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## Unlocking the potential of the private sector to improve education

*The economies of the South need a skilled, educated workforce. There are still challenges to be overcome in order to improve access to education and the quality of the educational system. How can the private sector help?*

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Significant progress has been achieved in the education sphere since the World Education Forum in Dakar in 2000. In ten years, the number of children attending primary school in the world's developing countries has risen - by more than 40 million in low- and medium-income countries. This progress has steadily spread into secondary and higher education, too. Yet wider access to education has often been attained at the cost of quality. Overcrowded classrooms, ageing infrastructures, a lack of qualified teaching staff and insufficient teaching materials are the day-to-day reality for many schools in developing countries. My country Nigeria presents an example of all these challenges. These mixed results are further compounded by wide disparities in access to education depending on gender and social background, as well as persistent low levels of participation in secondary and higher education.

Massive investment in education systems is vital in order to overcome these challenges. In low- and medium-income countries, the basic education funding deficit is estimated at US\$ 38 billion. Over the last decade governments have devoted substantial financial resources to improving their education systems. In sub-Saharan Africa, education is one of the main budgetary items, accounting for nearly 20% of public expenditure. Yet this funding remains inadequate to meet the education needs of a young and fast-growing population.

The private sector can and must contribute to this crucial investment drive. The rapid growth of private education in recent years is already helping to supplement and strengthen the education offer. In sub-Saharan Africa, nearly 22 million young people attend private educational institutions - 14% at the primary level and 18% at the secondary level. On all continents, a multitude of players and models are emerging in response to changing patterns of demand. Public-private partnerships are coming into being. Yet within this fragmented marketplace the quality of the offers available remains highly diverse. The state's supervisory and regulatory role is crucial, therefore, in facilitating the development of a robust education system.

Access to education is not just a moral imperative - it is also a driver of economic development, a key precondition for producing a skilled workforce and supporting economic growth in developing markets. But initial training and a qualification alone do not guarantee skills that match the needs of the job market. To keep pace with technical and technological developments and a changing society, developing countries will also need to invest in constant vocational, technical and professional training - the poor cousin of public policy - to help develop their human capital. In that field, private sector players can greatly contribute. No doubt they would harvest their share of the dividends of such investment.

# The challenge of expanding quality education for all in developing countries

*The drive to improve access to education in developing countries is bearing fruit. Yet population growth, high levels of demand and overstretched national budgets put immense pressure on education systems. The development of the private sector, in all its diversity, could contribute to the collective education effort – on condition that governments fulfil their management, regulatory and monitoring roles properly.*

**Serge Péano**

*Economist and statistician*

Significant progress has been made since the launch of the Education for All goals<sup>1</sup> in 2000. In 10 years, the number of children attending school has increased significantly in regions that had been lagging behind – by more than 40 million, i.e. 64%, in low-income countries. The number of primary-school aged children not attending school has fallen from 108 million to 61 million.

The progress achieved in primary education is now steadily spreading to secondary and higher education. Nonetheless, it

is at these levels that the greatest disparities occur: in the world's developed regions, two thirds of the population have access to higher education, whereas in developing regions – in Africa or South Asia, for example – even secondary education has not yet attained an equivalent level.

With 6% of gross domestic product (GDP) devoted to education, the developed nations can offer young people an average of just over 16 years of schooling in good conditions. The situation is very different in other parts of the world (Table) where dynamic population growth is creating higher levels of need. The high proportion of

young people – 81 dependent children per 100 adults aged 15–64 in sub-Saharan Africa, for example – generates significant educational need and a significantly higher funding burden. The three major regions of the world with the fastest-growing populations – sub-Saharan Africa, South Asia, the Arab states – are also those where the average number of years of schooling is lowest. School life expectancy in sub-Saharan Africa is less than ten years on average (Figure 1). Furthermore, many governments are not able to generate sufficient revenues to finance their education services. Half of the countries in sub-Saharan Africa, for example, generate tax revenues of between 10% and 20% of GDP – compared with an average of nearly 35% in the thirty Organisation for Economic Co-operation and Development (OECD) member states. Even if they devote a higher proportion of state funding to education, countries with both a young population and low tax revenues have a limited capacity to finance the educational needs of their populations. Only a falling birth rate, sustained economic growth and a broader tax base would make it possible to reverse this trend – yet changes of this kind only take effect over the long term.

*“Countries with both a young population with low tax revenues have a limited capacity to finance the educational needs of their populations.”*

## FINANCING EDUCATION

Delivering high-quality education to a large number of young people calls for the mobilisation of considerable resources:

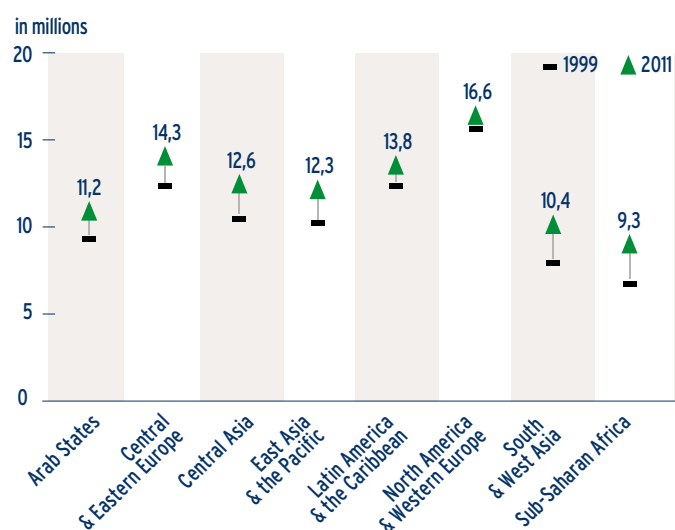
<sup>1</sup> The six Education for All goals were defined at the World Education Forum in Dakar, Senegal in 2000: expanding and improving early childhood care and education; ensuring that all children have access to primary education; ensuring access to appropriate learning and life-skill programmes; achieving a 50% improvement in levels of adult literacy; eliminating gender disparities and achieving gender equality; improving the quality of education.



**SERGE PÉANO**

Serge Péano is an economist and statistician who worked as an expert at UNESCO's International Institute for Educational Planning (IIEP) until 2013, focusing primarily on issues relating to the cost and financing of education. He also spent part of his career in the French Ministry of Education's evaluation department. Serge Péano currently works as an independent consultant.

FIGURE 1: SCHOOL LIFE EXPECTANCY, 1999-2011



Source: UNESCO, 2014

teaching and non-teaching staff, classrooms, educational materials, etc. In the absence of adequate funding, states use schooling conditions as their adjustment variables – for example, increasing the number of pupils per class, limiting the equipment provided, being less vigilant of teachers’ qualifications or restricting their pay. A primary teacher in sub-Saharan Africa in 2011 was, for example, looking after 42 pupils – as compared with 14 pupils in developed countries. Further, according to UNESCO’s Institute for Statistics, in some countries trained teachers account for barely half of the total cohort at the primary level – 47% in Benin, 48% in Senegal and 52% in Mali. These adjustments to resources are inevitably reflected in educational performance. Whereas all children in the developed nations complete their primary education, only 62% do so in the countries of sub-Saharan Africa where drop-out rates are high. To alleviate their education funding difficulties, from the 1980s onwards, governments asked families to make a financial contribution. In primary education, the involvement of parents’ associations in day-to-day school management is accompanied – more or less officially – by the payment of contributions, even to cover the costs of teaching staff where the state has not been able to recruit enough teachers. While statistics regarding household expenditure on education remain limited, the research that is available shows that families are the state’s primary partner in financing education in many countries of the

global South, often contributing around 30% of expenditure across all levels of the education system (Figure 2).

### THE CHALLENGE OF FREE EDUCATION

Household contributions to education expenses, however, impede progress in key education indicators – whereas cost-abolition measures have prompted a massive influx of school enrolments. For policy-makers, therefore, the costs payable by families are a key lever impacting participation rates across all tiers of the education system. At primary level, parental contributions are increasingly regarded as a disincentive to school attendance for children from the lowest-income families and an obstacle to achieving the goals of universal education. This is why many governments have eliminated school fees for elementary education. Free-access policies can also include the cost of books or school meals, or take the form of direct assistance to the poorest families, grants or allowances to help with transport costs and equipment, or even to offset opportunity costs – mainly the lost revenues from the child’s labour.

*“Household contributions to education expenses [...] impede progress in key education indicators.”*

Subsidies are generally paid to schools to compensate them for their lost revenues. Yet these subsidy payments are often delayed – which can once again lead schools to resort to family contributions.

Although family contributions are generally no longer recommended in elementary education, by contrast, retaining them is often recommended for secondary and higher education: at these levels the personal benefits from investing in education – in terms of the future income arising from participation – can justify users’ participation.

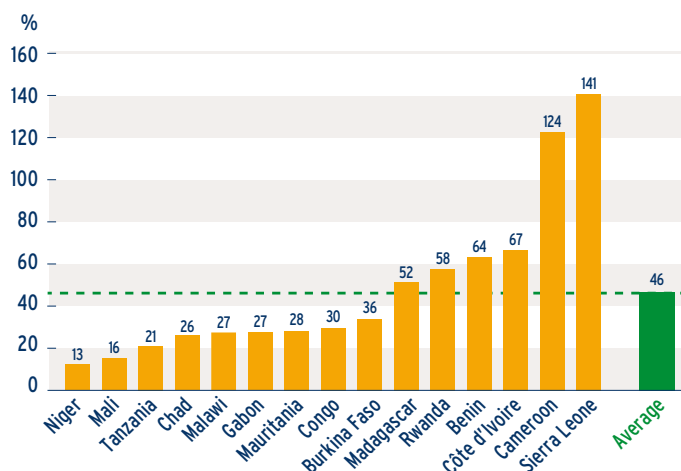
### DEVELOPMENT OF THE PRIVATE EDUCATION OFFER

Complementing the state’s education initiatives, the growth of private institutions can help ease the strain on public budgets and expand the overall education offer. In developing countries, this non-public education offer is highly diversified, presenting a picture full of contrasts – faith and secular schools, rural and urban schools, schools complementing or competing with the state schools, schools created by communities or by individuals, for- and not-for-profit, serving a middle-class urban market or specific, less prosperous client groups.



Unlocking the potential of the private sector to improve education

**FIGURE 2: HOUSEHOLD SPENDING ON EDUCATION IN AFRICA, 2004 (in % of current public spending on education)**



Note: On average, for every 100 dollars of state spending, households spend 46 dollars. These figures are adjusted estimates.

Source: UNESCO/Dakar, 2012

►► Private faith schools have a long-established presence in many countries where their long-standing networks often set a quality benchmark.

*“The growth of private institutions can help ease the strain on public budgets and expand the overall education offer.”*

Non-governmental organisations (NGOs) are more recent arrivals on the education scene and generally invest in the sector in response to urgent social needs – among marginalised populations or in disadvantaged locations, for example. They often introduce new teaching methods more appropriate to local contexts, and innovations that can add value to the sector as a whole. They have also pioneered the use of national languages and the creation of schools for nomadic populations. For-profit private schools also have their place in the education landscape. Businesses, too, can contribute to the educational drive – compulsorily or voluntarily – particularly with respect to the provision of technical and vocational teaching at secondary and higher levels: providing work placements, making financial contributions or contributions in kind.

Finally, community schools have appeared

on the scene as a collective response to educational needs that state networks have failed to cover – mainly in rural areas. Often created without consulting the state education services, with very limited resources, and recruiting teachers with limited educational background from the community, these schools have gradually been accorded administrative and legal recognition by the relevant education ministries.

Within this huge diversity of players, some charge high fees and enjoy financial prosperity while others operate with very limited resources. Well-organised schools achieving good results, establishing a quality benchmark for the entire system, co-exist alongside underperforming schools operating in challenging conditions. Yet overall the proportion of the school population attending private schools has increased in many countries – rising from 11% to 13% at primary level in developing countries over a ten-year period. In some countries in Asia and Latin America, the private sector even accounts for the majority of education provision. Families seeking the best education for their children will opt for a private, fee-paying school when this seems to meet their needs most effectively. Families may be guided in their choice by religion – yet more often what they are looking for is better discipline and support for their children; linguistic factors sometimes come into play, too.

#### REGULATION AND PUBLIC-PRIVATE PARTNERSHIPS

The growth of private education can be seen as an indicator of the unsatisfactory conditions, as perceived by families, provided by state schools, especially in urban areas with overcrowded schools and classrooms, poor discipline and sub-standard teaching. If the urban middle classes were to abandon state schools *en masse*, this would risk severe structural inequalities between a network of state schools focused on rural areas and low-income families, operating with few resources, and a set of private schools targeting specific niches within the socially and economically highly segmented market of families seeking a better education for their children.

As a result, the state has a key role to play in regulating and monitoring the sector to promote the development of an egalitarian system that maintains consistent standards across the board. The monitoring of

#### FOCUS

The International Institute for Educational Planning (IIEP), established in 1963, is a training and research centre charged with supporting UNESCO's strategic programming for education. The IIEP trains education planners and managers in analysis, planning, management, monitoring and policy evaluation techniques. It undertakes research and technical support activities to help ministries of education plan and manage their education systems.



private institutions by the public authorities can involve a compulsory licensing process, verifying lesson content and the implementation of a national curriculum, and evaluating the teaching environment and teaching standards. Yet confronted with the multitude of players involved, less highly developed states may find it difficult to channel all the divergent initiatives effectively and engage in a genuine partnership with private educational institutions.

The word ‘partnership’ has taken on an additional meaning in recent decades, covering situations in which the realisation of investments or the management of teaching or teaching support services are subcontracted – wholly or in part – to the private sector. Private groups contracted to the state can sometimes take charge of functions traditionally carried out by government – school inspections, for example.

*“It is for the state, and the state alone, to set the rules.”*

These public-private partnerships can blur the traditional boundaries between the public and private sectors and can in some cases be regarded as

forms of privatisation.

The risks for the states involved are a partial loss of their supervisory capacity and a technical dependence on private organisations. Moreover, subcontracting partner-

ships of this kind are often criticised for being unnecessarily expensive. Neo-liberal policies can also introduce market mechanisms into an educational sector historically dominated by a high level of state involvement. The system of education vouchers<sup>2</sup> is an example of this, combining private management and public financing – the risk being a more pronounced social segmentation of the educational system and greater inequality as wealthy parents can supplement the financing provided by the state.

Private interventions encompass initiatives of highly diverse origins and modes of operation. Whatever the motivation of the private partners involved – philanthropy, social responsibility or commercial interest – it is a state’s responsibility to define the framework in which they operate. It is for the state, and the state alone, to set the rules, ensuring that all the various inputs contribute to the wider collective effort to promote education – the foundation of every society’s economic development and social cohesion. •

<sup>2</sup> Families receive an education voucher from the state that they can use to finance their child’s education in the private school of their choice.

TABLE: SELECTED EDUCATION INDICATORS BY REGION

	North America & Western Europe	Central & Eastern Europe	Latin America & the Caribbean	Central Asia	East Asia & the Pacific	Arab States	South & West Asia	Sub-Saharan Africa
Dependency ratio <sup>1</sup> 2010 (in years)	24	21	43	44	24	50 <sup>2</sup>	48 <sup>3</sup>	81
Public education expenditure, 2010 (as % of GDP)	5.8%	5.2%	4.7%	3.5%	3.9%	4.5%	4.4%	4.7%
School life expectancy, 2011 (in years)	16.6	14.3	13.8	12.6	12.3	11.2	10.4	9.3

<sup>1</sup> Number of children under 15 per 100 adults aged between 15 and 64.

<sup>2</sup> North Africa only.

<sup>3</sup> South Asia only.

Source: UN, 2012; UNESCO, 2012

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# An innovative model for basic education in Peru

*Delivering quality in basic education remains a challenge for Peru. Innova Schools is tackling this through a fast growing programme that will, by 2020, cater for up to 70,000 students. This requires innovative approaches to building and equipping schools, training teachers and delivering game-changing education together with tight management to ensure a standard educational offer and economies of scale – essential to keeping fees affordable for middle-income families.*

**María Teresa Moreno Alcázar**

*Academic Director, Innova Schools*

**A**lthough Peru is overcoming issues of access to education – elementary now has 94% national coverage and secondary 77% – problems with quality continue. In the *Evaluación Censal de Estudiantes 2013*, a nationwide assessment of second grade students, just 33% reached the expected level in reading comprehension and only 17% in mathematics. Furthermore, Peru's results in SERCE<sup>1</sup> 2006 and PISA<sup>2</sup> 2009 evaluations are well below average; the PISA 2012 assessment

placed Peru last amongst 65 participating countries. Economic growth in Peru has enabled families to choose private rather than public schools in an attempt to provide a better education for their children. In Lima, for example, 43% of schools are currently private ones (Figure 1). Many low-cost private schools, however, struggle to achieve quality educational levels.

It is against this background that Innova Schools (IS) was established as a fully-fledged commercial company in 2010 with plans to build a nationwide network of 70 schools that will serve more than 70,000 students by 2020. Currently, 23 schools are operation-

al, 18 in the peripheral areas of Lima and 4 in the provinces, with 13,200 students and 7,250 teachers. IS takes pupils from pre-school age – 3 years old – through to the end of the secondary cycle – 11th grade, when the students are around 17. Students typically come from families whose income is somewhere around USD 900 per month. IS's vision is to offer quality education at a reasonable cost and improve the quality education available in Peru. The organization's three-fold challenge is to maintain and improve its educational standards, scale up its affordable-schools approach, while providing its stakeholders with acceptable returns on their investment.

*“The PISA 2012 assessment placed Peru last amongst 65 participating countries.”*

## INNOVA SCHOOLS' EDUCATIONAL INNOVATION

IS is moving the focus from teacher-centered education to student-centered learning. This means focusing on the needs, abilities and interests of the students and placing the teachers as facilitators of learning. Based on principles of social constructivism, this approach makes students active participants in their own education. Methods include engaging students in inquiry, tasks that promote cognitive activity or problems-solving activities that promote debate and collaboration between peers. Approximately, 70% of students' time involves group learning in which they work with each other, often in small groups, led by a teacher, to discover new

<sup>1</sup> In late 2002, member countries of UNESCO's Latin American Laboratory for Assessment of the Quality of Education (LLECE) launched the Second Regional Comparative and Explanatory Study (SERCE) which, drawing on the experience in a first such study (PERCE, 1998), expanded the analysis to include a higher number of countries, grades and areas in its evaluations.

<sup>2</sup> The Programme for International Student Assessment (PISA) is a triennial international survey which aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students. To date, students representing more than 70 economies have participated in the assessment.



MARÍA TERESA MORENO ALCÁZAR

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concepts and develop high-order understanding through projects and exercises. While group learning is key to helping students develop academic skills, it also supports the development of collaboration, teamwork and leadership. Solo learning, which makes up around 30% of students' time, involves independent, self-paced, student-led learning, often enabled by technology. Students construct their own goals, paths and work flows, with teachers providing targeted support as needed. Solo learning, a major differentiator for IS, encourages students to develop autonomy, focus and responsibility for their own learning.

This blend of direct hands-on experience in the classroom with digital learning in which students use computer-based tools to discover and work through core academic concepts is expensive and requires special teaching talent – both barriers to scale. Teachers need to have deep subject knowledge, good communication skills and confidence to build on the questions and discussions that take place in the classroom and allow students come up with their own, often different, ways of reasoning. This demands effective teacher training, a strong mentoring system through which teachers train other teachers, fewer students per class and significant investment in technology – which plays a key role in IS's methodology. Additionally, as part of their curriculum, all students engage in a two-week interdisciplinary 'innovation programme' aimed at developing creativity, autonomy, team work and citizenship. In these, students try to solve societal issues – in such areas as health, environment and relevant to their reality

– though a progressive process of exploration, design, experimentation, and sharing ideas. In 2013, primary pupils were asked 'how might we help students have healthier diets', while secondary-aged students tackled 'how might we reduce traffic in our communities'. This activity aims to encourage students to become leaders with values, and connect what they learn in the classroom to the real world.

### ENSURING QUALITY THROUGH STANDARD-BASED OPERATION

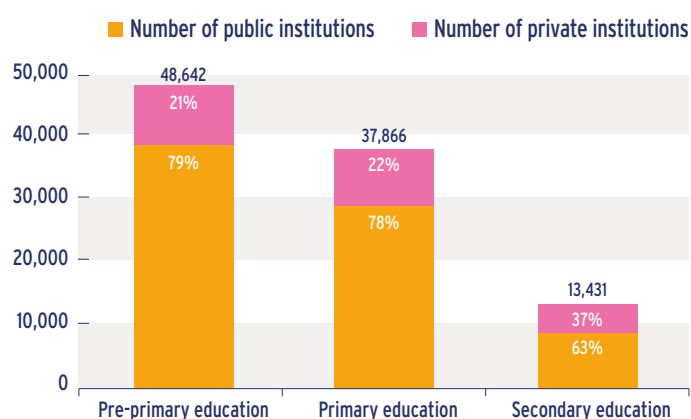
To ensure that teachers, principals and other main actors share the same ethos, curriculum, and work towards common goals and standards, IS has developed a standard model with efficient monitoring and communication systems. First, a highly selective admission process is used to hire teachers with high potential. They are selected through a battery of standard assessments that measure their intelligence quotient (IQ), social and teaching skills, and subject knowledge. The assessments are rigorous; out of 10 applicants who pass an initial screening and move on to the full assessment process, just two are hired.

To ensure that all teachers are well equipped to tackle the rigorous and unique curriculum, system-wide in-service training programmes for teachers, principals and academic coordinators are essential, particularly as the majority of IS's teachers are new to the profession – IS has found that novice teachers are more open and predisposed to its innovative methods. Each member of staff receives an initial 120 hours learning programme, followed by continuing in-service training. To further support its teachers, IS provides an online toolkit to help them build and plan their classes on a day-to-day basis. It contains a comprehensive set of quality lessons plans – authored and specific to IS – for each subject across every grade. The lesson plans, and their aggregation in one central resource, the Teacher Resource Center (TRC), allows IS to distribute quality teaching resources to every teacher, simplifying the process of creating common standards across its network.

A system for monitoring teacher performance has also been established. Mentors, who are highly experienced teachers from within and beyond IS, observe classes ►►►

*"Mentors [...] observe classes and provide precise feedback to teachers about their performance."*

FIGURE 1: SHARE OF PRIVATE EDUCATION IN PERU



Source: Ministry of Education (Peru), 2013

Unlocking the potential of the private sector to improve education

►►► and provide precise feedback to teachers about their performance. They also collect and register teachers' performance data, which allows the mentors to focus on low-performing teachers. This system is essential to assure permanent and significant improvement in teacher performance. General oversight is carried out by regional directors, each of whom looks over 7–8 schools and works closely with school principals and their staff to assure and improve school functioning and management, as well as solving any problems that arise. Regional directors also play a role in identifying innovative practices and spreading them across the wider school network.

*"Schools become profitable from the third year, allowing new start-up losses to be covered by mature projects."*

To complete this scheme, IS has established a department responsible for monitoring quality across its network. This department is in charge of the internal school accreditation process as well as the network accreditation itself – making sure that IS is meeting national and international standards of quality education. It implements regular self-assessment and external assessment as well as twice-yearly standardized tests, to measure student achievement and verify that all are meeting IS learning standards. Assessments also evaluate such skills as leadership, team collaboration and creativity that are at the core of IS's methodology. Additionally, the department evaluates innovations across the network to ensure that they are having positive impact on student learning and achievement.

### A SOLID BUSINESS MODEL

IS's model requires significant investment in technology and connectivity. Each school has 27 classrooms, two media laboratories, a science laboratory and needs, on average, 100 computers, 20 multimedia projectors and a good internet connection. In 2013, the average school set-

up cost has been USD 4 million. Income comes from schools fees – an average of USD 110 per month – as well as entrance fees, enrolment fees and fees for afterschool activities. To be sustainable, while keeping fees at affordable levels to reach the targeted middle-income households, IS needs to maintain a low-cost model. That is achieved through operating efficiencies and economies of scale. With 23 schools operating at the end of 2014, and a target of 38 schools by 2016, economies of scale are achieved at a variety of levels. For example, the network's size allows IS to obtain up to 40% discount when purchasing goods and services, including land, construction and furniture costs, compared to its smaller, single-school competitors. Schools become profitable from the third year, allowing new start-up losses to be covered by mature projects. Because of its teacher-development systems, IS is also able to recruit teachers at reasonable rates, ranging from USD 500–670 a month, slightly above equivalent pay in the public sector. This is supplemented by performance bonuses of up to one month's salary and, as required by Peruvian law, two additional month's salary. Teachers also benefit from an appealing compensation package.

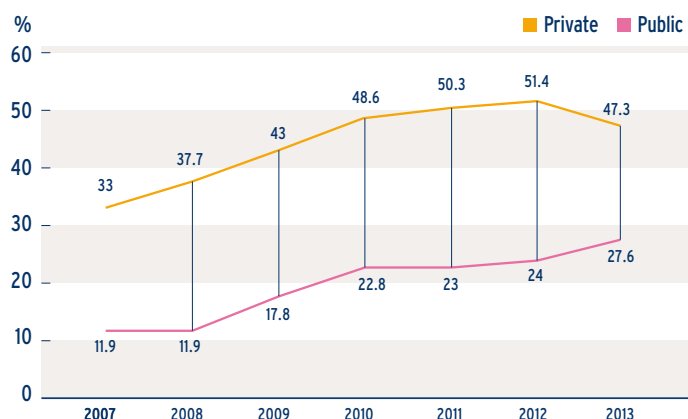
IS's business plan calls for total investment of USD 300 million. Construction and expansion up to 70 schools by 2020 will be based on equity contributions for the start-up period – up to 2013 – and, from 2014, on long-term multilateral financing together with cash flows generated by mature projects. It is not easy to access long-term finance, largely because commercial banks neither consider education a potentially profitable business nor recognize the assets it can offer as a guarantee. Thus, IS mostly seeks long-term financial resources from such multilateral banks as the Inter-American Development Bank (IDB), the International Finance Corporation (IFC) or the Corporación Andina de Fomento (CAF), and local or bilateral development finance institutions. IDB has recently granted Colegios Peruanos Sociedad Anónima (CPSA), IS's business entity, a loan of USD 15 million to finance the expansion of the school network. Although IS's current development phase requires significant capital and operating investment, CPSA expects to move into operating profit in 2016 by when 38 schools will be open.

## FOCUS

Founded in 2005 by Peruvian businessman Mr. Jorge Yzusqui Chessman, **Innova Schools** is a network of schools which offer high-quality pre-school, primary, and secondary education with modern infrastructure at affordable prices to the country's emerging middle class. The private education institution operates 23 schools with presence in Lima's fastest growing districts and in four provinces, delivering its innovative teaching system to a total of 13,200 students. It has an established plan to build 70 schools by 2020 that will serve more than 70,000 students.



**FIGURE 2: PERCENTAGE OF PERUVIAN STUDENTS REACHING SATISFACTORY LEVEL FOR READING COMPREHENSION**



Source: Ministry of Education (Peru), 2013

### CHALLENGES AHEAD

IS's model is based on providing an affordable but excellent education, and scaling up its activities across Peru. This is challenging in a country where the average gross domestic product (GDP) per person is just USD 10,240 a year and middle-class household incomes are limited. Therefore, IS needs to stay focused when implementing innovation, controls its costs and meets its targets.

*“Peru has few educational professionals, and, in general, education is not seen as an attractive career by young people.”*

The rising cost of land is a serious issue, and a constraint, given the company's plans to open 48 more schools in just seven years. While it might

be possible to develop an asset-light model, purchasing land and building 70 schools by 2020 are non-negotiable goals. As a result, IS is exploring several avenues including the public sector providing land and/or financing the construction of schools.

Recruiting staff, teachers, principals and academic coordinators of the required quality is also an issue. Peru has few educational professionals, and, in general, education is not seen as an attractive career by young people. In order to overcome these recruitment problems, IS has started to develop some strategic agreements with schools of education in Peru. This, however, is a long-term solution and the good outcomes will not be seen for the five years it takes these colleges to train teachers.

Expensive and low level of internet broadband penetration in Peru – around 4% versus an average of 47% for Latin America and 52% worldwide – is another constraint. All IS's platforms are web-based – to enable students to use them at home – and the low bandwidth, especially in the provinces, is affecting the proper implementation of IS's education model. Another challenge of having such an extended network is the distance between each school and the time it takes to travel from one to another. It limits and shapes the way IS organizes meetings, trains teachers and handles monitoring and other logistical systems.

Finally, IS has to work to overcome parental beliefs such as the more homework students have, the smarter they become, or that books filled with exercises are the best evidence of educational quality. To overcome these misconceptions IS is making strenuous efforts to communicate better and more frequently, demonstrating what quality education looks like. Results are key, and the national assessments of mathematics and reading comprehension are providing proof of IS's quality. Progress is encouraging. Parents' general satisfaction collected through survey data in 2012 was 72%, this number increased in the 2013 to 80%; students' satisfaction is 71%, and teachers' general satisfaction is around 80%.

The developing success of IS approach is reflected not just by parents', students' and teachers' satisfaction; improving, externally validated academic achievement is vital, too. In the *Evaluación Censal de Estudiantes 2013*, 33% of second grade students reached a satisfactory level in reading comprehension is, 47% in all private schools, but in excess of 80% in IS schools (Figure 2). Corresponding results for mathematics were a national mean of 17%, 20% for private schools, but more than 61% in IS participating schools. •

# The Philippines: a public-private partnership for educational development

*In 2016, the Philippines will bring its educational system in line with other Southeast Asian countries, adding two years of senior high school. Building on the experience of a public-private partnership that works to alleviate overcrowding in public junior high schools, the government is working with private providers, on a voucher scheme to provide financial assistance to poorest students to enrol in a private senior high school.*

**Gordon Carver**

*Project Director, GEMS Education Solutions*

**T**he Philippines is alone in Southeast Asia in providing just 10 years of basic education: six years of primary followed by four years of secondary schooling. A 2012 presidential decree has presented the educational authorities with an urgent challenge to be solved by 2016 – bringing the system into line with its neighbours and the wider world by extending basic education by two years, at the senior secondary level.<sup>1</sup> The aim behind this reform is clear and highly commendable: to better prepare Filipino

students for an increasingly competitive world. But, making the reform actually happen in only two years will be tough for the Department of Education (DepEd). It means finding places for almost three million secondary school students, while recruiting 68,000 additional teachers. This is a significant logistical challenge, involving mass scale teacher training and the physical construction of around 4,500 new schools, as well as representing a considerable financial burden. Not having enough schools or teachers available for the anticipated cohort of more than one million students in 2016 is simply not an acceptable option, as that would breach both constitutional requirements and carry political risks. One major part of the government's strate-

gy for answering this supply-side challenge is to turn to the private sector,<sup>2</sup> which could absorb 30% or more of the expected new senior high school (SHS) intake. The motivation for this highly unusual pro-private stance is partly practical (since DepEd recognises the sheer scale of the task and the limited time available), and partly ideological (since the current administration was elected on a pro-private sector ticket). No doubt DepEd is also influenced by its long-standing funding of the Education Service Contracting Scheme (ESC), which is one of the world's largest educational Public-Private Partnerships (PPPs), operating in the Philippines since 1986 and providing a prototype for ways government can provide school access for public students via private school places.

*"The Philippines is alone in Southeast Asia in providing just 10 years of basic education."*

## THE ESC PROGRAMME IN ACTION

The ESC was a policy response to public high school overcrowding, allowing so-called 'aisle students', those with no place to sit, to move to under-populated private schools. The ESC provides an annual per pupil subsidy to certified private junior high schools (JHS) to accept public school students who cannot be accommodated in nearby congested public high schools. To qualify for participation in the ESC programme, a private JHS must fulfil certain criteria concerning the number and qualification levels of its staff, its facilities, its school achievement, and its use of an approved curriculum. The school must also be located near an overcrowded public JHS.

<sup>1</sup> The K-12 Reform under course in Philippines follows the K-6-4-2 model. Elementary schooling covers Grades 1-6 for 6-11 year olds; Grades 7-10 for 12-15 year old junior high school students and the new Grades 11-12 for 16-17 year olds in senior high schools.

<sup>2</sup> Private sector in this context means the existing private junior high schools, the private Higher Education Institutes and private Technical and Vocational Training Institutes. It would also be feasible for new market entrants to begin new senior high schools.



**GORDON CARVER**

Gordon Carver is the Distance Learning Global Lead for GEMS Education Solutions, with a special focus on PPP policy, distance learning provision and education economics. Currently based in Ghana, he is leading a DFID-funded education innovation project for marginalised girls in remote villages. Recent client projects include the design of a senior high school voucher programme in the Philippines for the Asian Development Bank. He is a graduate of Trinity College, Cambridge and Yale University.

The ESC is not a full subsidy, rather a flat fee of 6,500 pesos (USD 151) per pupil across the country, other than in the National Capital Region, where it is 10,000 pesos (USD 232) per year. Parents are then required to pay top-up fees bridging the difference between the ESC grant and the total cost of tuition; in 2009 the average top-up fee was 4,298 pesos (USD 99). Pupils graduating from public elementary schools are selected for

*“The appetite from existing and new private sector providers to participate in SHS and invest in new schools is very high.”*

the ESC subsidy in a participating local private school by a local selection committee in each school. The committee takes into account family income and a student's likely capacity to complete the four year JHS course without dropping out. The ESC is not perfect, and a number of evaluation studies draw attention to several elements that could and should be improved (World Bank, 2010). One area of criticism focuses on concerns of equity: since the ESC scheme requires top-up fees from parents, it is rarely the poorest students in a community that can afford to take advantage of the switch to private schooling. The school selection committees tend to choose students from families that can afford it, rather than the targeted ‘poor but deserving students’. Equity is also problematic between regions of the country since household incomes all differ widely between regions. Finally, the scheme is administratively heavy as it involves negotiations on student numbers with each of the nearly 3,000 participating private JHS, and then follow-up in terms of monitoring. Nonetheless, the partnership works: today there are over 750,000 participating ESC students. With the ESC, the government successfully obtains increased school access without needing to invest in further school infrastructure. On their side, private schools are enjoying stable student demand together with guaranteed subsidy revenues. Also, given that national annual average per pupil capitation fee in public schools is around 14,000 pesos (or 325 USD), the ESC is driving significant cost savings for the government by shifting some of the costs to households.

## FOCUS

**GEMS Education Solutions** is the specialist education consultancy division of GEMS Education, with offices in the United Kingdom, the United States, the Middle East, East Asia, and Africa. The company manages schools and supplies strategy, consulting and programme implementation across the education sector. GEMS provides private clients, donor agencies and governments with expertise on leadership and management solutions, school improvement, skills partnerships and education reform.

## WIDENING EDUCATIONAL PPPs: THE VOUCHER SCHEME

Despite its flaws, which can still be addressed, the ESC has embedded the idea of private sector participation within DepEd and the wider Filipino society's approach to public schooling. Could the Philippines build on this experience to help meet the challenge of offering two years of SHS – particularly as the appetite from existing and new private sector providers to participate in SHS and invest in new schools is very high? DepEd has been actively considering what an education PPP could look like for the 2016 reform. Drawing on the work of GEMS Education Solutions' consultancy team, DepEd announced in September 2013 the adoption of an education voucher scheme to provide financial assistance to poorer students who enrol in licensed private SHS.

Why is a school voucher a potentially better mechanism for subsidising public students, rather than simply continuing the ESC grant currently in use? The voucher scheme will consist in providing coupons to partially or fully compensate students and their families for the cost of private school tuition. One of its distinguishing features is that instead of determining which private schools to subsidize and focusing on the supply side, the government transfers this power to parents and students by allowing them to choose from among eligible schools.<sup>3</sup> This demand-side approach, based on a student's self-selection and personal investment decision, makes the allocation mechanism more transparent and gives the student greater freedom of choice about whether, where and how to deploy their state subsidy in a school which best suits their needs.

All students who have attended a public JHS for at least four years should be eligible. The proposed voucher design also includes a pro-poor targeting mechanism, limiting eligibility only to those students whose household income falls at or below the median national household income level of around 150,000 pesos (USD 3,450). The voucher design therefore also includes a recipient means-test and five price points to better reflect the different regional tuition-fee levels with the likely student demand. The annual voucher will be worth at least the estimated capitation allowance of public SHS – nationally around 15,000 pesos (USD 345) per student – to reflect more accurately school costs and affordability levels required by top-up fees (Figure). Though the additional top-up tuition requirements will remain a challenge for the poorest households, this design should limit the regressive na- ►►►

<sup>3</sup> The voucher scheme is likely to be opened to all types of private school providers, especially those in poorer areas of the country which have proved they meet minimum national curriculum and quality standards.

Unlocking the potential of the private sector to improve education

►►► ture of subsidising middle- and upper-class households and will help achieve better equity levels. With such a targeted pro-poor system, private providers will only consider participating if their fees are affordable to those within the lower 50% of household incomes; this could create a competitively priced market of lower-cost private SHS across the Philippines. Though the voucher scheme could start relatively small, it is calculated that the potential pool of recipients could be as high as 1.3 million after 2017. The inherent simplicity of a voucher scheme for large-scale funding and quick school access makes it administratively attractive to DepED. Since it will only be redeemable after a student has successfully enrolled at a private SHS, a voucher should, in theory, limit funding wastage and pay only for filled student places.

### DRIVING UP SCHOOL QUALITY

Many developing countries have successfully driven up the number of students attending school but often at the expense of quality. The Philippines, like many emerging countries, is grappling with the twin challenges of universal school access while maintaining standards. Vouchers are established as a useful tool for funding large number of school places within private schools – as they do in Chile, Columbia and Pakistan – but they could help improve school quality, too.

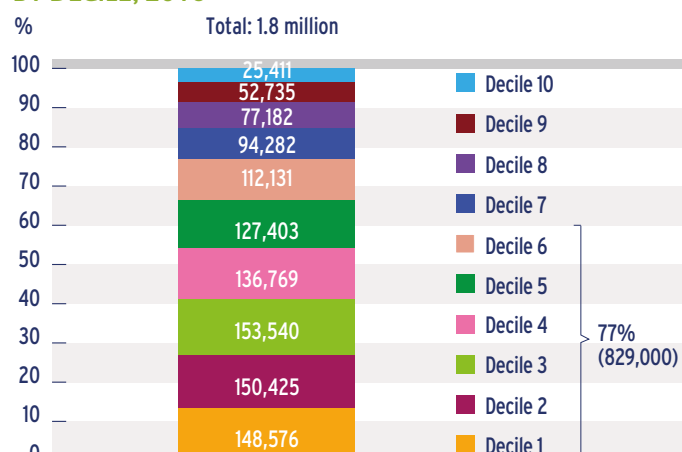
The voucher design proposed for DepEd builds a number of components into the voucher scheme deliberately to drive up quality standards. The

*“Private providers will only consider participating if their fees are affordable to those within the lower 50% of household incomes.”*

first feature involves linking voucher funding with demonstrable outcomes, with each of the three payments made over an academic year linked to key student milestones reflecting both attendance and academic

test results. These multiple payments underscore DepEd’s determination to raise student attendance and competency to expected levels, and give private schools a financial incentive for achieving them. The second feature involves combining a meaningful inspection regime – able to remove voucher students from failing schools – with new consumer information, advice and guidance resources to unlock parental choice and encourage a ‘flight-to-quality’. Parents and students need to have easy access to reliable public information on school quality levels, course availability and tuition fees, if they are to make an informed choice on where to school and if the competing schools are to experience the effects of consumer choice as a disincentive

**FIGURE: PUBLIC SHS PROJECTED STUDENT ENROLMENT BY DECILE, 2016**



Note: The public SHS projected population is sorted according to the national adjusted after-tax family income deciles. Decile 10 represents the projected number of students who fall within the richest 10% of household incomes nationally, while Decile 1 represents the projected number of students who fall within the poorest 10% of household incomes nationally.

Source: Asian Development Bank, 2009

to offering inferior quality levels.

These scheme features provide transparency to all parties involved. Students and parents, on the demand side, will know how much the voucher is worth and what they can afford for top-up tuition. Private operators, on the supply side, will know what portion of fees are government backed and will be able to make individual commercial judgements about local demand, competition and pricing levels. The main lever DepEd has for stimulating private investment in new SHS school supply is the voucher’s financial value.

The introduction of the SHS reform will, no doubt, be scrambled and messy – how could it not, with fewer than two years now remaining and such a huge volume of students needing school places? But the government is to be applauded for taking such a bold step in recognising that the private sector offers both a way of providing additional places and improving quality. It will be some time before the voucher scheme can be fully introduced, and even more before evaluations reveal whether or not learning outcomes have improved. However, the private sector wants to participate and help improve the entire nation’s educational standing. If there is a readiness to invest private capital at scale in such critical national infrastructure in the Philippines, who’s to say similar private sector participation and innovative funding mechanisms won’t also work in other countries too? ●



# Harnessing non-state education providers through innovative financing

*If properly harnessed, the non-state education sector has the potential to improve access to quality education services for the poor. Significant gaps remain among governments and donors in developing and capitalizing on promising non-state models. Creative new financing mechanisms targeted at the non-state sector are required to help seed robust, potentially scalable models that enhance the quality and affordability of education and ultimately benefit the poor.*

**Colin Felsman and Donika Dimovska**

Senior Program Associate, Results for Development Institute  
Program Director, Results for Development Institute

The United Nations estimates that, for basic and lower secondary education in low- and middle-income countries (LMICs), an annual USD 38 billion external financing gap exists between what governments can reasonably be expected to fund and what international aid donors are likely to support. Despite a rise in the share of government spending on education in low-income countries – from 2.9% of gross domestic product (GDP) in 1999 to 3.8% in 2011 – a major shortfall in financing for education persists (UNESCO, 2011). Traditional aid, which can amount to as much as one-fifth of education budgets in low-income countries, is in

decline – falling from USD 14.4 billion in 2010 to USD 13.4 billion in 2011.

On its side, the private sector has been slow to intercede and expand its role in financing for education in LMICs, a role it has successfully assumed in such arenas as health. Corporations invest 16 times more in global health than in global education. This may be explained by the complexities of education systems such as regulatory uncertainty, a lack of enforced standards and an extended time horizon for investment as well as the fact that, historically education, especially for the poor, has been regarded as a public good governed and financed by the public sector. In that context, the financing gap seems unlikely to be addressed, and indeed may even widen, unless new actors intervene and new financing mechanisms are put in place to advance the status of education.

*“Corporations invest 16 times more in global health than in global education.”*

## THE CONSTRAINTS AND FINANCIAL NEEDS OF NON-STATE PROVIDERS

Beyond the essential challenge of generating additional resources for public education in LMICs, a greater degree of attention should be focused on developing and testing creative financing mechanisms that respond to the financial needs and constraints that hinder the enhancement and effective harnessing of non-state providers. Given the current challenges of education, the non-state sector, while controversial, is increasingly viewed as a viable source of education for the poor.<sup>1</sup> 113 million children in LMICs are enrolled in non-state schools, representing approximately 11% of primary students and 24% of secondary students. Nevertheless, the tremendous variance in quality – especially among low-cost ►►►

<sup>1</sup> Non-state providers represent a diverse constellation of models, including for-profit and non-profits entities, social enterprises, religiously-affiliated or community-based providers, and organizations which work closely with the public system.



COLIN FELSMAN AND DONIKA DIMOVSKA

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Donika Dimovska is program director for the Center for Health Market Innovations (CHMI), as well as the Center for Education Innovations (CEI) of Results for Development Institute (R4D). She leads the development of new tools for engaging practitioners, funders, researchers and policymakers working to improve how health and education systems work to serve the poor developing countries.

Unlocking the potential of the private sector to improve education

▶▶▶private schools – has raised some concerns. Many lack the resources required to attract qualified human resources, improve both quality and cost-effectiveness, and ultimately scale services. Education financing for non-state providers currently comes largely either in the form of grants from state, philanthropic or faith-based organisations to traditional non-profits; through capital investment and loans to a minority of well-

*“The independent, small-scale private schools, [...] tend to be too small to qualify for debt or attract traditional financing.”*

known providers delivering standardised, low-cost education or to institutions that target upper-income families. The independent, small-scale private schools, where a significant percentage of low-income students in LMICs actually learn, however, rarely have access to government or donor finance. These small-scale providers – who often inhabit a grey area between formal and informal sector – also tend to be too small to qualify for debt or attract traditional financing. As a result, many of these schools remain heavily dependent on fees. Though an exceptional few may achieve economies of scale through vast expansion of enrollment, dependency on fees precludes most providers from sufficient investment in key services such as teacher training, curriculum enhancement and infrastructure. Recognizing this gap in financing options, a number of new public and private financing mechanisms have emerged that demonstrate significant potential to enhance both access and quality of education solutions among non-state providers.

### HARNESSING PUBLIC FINANCING

India’s 2009 Right to Education Act established mandatory standards for school infrastructure, teacher-pupil ratios, school days and teacher qualifications, as well as a quota for private schools who must now reserve 25% of their places for underprivileged students. Yet, many private unaided schools lack the resources to comply with these stringent norms and are forced to shut down. Despite the intention of enhancing access to quality education, this act could actually prove to be the death knell of low-cost private schools which provide education to a large population of low-income students (Dixon, 2010). This tumultuous

experience is not unique to India. Indeed similar challenges in Nigeria, South Africa and Ghana, show that in addition to quality-improvement legislation, there is urgent need for meaningful private sector engagement to strengthen policy frameworks and streamline registration, paired with strong financing mechanisms that enable non-state entities to serve low-income students.

A range of public-private mechanisms can be mobilized to finance non-state providers while ensuring efficient delivery of quality education for the poor. Voucher schemes, under which the government or another entity pays either full or partial school fees directly to a provider for each low-income student enrolled, can create options for students in contexts where the public system is overstretched or unable to reach low-income students. To foster enhanced commitment to quality continuing financing for participating institutions can be made conditional on student learning outcomes. In Colombia, for example, voucher students are less likely to have to repeat years of study and have improved educational achievement. Cash transfer programs – that distribute funds directly to households, with payments either conditional on school attendance or targeted to encourage attendance – can also have a positive impact on providing revenues to non-state providers while subsidizing the continued enrollment of low-income students. More structured Public Private Partnerships (PPPs) can offer a contractual mechanism to finance non-state providers for the delivery of quality education to the poor. For instance, the Foundation-Assisted Schools programme, launched by Punjab Education Foundation, enables 1.2 million students from poor households in Punjab, Pakistan to attend selected non-state primary schools. Subject to publically advertising the abolition of fees for all students, participating institutions receive a per-student enrolment-subsidy and the school with the highest test performance in each district is rewarded annually through a competitive school bonus scheme (Malik, 2010). Social impact bonds (SIBs) are now emerging as a permutation of PPPs that leverages results-based financing for educational outcomes. SIBs are a form of an outcomes-based contract between the government, independent investors – including banks, foundations, and individuals – and service providers. Typically investors provide upfront funding to support a non-state education provider. The investment generates a financial return only after projects demonstrate they have achieved targeted outcomes. If the results are not achieved, the government does not pay. This mechanism offers governments a means of pursuing innovative education programs and scaling promising interventions with reduced risk.

## FOCUS

**Results for Development Institute (R4D)** is a non-profit organisation whose mission is to unlock solutions to tough development challenges that prevent people in low- and middle-income countries from realising their full potential. Using multiple approaches in multiple sectors including, global Education, global Health, governance and market dynamics, R4D supports the discovery and implementation of new ideas for reducing poverty and improving lives around the world.

## IMPACT INVESTING, AN ALTERNATIVE SOURCE OF CAPITAL

Estimated at USD 3 billion to date, impact investing has thus far constituted a very small proportion of education financing (Fillip, Lerer, 2013). Yet a growing cohort of impact investors is now exploring the establishment of education portfolios. To realise their aims, they will have to overcome significant hurdles in identifying investments with the potential for both social impact and financial returns. The handful of current deals are restricted to several large-scale chains of low-cost non-state schools or training programmes, with promising small-scale operators deemed to be at too early a stage of their development for investment. To surmount this pioneer gap, some impact investors, such as Edupreneurs, a joint initiative of the Pearson Affordable Learning Fund and Village capital, are using accelerator or incubator programmes to prime promising models to ultimately receive investment. Other investment vehicles are emerging that blend patient capital with grants to test new models and prepare them for scale – ultimately selecting the most promising models for a second impact-focused investment round. There is also a clear role for impact investors to better support and coordinate with intermediaries that provide financial services and training for early-stage education entrepreneurs.

## UNLOCKING LOCAL CAPITAL

New financing for private providers may actually be drawn from existing financial assets within LMIC countries themselves. Corporate social responsibility (CSR) funds within middle-income countries could provide an important source of financing for education. In South Africa, for example, companies must direct 1% of net profits after tax to corpo-

rate social investment activities. These investments have doubled between 2001 and 2013 to reach a level of more than USD 700 million (Trialogue, 2013) – more than 40% of this has been spent on education. India is following suit, by requiring companies with a net worth greater than INR 5 billion, or net profits of INR 50 million over any of the past three years to commit 2% of average net profits to CSR activities (Kordant Philanthropy Advisors, 2014) – which could generate as much as USD 2 billion. Thus far, CSR has been deployed inefficiently, and often in a short-sighted manner that fails to make a lasting impact (Fleet, 2012).

CSR funds could restructure their approach to ensure resources are directed towards undervalued areas. Collaboration between CSR funds and policy makers could also be enhanced. This might include establishing pooled CSR funds to invest in public goods such as the expansion of promising education models, or contributing to PPPs or SIBs. Lastly, the substantial pool of public and private pension funds accruing in the developing world – an estimated USD 1 trillion – could be unlocked through an array of bond and guarantee schemes to support education projects.

Greater attention needs to be given to developing and testing creative financial mechanisms that respond to the needs of non-state education providers in LMICs (Box). Financing is of course just one aspect of the overarching ecosystem, but it plays a critical role in raising standards, encouraging innovation, and helping to seed robust models with the potential to scale. Thus improved financing is a necessary, if not sufficient, requirement to harness the non-state sector more effectively for the benefit of the poor. ●

*“Estimated at USD 3 billion to date, impact investing has thus far constituted a very small proportion of education financing.”*

## BOX: MOBILIZING DONOR FUNDS

Development finance institutions have begun to use challenge funds as a means of identifying promising non-state education models. These tend to pool multiple sources of financing (donor, impact investor, crowd-funding, etc.) to spur innovation – the UK’s Department for International Development’s (DFID) Girls Education Challenge, for example, has committed almost USD 500 million to support new and effective

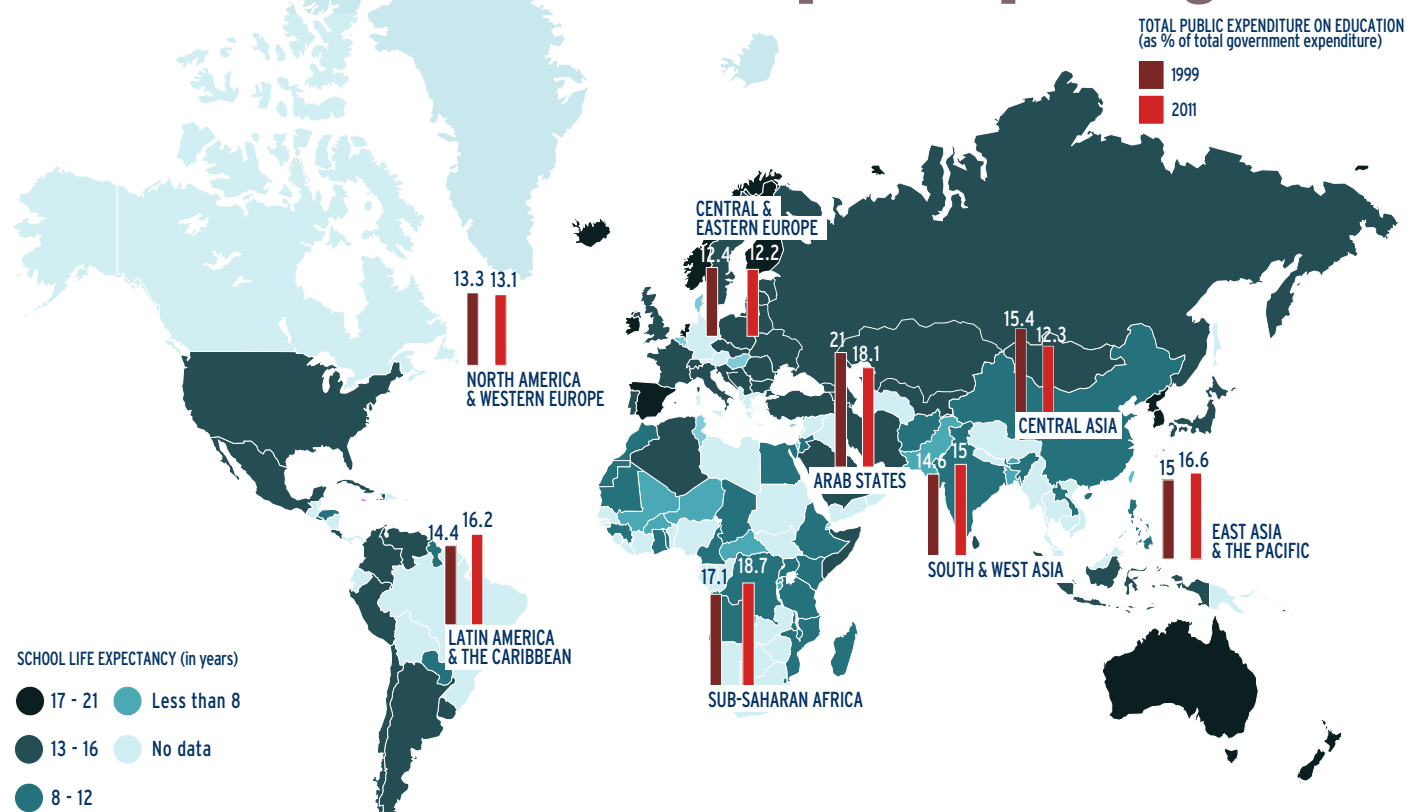
non-state mechanisms to expand education opportunities to marginalized girls. However, due to the logistical difficulties associated with publicising and managing a global selection process combined with the tendency to invest in proven interventions, many competitions tend to favor a select group of established programmes. To nurture innovation, challenge funds should embrace their role as a source

of risk-tolerant philanthropic capital that can be leveraged to identify, test, and refine promising solutions. They could notably seek to seed partnerships between promising small-scale providers and technical assistance and support organizations that prepare them for scale. The DFID Girls Education Challenge will offer a test of this premise through its inclusion of an innovation window directed towards pilot projects.

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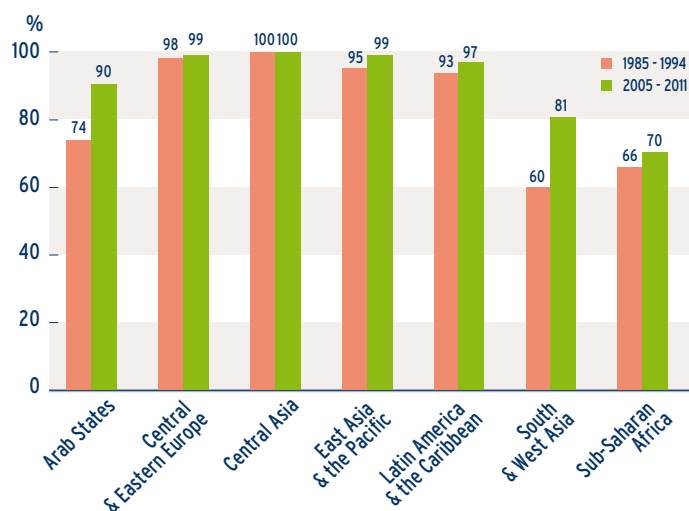
Developing countries have been making efforts to invest in their education systems. Everywhere, increasing numbers of children are receiving primary school education, and this progress is extending to secondary and higher education. But the resources allocated to education are still insufficient to ensure optimal conditions or to meet the needs of a rapidly growing population. Private education, which is booming, can contribute to improving access to quality education.

## Global overview of education public spending



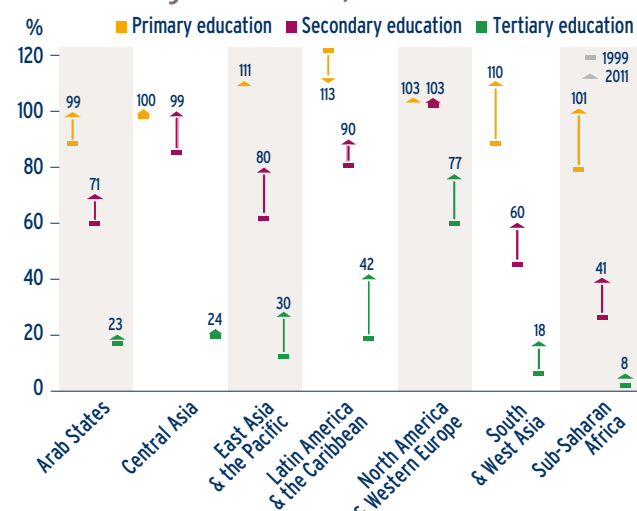
Note: School life expectancy is the average number of years that a child is likely to spend in the educational system of his or her country. Based on the eligible population for schooling, it includes those who never enter school. The expected number of years of schooling may be pulled down by the magnitude of children who never go to school. Those children who are in school may benefit from many more years of education than the average.  
Source: UNESCO, 2014

### Youth literacy rate (15-24 years), 1985-1994 and 2005-2011



Note: The literacy rate is the percentage of the population aged 15 years and over who can both read and write with understanding a short simple statement.  
Source: UNESCO, 2014

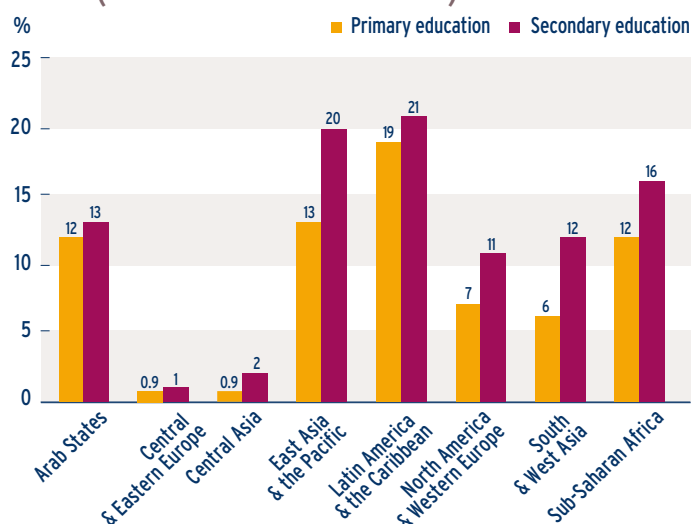
### Gross enrolment ratio in primary, secondary and tertiary education, 1999 and 2011



Note: Gross enrolment ratio can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition.  
Source: UNESCO, 2014

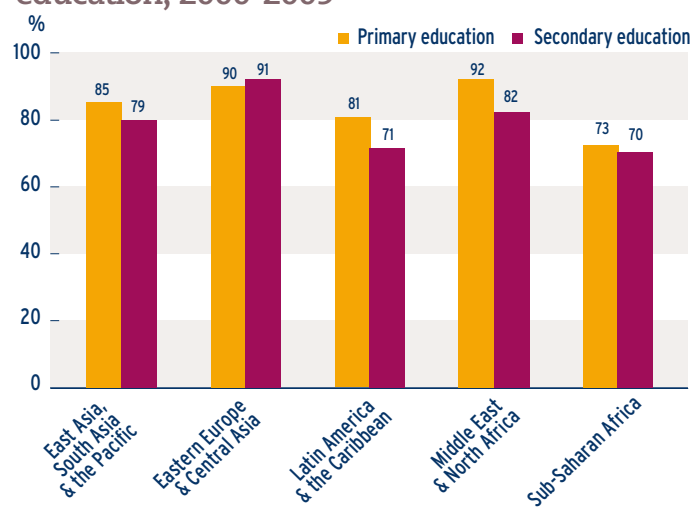


## Enrolment in private education institutions, 2011 (as % of total enrolment)



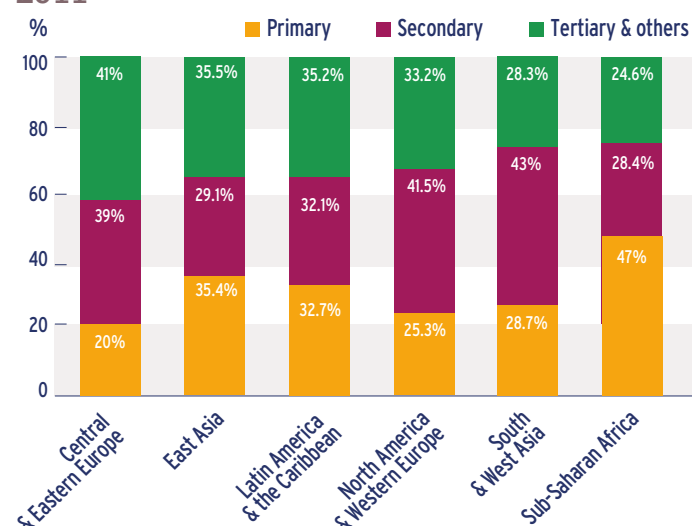
Source: UNESCO, 2014

## Trained teachers in primary and secondary education, 2000-2009



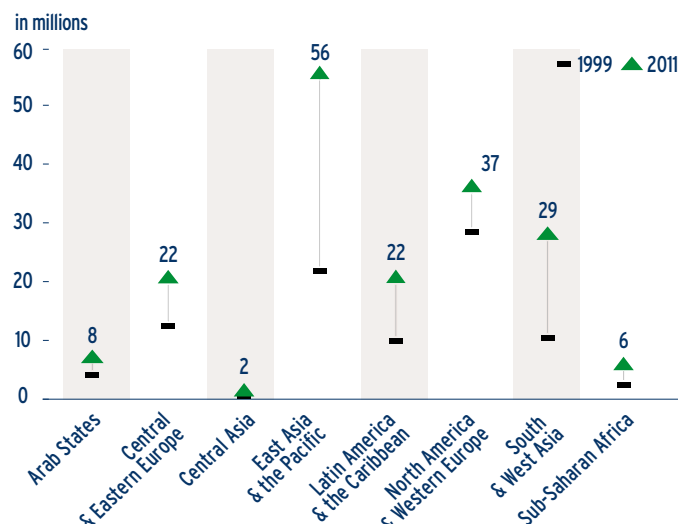
Note: Teachers who have received the minimum organized teacher-training required for teaching at the primary and secondary level of education.  
Source: AFD, 2013

## Distribution of public spending on education, 2011



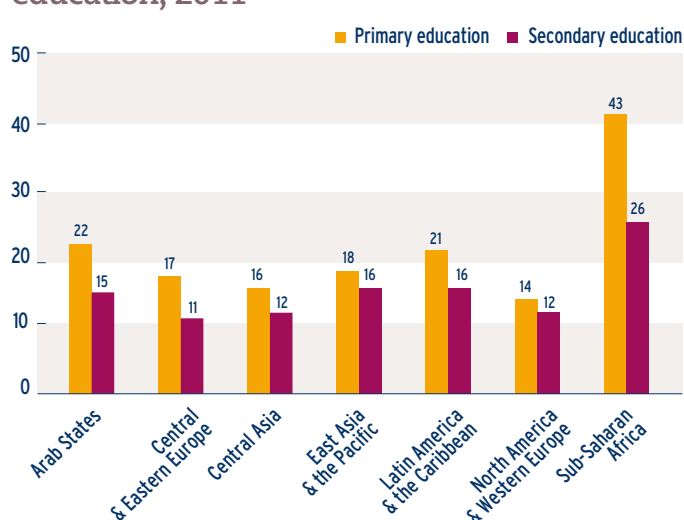
Source: UNESCO, 2014

## Total students enrolled in tertiary education, 1999 and 2011



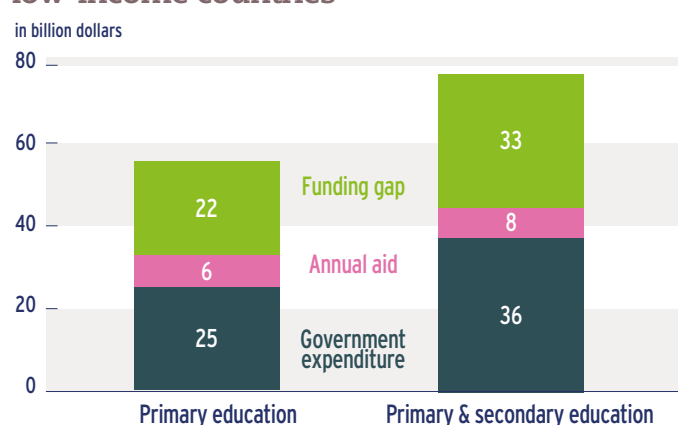
Source: UNESCO, 2014

## Pupil-teacher ratio in primary and secondary education, 2011



Source: UNESCO, 2014

## Global education financing gap in low-income countries



Source: UNESCO, 2012

# Enhancing private sector participation in sub-Saharan education policy

*Public policy in sub-Saharan Africa needs to be reshaped to improve access to education, respond to the demand for education and provide better oversight of and support to the private sector. This requires capacity building and the provision of technical and financial support for private educational institutions to help them improve quality and operate more equably, and create a climate that fosters collaboration between all stakeholders.*

**Rohen d'Aiglepierre**

*Economist, AFD<sup>1</sup>*

Since 1990 the number of children attending school in sub-Saharan Africa has more than doubled at pre-primary, primary and secondary levels, and multiplied by a factor of 3.5 at the tertiary level (Figure 1). Despite this considerable growth, low starting points and demographic expansion mean that most countries in the

region still have very low rates of schooling.<sup>2</sup> Problems of access and retention are compounded by serious concerns about educational quality. The teacher-pupil ratio – estimated at 46 in primary schools and 26 in secondary – is high. A lack of schools, classrooms, basic equipment and teaching materials are a daily reality, fewer than three-quarters of teachers in primary schools are trained and there are still great disparities based on gender, wealth, place of residence, ethnic group and disability.

Educational expenditure is one of the largest items in state budgets in sub-Saharan Africa. In the period 2000–2009, countries allocated an average of 17% of public

spending to education, representing 4.5% of gross domestic product (GDP). Yet the average spend per pupil is low and these countries are still subject to major budgetary, organisational and institutional constraints while, at the same time, facing strong growth and diversification in the demand for education.

The problems experienced by public education in meeting this demand, both in terms of access and quality, have led to the emergence of a private education sector (Figure 2). In sub-Saharan Africa, 60% of pre-primary pupils, 15% at primary level and 21% at secondary level attend private schools.<sup>3</sup> With a total of nearly 22 million children at school across the region, private education

has become a key force. In particular, private schools have mushroomed in areas that are more disadvantaged in terms of public education, meeting an urgent social need. The private sector has also responded to a demand for differentiation in education provision, adapting to different educational preferences – ethnic, linguistic, religious and income-related.

*“Educational expenditure is one of the largest items in state budgets in sub-Saharan Africa.”*

## THE STRUCTURAL WEAKNESSES OF PRIVATE EDUCATION

The private sector has many advantages when it comes to helping strengthen education systems in sub-Saharan Africa. The diversity of



ROHEN D'AIGLEPIERRE

Rohen d'Aiglepierre recently joined the Research Division of the Agence française de développement as an economist in charge of human capital. He has a PhD in Economics, specialising in education development economics. His research focus is on the effectiveness of public aid, educational choices, the efficacy of educational establishments, exclusion and inclusion policies, public-private partnerships and private investment in education.

<sup>1</sup> This article is largely based on a study undertaken by the author at the request of the Agence Française de Développement, entitled *Private education in sub-Saharan Africa – challenges, situations and prospects for public-private partnerships*.

<sup>2</sup> For 2000–2009, net enrolment ratio was 73.5% in primary education and 27.7% in secondary education.

<sup>3</sup> The scale of private education is little recognised in the national statistics of sub-Saharan African countries, and probably underestimated. Moreover, regional averages conceal great differences between countries. Overall, private education is more prevalent in the secondary sector than in the primary one, and in the countries of West, East and Central Africa than in those of North and Southern Africa.

its offer, its flexibility, efficient management and strong interaction with parents are all factors behind its recent success. Its financial and managerial autonomy also gives it greater room to manoeuvre in developing new educational models and adapting to the evolving demand from parents. However, depending on their size, mission, status and recognition by the state, not all private schools fulfil this potential to the same degree.

One of the recurrent weaknesses of private education in sub-Saharan Africa is the inadequate training of teachers, heads and educational advisers. In the absence of any organisations offering initial training, educational professionals generally learn on the job. Management capabilities are sometimes very limited and some schools do not have up-to-date accounts or an investment plan. There are also many difficulties associated with teaching contracts, which are often short term and frequently broken by teachers when better opportunities arise. It is hard for teachers in the private sector to plan their futures, most have no social protection of any kind and low pay can lead to high staff turnover.

It should also be noted that private education has often developed at a lower cost because some teachers working in state education supplement their income with a second job in the private sector. Moreover, parents' organisations, which should play an essential role in monitoring and supporting the activities of these schools, have little in the way of structure, if they exist at all. Parental involvement in the management of schools varies greatly from one establishment to the next. More broadly, private education providers and their representative associations rarely have development strategies for the medium and long term. The coming challenges for sub-Saharan

education systems have not been fully internalised and the possibility of contracting with the state is seldom understood.

## BARRIERS TO THE DEVELOPMENT OF PRIVATE EDUCATION

Although the private education sector is presented as a crucial education partner, much remains to be done to ensure that it operates in full accord with government objectives. The determination of governments in sub-Saharan Africa to encourage the private sector to make greater and better investments in education – notably in support of disadvantaged populations and problem areas – does not often translate into action.

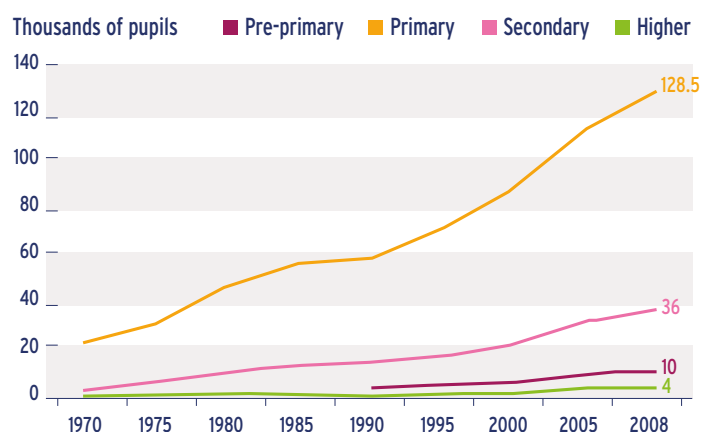
The legislative and regulatory frameworks governing private education are often very old and sparsely applied. Legal frameworks rarely recognise the difference between profit-making schools and those with a social mission. Authorisation to open a school is usually definitive and is not followed up by any form of evaluation and there is very little in the way of real quality certification. In practice, many countries in sub-Saharan Africa do not have the administrative and financial resources necessary to exert real control over private establishments, and quality improvements are rarely encouraged. The role of the administration is primarily confined to authorisations, financial support and collaboration with bodies representing private education providers.

More generally, there is a lack of any real framework for collaboration. A chasm separates public and private education and most countries have two parallel systems rather than one integrated one. Private stakeholders are too seldom consulted and informed about the educational goals and reforms adopted by the state, and cannot take ownership of the strategies that are implemented. The frequent absence of efficient school mapping neither encourages complementarity between public and private schools nor constructive competition between private schools.

Moreover, with a few exceptions, state support for private education is not really targeted. Wealthy schools and those where quality is poor are as free to claim the same state support as schools that make real efforts to provide decent levels of education or a degree of social equity. Effectively, the state settles for scattering its financial support without either targeting those that really need it or using it as an incentive to attain education goals. Furthermore, state support often varies from one year to the next, in both type and amount, making it impossible for schools to predict their

*“The legislative and regulatory frameworks governing private education are often very old and sparsely applied.”*

**FIGURE 1: NUMBERS OF PUPILS ENROLLED IN PRE-PRIMARY, PRIMARY, SECONDARY AND HIGHER EDUCATION IN SUB-SAHARAN AFRICA, 1970–2008**



Source: the author, from UNESCO, 2011

Unlocking the potential of the private sector to improve education

►►► funding situation in the medium term. Lastly, despite the fact that they sometimes receive financial support from the state, secular private schools are usually subject to high levels of tax. All in all, state funding of private schools is low-level and often volatile.

In addition, while the private education sector often needs high levels of finance to launch or expand its activities, it usually has only limited access to credit. This is due to financial institutions having little or no knowledge of this market and the inherent risks of the sector, notably due to insufficient guarantees, the absence of properly maintained accounts and the lack of credible business plans. Loans to establish a new private school, to run and invest in existing schools or to cover expenditure in a new school year are tools with high added-value that are all too often absent from the financial landscape of sub-Saharan Africa.

There are currently very few initiatives on the part of states and international organisations to encourage the financial sector to take an interest in education. As a result, investments are almost entirely funded from the personal resources of founders in the secular sector, and by parents' groups and communities in the religious sector. To cover running costs, schools often have to depend on the fees paid by families, who often pay late, or not at all. Clearly limited access to credit and funding difficulties are two factors that handicap the private offer.

### MODERNISING EDUCATION POLICIES

Without support or monitoring, the development of private education is not without risk. It can exacerbate social inequities and generate a dual system in which the children

of poor families attend poor-quality public schools while the children of the wealthier middle class attend better-quality private ones. Without strong incentives from the state, the private sector also tends to become established in densely populated areas and to concentrate on more profitable sectors. To avoid such distortions, all stakeholders in the sector, from governments and households to private schools and financial institutions, must be involved in reshaping education policy.

Given the nature of the education market, there can be no optimal development of private initiatives without intervention by the state, which must fully exert its consultative and legislative roles and provide regulatory frameworks and monitoring. The state must integrate private education into its overall education policy, with a formally defined place and performance goals. In so doing, it can target some of its support for private education to meet its own social goals. That might require a set of incentives – a regime of appropriate, transparent and predictable subsidies accompanied by tax incentives could be adopted for private providers.

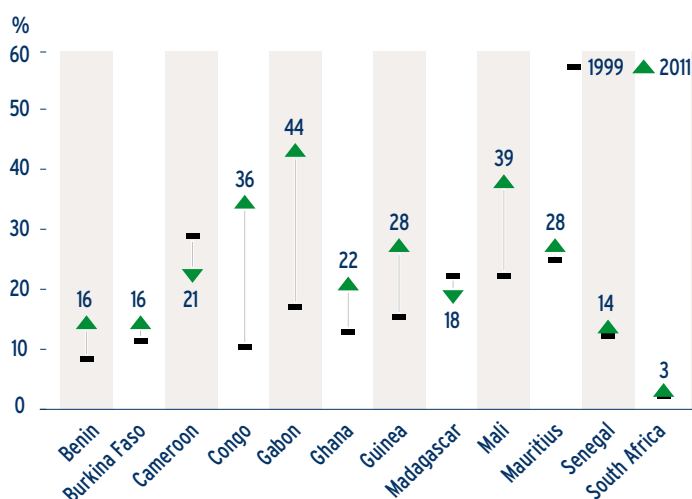
At the legislative and regulatory levels, clarification – and indeed simplification – of the laws governing the organisation and functioning of private education would enable providers to develop more successfully. The state bodies responsible for monitoring and supporting private education and training should be strengthened overall and given the means necessary to fulfil their role. For their part, private providers would gain from being more clearly grouped into associations.

Moreover, a financial sector that performs well and is aware of the importance of investing in education could galvanise and improve private education. Targeted support for banks could help ease constraints – initially, risk coverage could help banks overcome their fears about investing in this sector. Further support could take the form of ad hoc technical assistance or appropriate financial tools, such as loans or a guarantee fund.

Private schools receive very little practical or financial support and many types of support could be provided to them directly. Since one of the sector's weaknesses is the lack of human resources, teachers could be offered pedagogical training, while heads and administrative staff could be offered management and accountancy training. Specific support for the founders of private schools – in particular to help them make loan applications – would also

*“Limited access to credit and funding difficulties are two factors that handicap the private offer.”*

FIGURE 2: ENROLMENT IN PRIVATE PRIMARY-EDUCATION INSTITUTIONS IN SUB-SAHARAN AFRICA, 1999–2011 (%)



Source: UNESCO, 2014



be of great practical use. Grants for the foundation of schools and the provision of land or buildings could also galvanise the sector. The establishment and strengthening of representative bodies for private providers would also help the sector to operate smoothly. These bodies could act as catalysts for good practice, provide the state with an interlocutor and could connect them with financial organisations. Lastly, the availability of management tools, information systems and teaching tools should be facilitated.

*“Education ministries in developing countries should collaborate with their local and international partners in order to modernise public policy in relation to the private sector.”*

While there is a real demand for private education, households usually bears the costs of education. When the public offer is inadequate, the state or its partners should enable low-income families to access private schools. Loans or grants for deserving students, as well as education vouchers for poor households, are tools that could undoubtedly act as strong drivers. Quotas could also be imposed on private schools, in return for financial support, to ensure that they admit pupils from low-income families.

Education ministries in developing countries should collaborate with their local and international partners in order to modernise public policy in relation to the private sector, create

a favourable financial environment and organise and strengthen private providers. There is also a need to establish a partnership between the state, banks, private providers and households. While the private sector has long been involved in education in sub-Saharan Africa, the time has come to recognise this more fully, and to guide and control its development in order to improve the accessibility, quality, equity and financial sustainability of education systems.

Contracting with the private sector for the provision of educational services are certainly not the solution to every problem, but they could offer an important additional tool. There are, as yet, few certainties in this area and many avenues remain to be explored. An experimental approach is needed, combined with proper impact analyses. Ultimately, public-private partnerships (Box) could represent a promising avenue by involving states, private providers and funders in the design and funding of projects in the public interest. •

#### BOX: PUBLIC-PRIVATE PARTNERSHIPS IN THE EDUCATION SECTOR

Public-private partnerships in the education sector can take different forms and give different roles to private operators. The state may choose to delegate the provision of education services using infrastructure and personnel from the private sector. Such contracts are easy to design and manage and can provide major cost and quality gains. The state may also choose to delegate the financing, provision and maintenance of educational equipment and infrastructure to private providers. These contracts are, by contrast, very hard to design in legal terms or to make attractive to the private sector. The state may prefer to delegate the management of an existing public education service to a

private provider. In this case the infrastructure remains in the public sector while the personnel may be employed in the private sector. Although the design of these management contracts is complex, they can be effective. Lastly, where there is a lack of public provision, the state could provide financial support, paid directly to private schools, by distributing education vouchers that enable some students to attend private schools. Education vouchers are easy to use and may seem like a good strategy for the rapid expansion of access to education. But overall, doubts remain about the efficacy of each of these types of contract (Patrinos, 2006). Corruption, whether among private providers or

the authorities responsible for overseeing them, is a problem that can prevent the entire arrangement from functioning. Furthermore, governments in most countries of sub-Saharan Africa are not yet sufficiently solid to establish balanced, effective partnerships. To be in a position to enter into a healthy partnership with the private education sector, the state must have the powers and organisation to ensure that the service provided meets quality and other requirements, and to sanction poor performance. Thus the development and spread of public-private partnerships must be preceded by the establishment of an appropriate legislative framework together with government capacity building.

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# Education for all: the private sector can contribute

*Education is a human right, which states have the responsibility to ensure. But they need not be the sole provider. Private involvement can increase financial resources committed to education and supplement state capacity to absorb growing demand while assuring standards. While there are various ways in which the private sector can be involved, a strong regulatory framework is vital to ensure high quality and equity, at the same time encouraging investment and competition.*

**Oni Lusk-Stover and Harry Anthony Patrinos**

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If governments in emerging and developing countries are to reach the 57 million children currently out of school while ensuring that the 250 million children in school who cannot read or write are learning, all available education options should be evaluated and accessible. While governments are, and should continue to be, the stewards of education systems, it is important to acknowledge and understand both the potential of the private sector and the reality that the non-state sector is supplying significant education services in many contexts. The association of the non-state sector with either non-governmental organisations (NGOs) ensuring education for under-served groups

or quality private institutions serving wealthy students is too simplistic – private entities are increasingly providing education to even the poorest (Bold *et al.*, 2011). Although it is often assumed that non-state schools have flourished as the only option for those who cannot access state schools, in fact poor families often actively opt for the private sector largely in response to inadequate quality in state services, or because they prefer a more responsive and accountable system, or they are seeking an education that better reflects their interests and values.

The private, or non-state sector, in education can include independent, community-based, NGOs, faith-based organizations, trade unions, private companies, small-scale informal providers and individual practitioners. Between 1990 and 2010, the percentage of students in low-income countries attending private primary schools doubled, from 11 to 22% (Baum *et al.*, forthcoming), and in more than 70 countries over a fifth of all students go to either private primary or secondary schools.

## THE FORMS OF PRIVATE INVOLVEMENT IN EDUCATION

The main rationale for involving the private sector is to maximize the potential for expanding equitable access to schooling and for improving learning outcomes. Private involvement in education can help to increase the level of financial resources committed to the sector and supplement the limited capacity of government institutions to absorb growing demand. There is also increasing evidence to suggest that the private sector is well equipped to meet the growing differentiated demands of specific groups, for example, religious ones – even when the state provides sufficient places in public schools and universities.

To understand the role the private sector could play and realise the potential benefits that its involvement could provide, an understanding of how countries are currently engaging with the



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### BOX 1: THE POTENTIAL OF ENGAGING PRIVATE SECTOR IN EDUCATION

In Pakistan, a 1990 to 1999 boom led to 8,000 new private schools being set up in urban and rural areas, reaching low- and high-income households. For the poorest in rural areas, the share of private schools increased 6%, with schools charging less than a dime a day. Private provision has helped to increase rural enrolment and from low-income household (Andrabi et al., 2006). In Kenya, unrecognized, low-cost or affordable private schools are having

a large effect on test scores, although nearly two-thirds of them operate at lower cost than median government schools (Bold et al., 2011). In 2000, the Government of Bogota, Colombia, built 25 state of the art schools in the poorest parts of the city and leased them, through competitive bidding, to private operators on 15-year contracts. More than 26,000 students have benefited, with rigorous impact evaluations revealing that students in these concession schools are less

likely to drop out and that their test scores improved (Barrera, 2007). The Non-Formal Primary Education Program of Bangladesh's NGO BRAC has grown over the last 20 years to serve more than 1.5 million children in over 20,000 pre-primary and 32,000 primary schools – 11% of the country's primary cohort. The curriculum is the same as government schools, but they enrol and retain more hard-to-reach children, such as girls, who make up 65% of their pupils.

private sector is required. A government has several options involving different financing and provision solutions: independent private schools, government-funded private schools, privately managed schools, and voucher schools. Independent private schools are funded, owned, and contracted completely separately from the state system. Government-funded private schools are run by non-state providers that receive support from the government in the form of direct payments, bursaries, grants, subsidies, or a transfer of schools resources such

as textbooks. Privately managed schools are funded by the government but managed by private entities. These schools often have to meet performance benchmarks or other learning output measures through a charter or contract with the government. Voucher programmes typically involve the government paying private operators based on the number of enrolled students.

students (Box 1). In Andhra Pradesh, India, for example, a school voucher scheme has been shown to save the state more than two-thirds of pupil capitation, while enabling the students to significantly improve results across all subjects. Indeed, despite students spending less time learning mathematics and language, and although their teachers had lower levels of formal education and training than their public-school peers, the private-school voucher students achieved significantly better overall results. Private schools appear to have a longer school day and school year, smaller class sizes, lower teacher absence and extra time devoted to other subjects – English, science, social studies and Hindi – (Muralidharan and Sundararaman, 2013).

Other studies show that private providers can be more cost-efficient, being able to operate at lower costs than their government counterparts, while achieving the same or better results. Parent involvement in private school has also demonstrated to have positive effects on learning, teacher motivation, student attendance, etc., while active engagement results in families and communities holding schools accountable to a much greater degree. Indeed, research has consistently shown that when parents are involved in their children's education, students do better. In this, fee-paying schools have an advantage that state schools do not – the fact that parents are free to choose or change their child's private school means that there is a built-in accountability mechanism.

#### THE ADDED VALUE OF PRIVATE EDUCATION

Increased private involvement can improve pedagogic, technical and management skills across all levels of education. Additionally, its greater management flexibility means that private schools can more easily introduce curricular and programme innovations and improved assessment techniques. Some studies show that the learning outcomes in private schools are equal to or better than those of public school

#### THE NEED FOR STRONG REGULATION

Whatever its apparent advantages, private sector engagement in education, nonetheless, requires a strong regulatory framework to ensure high-quality delivery and equity while at the same time encouraging investment and competition. Too often, regulation is poorly developed and discourages private investment without any gain in educational quality. Indeed, enforced ►►►

*“Some studies show that the learning outcomes in private schools are equal to or better than those of public school students.”*

#### FOCUS

Education is one of the most important drivers for ending poverty and boosting shared prosperity, the two pillars of the World Bank's strategy. The Bank recognizes the need to ensure that the 57 million children out of school today attend school and receive a quality education while in school. By working with local and global partners, the World Bank utilizes the global evidence base to support countries to strengthen their education systems and achieve their education goals.

Unlocking the potential of the private sector to improve education

►►► standards are key to ensuring the long-term sustainability of the private education sector and its credibility in the market. Perceptions of the quality of private education are fundamental and can be easily damaged – bad publicity about private providers offering poor quality can harm the reputation of the whole sector. The World Bank’s Systems Approach for Better Education Results (SABER) – Engaging the Private Sector (EPS) tool supports governments to strengthen or establish a strong regulatory environment. The tool collects data related to four key policy areas – encouraging innovation by providers; holding schools accountable; empowering all parents, students, and communities; and promoting diversity of supply – that international evidence has found effective for strengthening education service delivery and accountability amongst stakeholders.

*“Autonomy has been found to improve learning outcomes in both public and private schools.”*

Autonomy has been found to improve learning outcomes in both public and private schools with most high-achieving education systems allowing schools to make their own decisions about teacher hiring practices, curriculum development or resource allocation. Decision-making at the school level enables the creation of a learning environment best suited to students’ needs (Hanushek *et al.*, 2013; Bruns, Filmer, and Patrinos, 2011; Baum *et al.*, forthcoming). But autonomy must, in turn, be reinforced by accountability to ensure schools are delivering quality education through clear learning and teaching standards (Bruno, Filmer, and Patrinos, 2011), with sanc-

tions enforced if standards are not maintained. In a strong regulatory environment, holding providers accountable comes both from the government, as well as parents, students and communities in which the schools operate. Empowering parents, students, and communities means that parents are aware of the learning, or the lack of it, taking place in their child’s school. They should also be able to use their voices to hold the school and government accountable regardless of their socio-economic background.

Finally, governments should enable a variety of providers to enter the market, as this will increase client power and enable citizens to make informed choices about where to send their children (Baum *et al.*, forthcoming). Availability of transparent information is key to help parents either make choices regarding schooling or advocate changes and improvements in schools. All this, however, relies on governments having the capacity – human and financial – to monitor, report on and enforce compliance (Box 2).

Education is a basic human right and governments have the responsibility to ensure and protect this, but the state need not be the sole provider. An education system that acknowledges public and private providers and has accountability mechanisms to strengthen service delivery amongst the various education stakeholders. Governments can guarantee access to education through finance and private provision. Good ideas need to be piloted and subjected to rigorous assessments, the results of which should then be used to adjust programmes accordingly and successful pilots then scaled up as appropriate. ●

## BOX 2: ENSURING REGULATION COMPLIANCE: THE PUNJAB EDUCATION FOUNDATION

The provision of incentives – access to subsidies, credit, training and other resources – for the private sector, in exchange for compliance to regulations, can prove highly efficient. Launched in 2005, the Punjab Education Foundation Foundation-Assisted Schools programme has enabled 1.2 million poor students in Pakistan to attend non-state primary and secondary schools. The schools are first evaluated

against quality and cost-effectiveness criteria, and once selected, on condition that they abolish entrance criteria and fees, schools receive a monthly per-student enrolment subsidy for up to 500 students. Subsidies are conditional on minimum learning levels: schools are ejected if they fail to achieve a minimum pass rate in two consecutive tests. Sharp regression discontinuity estimates show that the threat on schools that barely failed the

test for the first time induces large learning gains. The large change in learning between the first two test rounds is likely attributable to the accountability pressure given that a large share of new programme entrants failed the first test round. An earlier study showed evidence of significant impact on the number of students, teachers, classrooms and blackboards in the selected schools (Barrera-Osorio *et al.*, 2011).

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# Democratising access to higher education: a story from Brazil

*Anhanguera is part of a new generation of private companies that have flourished during the last decade in Brazil catering to the demand from a growing middle class for higher education. Thanks to considerable economies of scale and its standardised model, Anhanguera has put in place an attractive, high-quality offer that meets the needs of low-income young workers. Developing a skilled workforce will be a key lever for Brazil's productivity and growth.*

**Vitor Pini**

*Investor Relations Officer, Anhanguera Educacional*

Two in three Brazilian employers say they have trouble recruiting skilled workers. All sectors are affected, from civil engineering to new technologies, including marketing, research and development and administration. The shortage of skilled workers is hampering productivity and weakening the Brazilian economy. The higher education system is in fact failing to produce graduates with the qualifications and profiles that employers are looking for, at a time when the country's

strong economic growth is generating an unprecedented demand.

Although higher education has traditionally been the preserve of Brazil's socio-economic elite, the government made a concerted effort in the 1990s to broaden access to tertiary education, setting up new state universities and introducing a scholarship programme. In 1997, a fundamental amendment to the legislative framework moved Brazil towards allowing for-profit higher education institutions in a market that had previously been exclusively not-for-profit. This change triggered a mass influx of private providers to the higher

education market, with numbers increasing five-fold in just 10 years – by 2011 there were 2,365 private establishments compared with 284 that were state-owned.

These private establishments have played an important role in the democratisation of higher education (Figure). The number of students has increased dramatically (+91%) in the last decade, as has distance learning (+12% between 2011 and 2012). Today, 73% of students in higher education study in private institutions. Since access to state universities is restricted by extremely selective entrance tests, these new establishments cater to the aspirations of a flourishing middle class that is conscious of the value of a university degree. A young graduate in Brazil is likely to earn 3 times more on average than someone with only secondary-school qualifications, compared to 1.7 times more in the United States and 1.5 times more in France.

Despite this progress, the enrolment rate for higher education in Brazil is only 7% on average (5% in the lower-income brackets). More than a million young people who have completed secondary school simply cannot afford to study at one of the conventional private institutions.

*"The shortage of skilled workers is hampering productivity and weakening the Brazilian economy."*

## AN AFFORDABLE EDUCATION OFFER

Anhanguera is part of a new generation of private companies set up with the aim of democratising university access. The group, established in 2003, has developed a private higher education offer tailored to socio-economic classes C and D<sup>1</sup> – 60% of its ►►

<sup>1</sup> Class C is the middle class; it represented 55% of Brazil's population in 2011 and corresponds to an average monthly income of USD 940 – 4,000. Class D is the lower class, 20% of the population, with an average monthly income of less than USD 940.



VITOR PINI

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Unlocking the potential of the private sector to improve education

*"In 2007, the group became the first higher education organisation in Latin America to go public."*

▶▶▶ students live on a monthly income of less than BRL 1250 (around USD 525). Not only are its affordable tuition fees lower than those charged by the competition, but the teaching format has also been adapted to the daily lives of students from the middle and lower socio-economic classes, who usually work during the day and study at night. In addition, to foster access to private higher education for the poorest, the group reserves 10% of its places for scholarship students from the government's ProUni programme<sup>2</sup> – a scheme that, in return, allows the company to benefit from tax relief.

These attractive rates are made possible because Anhanguera standardises the education environment – the buildings and materials, and course content. The size of the Anhanguera network and its centralised management system enable it to achieve significant economies of scale. The purchasing, administrative and financial management functions for all Anhanguera centres are centralised at head office, along with course content development. A team of engineers supervises the construction and renovation of buildings for the entire group, enabling it to take advantage of bulk savings when purchasing materials. Part-time employment contracts for teaching staff – whose salaries account for 70% of Anhanguera's expenditure – also allow the group to reduce operating costs.

#### PLANNED GROWTH PROVES SUCCESSFUL

Anhanguera's development is symptomatic of the rapid growth of a market – the market for higher education – and of a context – the unprecedented growth of the middle class. Anhanguera started out as a small non-profit institution based in Leme, in the state of São Paulo, with four teaching centres and 9,000 students. In 2003, Anhanguera became a public limited company. Two years later, the Fundo de Educação para o Brasil (FEBR), a fund set up by Patria Investimentos, became the majority shareholder. In addition to providing investment, the involvement of FEBR prompted the company to implement a long-term strategy planning Anhanguera's growth and expansion process. At the same

time, its operating and management procedures were professionalised and standardised. From around 2005 onwards, increasing numbers of young Brazilians had the means to invest in a degree course, but were unable to find an affordable course. So there was a high demand and good market potential for Anhanguera. Because the Patria fund was no longer sufficient to sustain the group's growth, and the cost of borrowing was too high, a stock market flotation appeared to offer the best solution for meeting Anhanguera's financing requirements. In 2007, the group became the first higher education organisation in Latin America to go public.

Having raised – between debt and equity – the equivalent of USD 1,130 million, the group was able to grow rapidly – mainly by taking over existing universities. This growth-by-acquisition model offers a number of advantages over building new universities. The establishments have the necessary administrative licences,<sup>3</sup> the students have been found and the organisation is already generating a certain level of profit. The challenge then is to change the cost model, and improve efficiency and the quality of the educational offering.

Today, Anhanguera has 70 centres in 9 states and a total of 441,000 students. The group's financial performance has been recognised by the markets, a result of the group's successful development and a sign that investment in education is becoming attractive to private investors. With 26 million 18–24 year-olds in Brazil, the higher education market could be worth BRL 17.6 billion (around USD 9.7 billion) per year. Anhanguera has succeeded in exploiting this favourable context, but has also managed to define, organise and successfully accomplish its growth – by combining specialist expertise, supplied by its teaching staff, with financial and organisational expertise, supplied by an investment fund.

#### A STANDARDISED HIGH-QUALITY MODEL, GUARANTEE OF CONSISTENT BRAND IMAGE

Anhanguera has invested heavily in the quality of its teaching. The course content is developed by a team of professionals at head office and

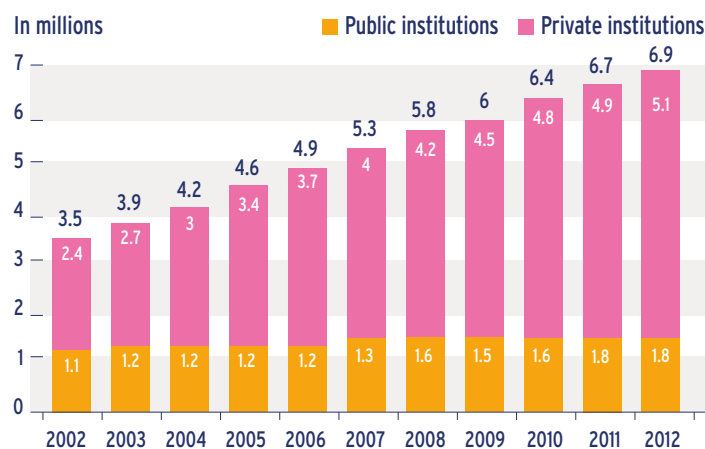
#### FOCUS

A listed company, Anhanguera is the one of the biggest private for-profit group in the Brazilian education sector. More than 400,000 students attend its 70 campuses and more than 500 distance learning centres. With a nationwide presence, the company offers more than 90 undergraduate and post-graduate university courses in business, accountancy, law, engineering and applied social sciences.

<sup>2</sup> Created by the federal government in 2004, the University for All programme (ProUni) is a national scholarship program aimed at expanding the number of higher education openings for students from less wealthy families in Brazil. It grants full and partial scholarships to study in private institutions of higher education offering undergraduate and sequential training.

<sup>3</sup> To open a new university, organisations have to obtain a licence from the ministry of Education, which is issued two years after the request is submitted. No students are allowed to enrol during this period.

**FIGURE: GROWTH IN UNDERGRADUATE EDUCATION ENROLMENT, 2002-2012**



Source: UNESCO, 2012

replicated in all the network's centres. The programmes, teaching materials and procedures are the same everywhere for both attendance and distance learning courses. As well as offering benefits to students, who can transfer from one centre to another, this strategy makes it possible to introduce identical quality standards throughout the group. It is also the key to the group's rapid development over the past few years.

In order to maintain this quality standard and develop its teaching formats further,

*"In ten years' time, a university degree will no longer guarantee someone a skilled job."*

Anhanguera has set up a complete evaluation system. Internal audits – of the course content, infrastructure and teaching staff – are carried out to identify gaps in the curriculum and deficiencies in the way the centres are run.

The students are also assessed at regular intervals. A technological platform enables the centres to identify students who are struggling with their studies, who can then be offered personalised support to prepare for their qualifications.

The quality of the teaching at Anhanguera centres is also linked to the Anhanguera pedagogical model with its practical focus, and its close ties to the workplace. Courses are developed in line with the needs identified in the job market, and more than 75% of the teaching staff are external lecturers drawn from the world of work. This corresponds with the group's desire to provide teaching that is

practical rather than theoretical. In ten years' time, a university degree will no longer guarantee someone a skilled job. Competition on the Brazilian job market will be between graduates with comparable qualifications, so it will be the quality of the teaching, the brand image of the establishment and its ability to respond to the needs of businesses that will make the difference.

A powerful and open university system is essential if Brazil is to establish itself as a global player. By giving thousands of young people access to higher education, private groups such as Anhanguera are helping to democratise education, playing a vital role in increasing enrolment rates in higher education. However, if they are to exploit this market potential to the full, the government will need to pursue its efforts to improve primary and secondary education so that sufficient numbers of students have the necessary qualifications to go on to higher education.

The challenge facing the country in the future will be not only to increase the number of students, but also to produce skilled workers who meet the requirements of the job market. To cope with these challenges, educational establishments will need an experienced management team, a reliable teaching staff, a curriculum that is continuously improving, high-quality teaching and confident investors. In an environment that will soon become more competitive, players who do not manage to make this quality leap are doomed to fail. ●

# Lessons learned from this issue

BY FANETTE BARDIN, EDITOR IN CHIEF

Over the past decade, developing countries have achieved substantial progress on primary school enrolment. This progress is steadily spreading into secondary and higher education too – especially in Asia and Latin America. School life expectancy is increasing across all continents. Yet education for all is still far from being a reality everywhere. Despite sustained public investment – in some African countries, education expenditure can account for up to 20% of national budgets – and support from the international community for the poorest nations, states are struggling to generate sufficient funding to meet the needs of a young and fast-growing population. Some 61 million primary school-age children do not attend school, and in many countries secondary and higher education remains a privilege for the few. Inequality of access and high drop-out rates persist, while teaching quality is a major challenge worldwide. Overcrowded classrooms, a lack of qualified teaching staff, inadequate infrastructures and insufficient or outdated teaching materials undermine the effectiveness of many institutions. It is estimated that after more than three years' primary schooling, 250 million children remain unable to read or write.

In order to achieve quality education for all, developing countries need to mobilise all the forces available to them. The public sector, weakened by its lack of resources and inadequate governance, cannot overcome these challenges alone. The private sector in all its forms – faith organisations, private for-profit companies, independent or community-based NGOs, informal providers, etc. – has long been a key education partner in many developing countries. It has expanded the range of its offering in response to families' social aspirations and increasingly pronounced educational preferences – cultural, linguistic and religious – and in those areas underprovisioned by state education. The proportion of children attending private schools is growing in many regions.

Some private institutions have shown that their operational flexibility and management autonomy enable them to adapt to families' requirements more effectively and to develop innovative educational models. They have also proven that they can reach out to disadvantaged

groups and achieve educational outcomes that match, or indeed surpass, the public sector, while operating at a lower cost. Nonetheless, not all private institutions – depending on their size, mission and status – are achieving the same results. Private education comprises a huge range of different players and an offer of highly variable quality. Surviving alongside a handful of major operators are a multitude of establishments lacking the resources or ambition to invest in teacher training and curriculum enhancement. Often lacking supervision or support, they struggle to finance and organise their operations effectively.

State education policies have not yet properly integrated and acknowledged the private sector, despite its significant contribution to the drive to improve education. State administrations often find it difficult to effectively channel the divergent initiatives of these multiple players, to define quality standards and to enforce effective supervision. A strict regulatory framework would be necessary for private initiative to realise its full potential in developing countries, encouraging private institutions to serve the poorest groups and guaranteeing high standards of educational quality. Other key challenges are encouraging new entrants to the market, strengthening the capability of existing players and developing innovative funding mechanisms – an area in which development finance institutions have a key role to play. Private investors, who as yet lack presence in this sector, could be encouraged to finance education.

States would need, then, to be engaging in a genuine partnership with the private sector – a partnership in which the state plays its role of facilitator and coordinator. The recent development of public-private partnerships – private school management, provision of educational and non-educational services, education vouchers – is opening up interesting new areas of collaboration in this respect. Only an integrated strategy, combining public and private initiatives, can meet the challenge of delivering a quality education for all.

*In our next issue*

**Which environmental and social responsibility for the African private sector?**

Issue coordinated by Mathieu Brelet (PROPARCO), Valerie Tehio (AFD) and Anne Roret (PROPARCO)  
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