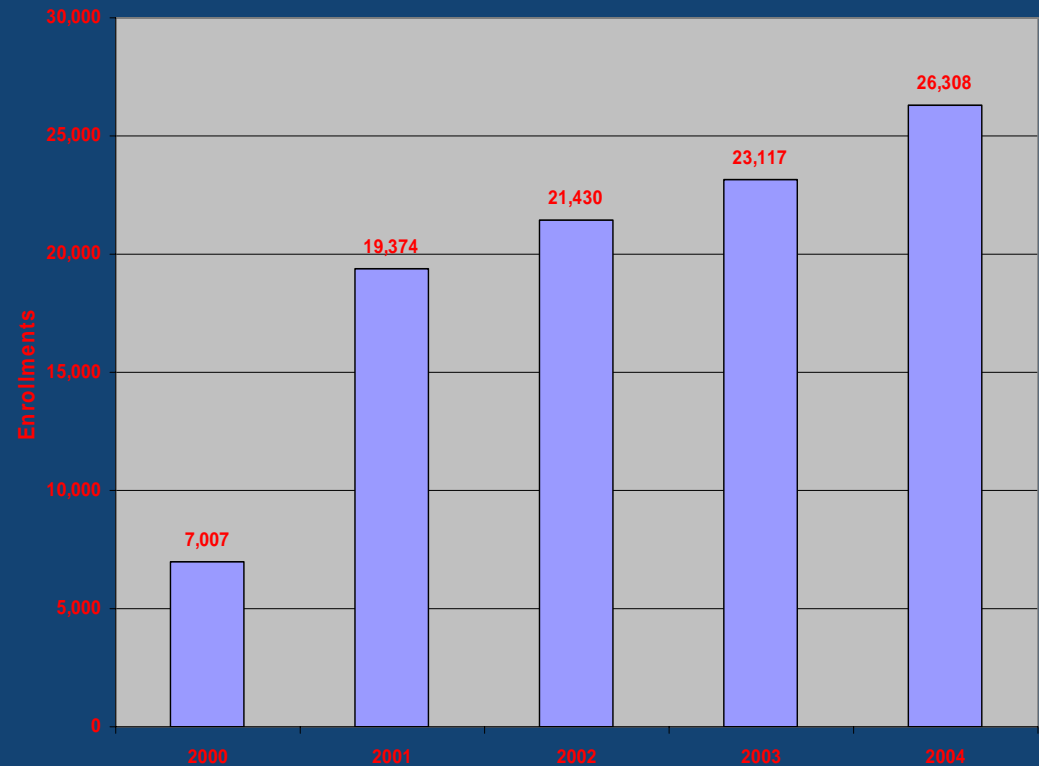


Private Management of Public Schools

- 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 of 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

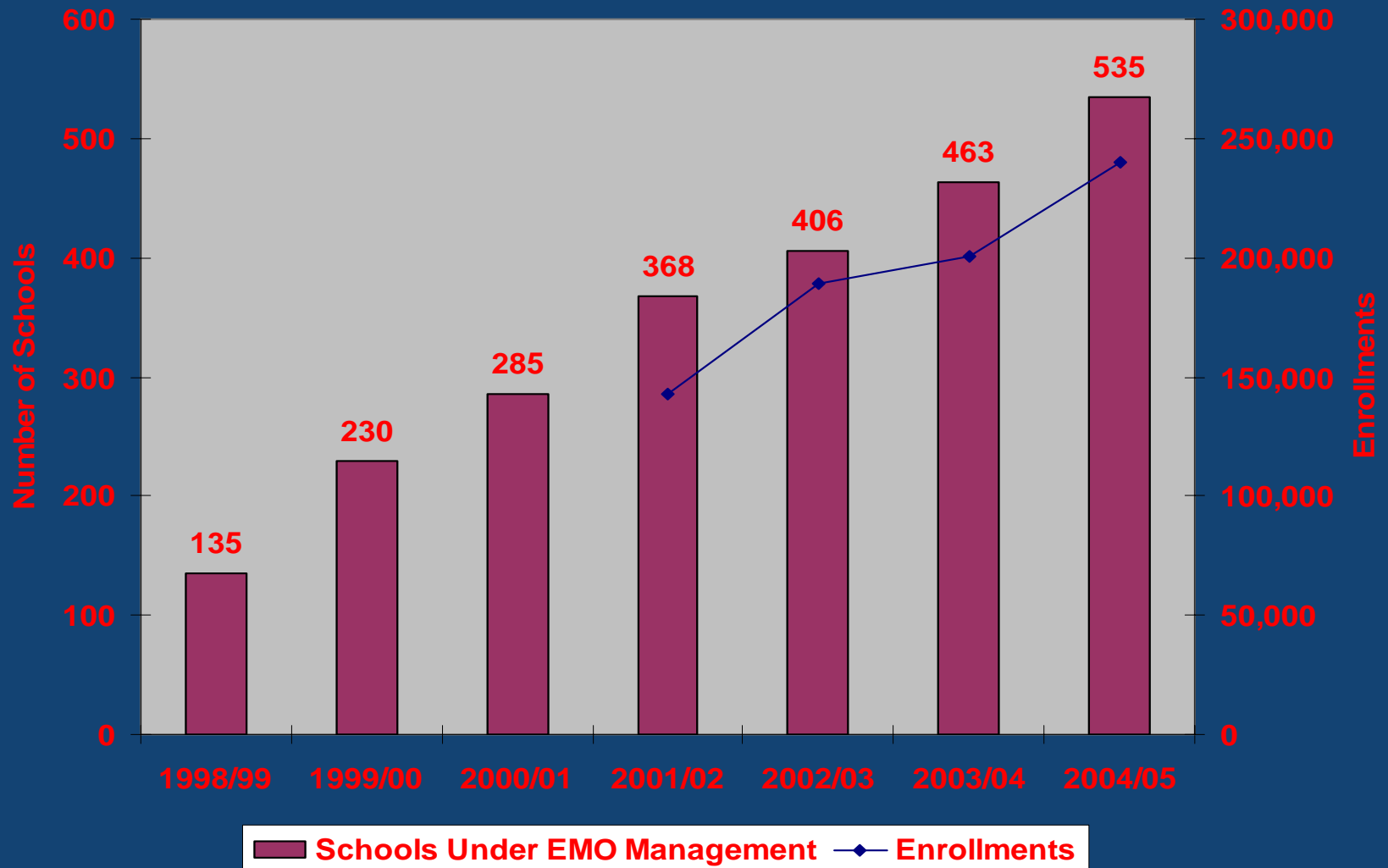
- Punjab Education Foundation (PEF) pays private schools Rs300/month for each student they enroll (up to set maximum number of students)
- Schools are located in poor urban and rural areas. Schools cannot charge students tuition or other fees
- Schools must meet regular quality assurance tests in order 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 (Renaissance 2010), Denver Public Schools, Philadelphia.

EMO Managed Schools/Enrollments, 1998/99-2004/05



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.

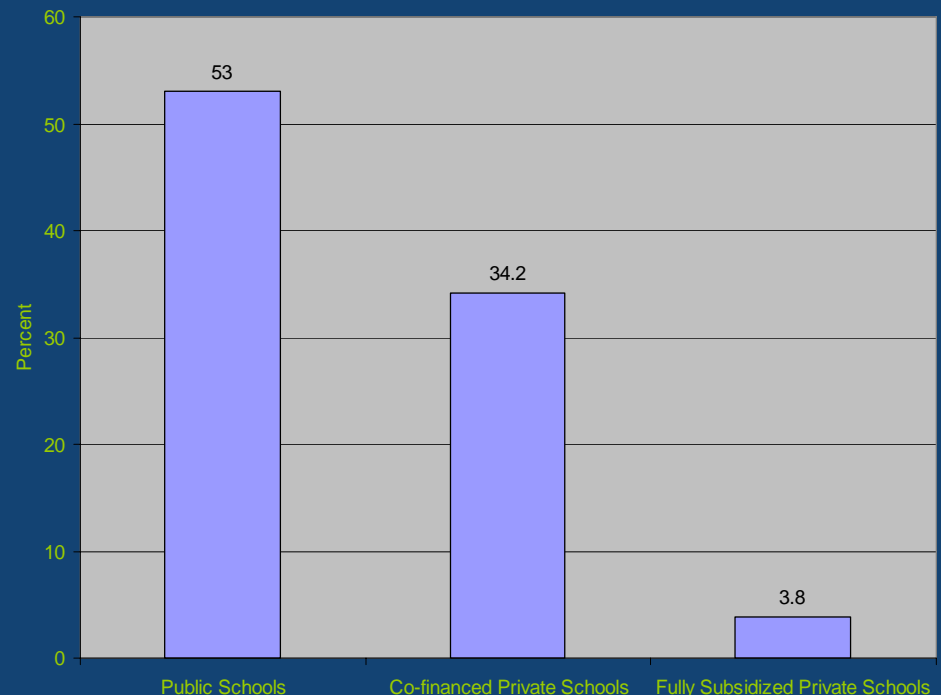
Plan de Ampliación de Cobertura de la Educación Secundaria, Colombia

- 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

Enrollments Shares, Public vs Private Schools, Chile



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.

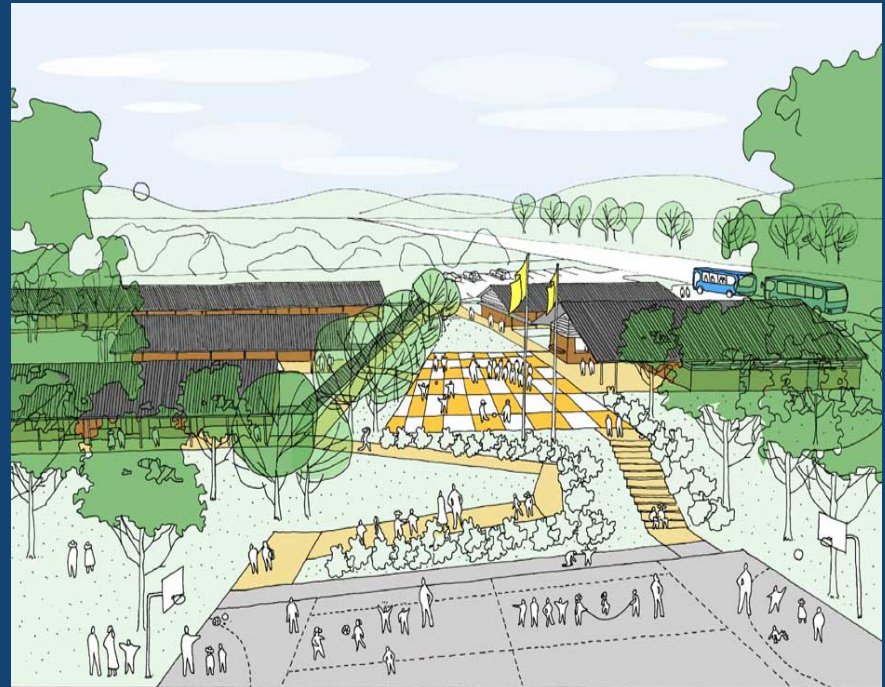


Proyecto Prestacion de Servicios (PPS), Mexico

- 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

Delivery Method	Public Sector Comparator (PSC)			Private Sector Delivery
Delivery Method	<i>PSC Best Case</i>	<i>PSC Most Likely</i>	<i>PSC Worst Case</i>	\$177.5 M
NPV of Project Cost	\$226.3 M	\$235.3 M	\$245.3 M	
% Savings	21.6%	24.6%	27.6%	

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