

Part Two of the Handbook

PRIVATE SECTOR DEVELOPMENT IN EDUCATION

THE TOOLKIT MODULES

A Brief Introduction

Part Two of the Handbook comprises a package of toolkit modules that can only be accessed electronically through EdInvest and its website www.worldbank.org/edinvest. Permission for use of these copyrighted materials must be obtained prior to utilization.

The purpose of this introduction is to briefly outline the reasons for using the modules and, further, to describe how the modules are necessary for assisting in the process of moving the state from its present role of operator (i.e., financier and provider of services) to the twin roles of regulator and provider of incentives in support of agreed public policy goals for education. Box 11 highlights the main obstacles and challenges to the respective sectors with regard to this new role.

Box 11: Obstacles and Challenges to a new Role

Public Sector		Private Sector
The lack of appropriate incentives	<i>Main obstacle that prevents effective education</i>	The absence of an environment that encourages the private sector to offer services that promote the public interest
The establishment of an environment for market driven public institutions	<i>Main challenge to the attainment of effective education</i>	The opportunity to demonstrate that the private sector can provide a better education service at no greater cost per capita than the state is currently paying

To overcome these barriers and meet the challenge of supporting efficient and cost effective actions by educational institutions - regardless of their ownership - shall require the development of certain key policies, such as:

- (i) An increased participation of the whole of civil society, including the business sector;
- (ii) The development and maintenance of transparent assessments, with transparency particularly clear regarding the relationship between the learner, the provider and the funder (McIntosh 2000); and
- (iii) The introduction of new funding mechanisms for both the public and private education sectors.

Implications of the Change

Too much time has been spent debating the respective merits of public versus private education. This distinction becomes of less significance if there is agreement that:

- (i) the overall goal is to attain the public good for all;
- (ii) the rules of the endeavor shall be equal for all the actors within the system; and
- (iii) the result, whether success or failure, is contingent upon all the actors inputting their respective strengths into the common process and all actors being measured on their basis of their outcomes by their clients - the consumers.

Two key questions require addressing:

Question One: what are the implications of the new role for the public sector, most particularly what initiatives can be utilized to establish the environment for market-driven institutions? In Part One certain initiatives were outlined for encouraging a 'quasi' market within the public sector, such as: empowering parents and the community; measuring performance and increasing accountability for this performance by those who have responsibility for its delivery; decentralization of the management of schools and increased flexibility of funding at the locus of delivery.

Question Two: what are some of the options available for supporting private education for public purposes? Again in Part One certain options were outlined, such as: scholarships and student loans; competitive funding; contractual support to the private schools; vouchers and technical or practical assistance from the public to the private sector (e.g., involvement on a textbook revolving scheme or access to teacher training colleges for private school teachers).

From theory into practice

Need for a Framework: Abstract words outlining policy in broad strokes are a start, particularly when the policy changes are as profound as the market oriented reforms described here. But what about the substance or process that must be embarked upon? Essentially the first step is the development of a policy and financing framework which can be used as a basis for policy dialogue both with civil society and then potential private partners. To attain such a framework, the following shall be required:

- (i) A review of the current range and coverage of public/private partnership activities in education within the country;
- (ii) An assessment of the manner in which partnerships between the sectors are presently working within the framework of the current policy context;
- (iii) The development of “ideal” unit costs for the provision of education at the different sub sectoral levels based on agreed indicators of quality and affordability;

- (iv) Given an ideal unit cost per capita, analysis of the potential for expanding private financing;
- (v) Identification and analysis of alternative financing mechanisms and institutional arrangements that shall be appropriate for accessing this potential;
- (vi) Determination as to what sort of regulatory and legal framework will be required to both encourage and control the public/private partnership within acceptable cost boundaries (e.g. price controls - accreditation - transparency and information - voluntary regulation); and
- (vii) Identification and recommendations as to how equity issues might most effectively be addressed.

Need for Dialogue: A dialogue in turn is going to be required to attain this framework. This dialogue (the form it takes - national forum or consultative mechanism - will vary depending on the institutional/political/cultural dynamics of the individual country) is necessary in order for there to be a sufficient focus on the broad policy themes, a suitable climate for public-private relations as well as access to the required data.

The potential of such dialogue includes, “inter alia”, improved information for public and private decisions; greater consensus about ownership and credibility of policy reforms of this magnitude, and greater accountability of the public and private decision-makers. But there are obviously risks and certain key questions need to be addressed when designing and implementing the public-private consultative dialogue, such as:

- (i) Should the dialogue be focussed on particular policy issues over a defined lifetime? Or should a consultative mechanism be established with institutional permanence? Is there perhaps a forum that is already in existence with the appropriate representation to undertake this dialogue?
- (ii) How can the composition of the consultative body best ensure democratic input rather than merely strengthening the status quo?
- (iii) What internal processes and procedures can be used that alleviate concerns of participants for whom some of the reform initiatives shall presumably have an adverse impact?
- (iv) Is it possible to establish and fund a secretariat that can manage the dialogue?
- (v) How can a lending agency best support the dialogue without becoming mired in the political ramifications that such reform shall undoubtedly have?

Need for Data Collection

Underpinning the dialogue and critical for the development of the framework is information on both the public education sector, the private education sector and key indicators of the performance of both sectors. It is also important to obtain information on both the characteristics of the demand for education and on the nature of the supply of education. Some of the statistics required are as follows:

Economic

- GDP, GDP per capita, GDP growth rates – national, state/provincial, local level
- Income distribution
- Population by age group, population growth rates
- Recent trends and future projections for all of the above
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- Education Sector
- Description of education system
- Enrolments, number of institutions and teachers
- Teacher:student ratios
- Government spending on education, education spending as a proportion of GDP, education spending as a proportion of spending of total government expenditure
- Incidence of education spending by income quintile/decile
- Spending by type of expenditure (teacher salaries, allowances, operational, capital)
- Spending by level of education (pre-school, primary, secondary, tertiary)
- Share of school budgets financed by various sources (e.g., community, government, etc)
- Enrolment ratios at various education levels
- Adult illiteracy rates
- Student repeat and dropout rates

Private Education Sector

- Total enrolments, number of institutions and teachers in private institutions
- Nature of private education institutions (religious, lay, for-profit, not-for-profit, etc)
- Enrolments in private institutions by region, province, local area
- Teacher:student ratios in private institutions
- What are key drivers of private education demand (e.g. quality, facilities, class size)
- How is demand manifested - waiting lists, applicants to enrolments
- Private sector share of overall education market and share per level
- Government spending on private education, as a proportion of GDP, as a proportion of total government expenditure, total and by level of education
- Quality indicators (e.g. examination results compared to public sector)
- What is the target market for private education, including wealth profile, age, geographic distribution, boarding school versus day school, gender, foreign versus domestic
- Recent trends in indicators private education market
- Projected trends in private education market

- Factors underlying trends in the private education sector, including economic factors, demographic factors, regulatory changes, etc
- Causes of these trends/projections and regulatory changes
- What is the impact of the public education system on the private sector (e.g. strong competitor, quality, neutrality of treatment between public and private)
- Tuition fee levels in the private sector
- Number of unregistered schools, enrolments in unregistered schools.

Additional data, however, can be obtained through utilization of the copyrighted modules held on the World Bank's EdInvest website www.worldbank.org/edinvest. The material available is as follows:

Component One: The Private Education Sector Questionnaire

Component Two: The Private Education Survey

- 1 General Questions*
- 2 Regulation*
- 3 Legal & Ownership*
- 4 Financial Issues*
- 5 Educational Inputs*
- 6 Educational Processes*
- 7 Students Issues*
- 8 Educational Outcomes*
- 9 Quality Control, Management and Marketing Issues*

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A Possible Pilot Study

What might be the key inputs of a public-private partnership project for which the main aim is to address the problems of excess demand through the means of increasing private sector provision? Some very indicative key inputs and activities are presented for discussion in the Table below under the following three levels – policy, governance and finance.

Indicative inputs and activities for a public-private partnership secondary education project

<i>Area</i>	<i>Policy Who sets the strategy?</i>	<i>Governance Who regulates the system?</i>	<i>Finance Who pays?</i>
<i>Collaborative capacity building</i>	1. Training for a Private Education Department; 2. Training for the management and staff of a national Private Education Association	Establishment of a National Council of Public and Private Providers, a forum for communication and cooperation between public and private providers (with attached funding for set up activities and resources to enable the formation of a Private Education Association that serves membership to all ‘bands’ of private schools throughout the country);	1. Training in common standards for accountancy and bookkeeping; 2. Fellowship programs to support training within the public Teaching Training Colleges for private sector teachers; 3. Access for private and public school teachers to one another’s in-service training activities; 4. Access for private schools to any national Textbook Revolving Scheme
<i>Alternative funding mechanisms</i>		<i>Preparation of an Education Development Investment Fund that (i) targets investments in both the public and private education domain and (ii) offers technical assistance to ensure proper management and the development of a comprehensive selection</i>	<i>1. Development of transparent eligibility criteria and mechanisms that support the provision of public funds to private schools (e.g. standards for quality of service; safety/welfare and pedagogic performance)</i>

		<i>of educational services.</i>	2. Development of a funding scheme to support School Governing Councils in both public and private schools
<i>Institutional frameworks</i>	1. Promulgation of an Education Act that (i) specifically regulates the provision of secondary education in all schools; (ii) provides conditions that encourage growth and development of private education and (iii) defines the terms of the partnership between the public and private sectors; 2. Promulgation of a revised teacher qualification system in which there is a teacher compensation scheme and designation of 'certified' assistant teacher status.	1. Development of a common regulatory framework for all schools (licensing, certification of public and private teachers, school information and performance monitoring system); <i>2. Development of an inspection system to promote quality standards that is managed by the public sector but for which services are out-sourced;</i> 3. Establishment of a common Education Management Information System in all schools	1. Establishment of a standardized secondary school budgetary reporting system; 2. Development of a 'per capita' funding formula for the public and private education systems and the establishment of a funding mechanism that enables the funds to follow the child

Under the terms of a technical assistance project with such components, could one implement a private sector model on a wide scale as a demonstration of the potential benefits associated with market forces? If so, how could one provide a genuine test and objective evaluation of private-public alternatives on a large enough scale to influence policy reform? It is arguably only in such an environment that one will be able to determine answers to the following two crucial issues:

- (i) can private provision be more cost effective than public provision? And
- (ii) can national policies and modalities be developed that comprehensively address legitimate access and equity issues?

While all these indicative inputs and activities in the Table above support quality improvements for public and private education, arguably only those four that are italicized alter the public-private mix in a manner that truly facilitates the introduction of a market in which private services can contribute to attainment of the national education sector objectives.

One opportunity for policy reform on a pilot basis in which a universal customer driven system would be trialled might be presented by a situation in which a lending agency would program a share of support to both a time slice and a geographic area. In essence the lending agency would fund a voucher scheme - the demand side - while additional technical assistance would also be provided to aid in the funding of the supply side. In effect the donor would take over the full financing of a geographic region for a period of time, freeing up the government resources to better support the remaining regions of the country. Even within this specialized case, however, the following obstacles would have to be overcome:

Duration and sustainability:

What happens after the programming funds are exhausted? Would the government take over the financing of the vouchers in this target area after the external funding ended?

Access and equity:

Without placing a cap on the private fees, how can the scheme avoid subsidizing elites who would otherwise pay the full fee? There would have to be capacity to target the vouchers to individuals with different values according to need.

Financial viability

In most countries per capita public expenditure on secondary education provides an unacceptably low quality service. Under what circumstances however would the value of a voucher (constrained to a level that is financially sustainable) provide a market level that is viable to the prospective entrepreneur?

Public resources

Human resources - what happens to teachers that are displaced from public schools in which enrollment is falling? Perhaps even more contentious, is the issue of public facilities and what would the government do with facilities that had become redundant because poor management had made them un-competitive? One option might be for ownership and control to be transferred to a school committee or local government authority which could then be sold or leased to entrepreneurs

Finance and Collateral

Security for loans to build, purchase land or renovate facilities and provide equipment is a major problem. One solution would be a blend of IFC and IDA credit finance possibly augmented by bilateral grant funds, or even venture capital private funding. Two obstacles emerge: (i) would the government be prepared to borrow to finance private investment? And (ii) where would liability rest in the case of a default on the loan?

Appendix 3(a)

PRIVATE SECTOR DEVELOPMENT IN WORLD BANK EDUCATION PROJECTS
(1995-2000)

Country & Year	Types of assistance		Level
	Institutional development	Alternate funding mechanisms	
Dominican Republic 1995	Strengthening public entity to better manage and assist private providers		Primary Secondary
Maldives 1995		Fellowship program for private teacher development on cost recovery basis	Primary Secondary
Chile 1995	Strengthening sector managerial capacity to improve internal & external efficiency, quality and equity of municipal & government subsidized private secondary schools		Secondary Technical/ vocational
Mauritania 1995	Modifying legal framework to facilitate private sector expansion; expanding training opportunities for private school teachers		All levels except higher
Argentina 1995	Self evaluation of public and private sector universities	Competition for funding through permanent instrument FOMEC	Higher
Senegal 1996	Strengthening capacity of non-government sector to deliver effective programs		Adult
Burkina Faso 1996		Matching public-private grant scheme for additional private classrooms	Lower secondary
Mali 1996	Assisting private employers to develop human resource plans; private participation in negotiations to make informal training formal	Vocational Training Skills Fund (VTSF) for skills upgrading to bring informal into formal sector	Technical/ vocational
Indonesia 1996	Competitive principles to encourage private-public institutions		Higher
El Salvador 1997	Quality improvement in teacher training and curriculum programs for private schools.	Public funding of scholarship program for private sector	Secondary
Comoros 1997		Vocational Training Fund for private sector participation; contract training program	Technical/ vocational
Sri Lanka 1997	Increase private sector printing		Primary Secondary

Cameroon 1998	Promoting private-public partnership	Encouraging public sector to raise resources from non-governmental sources	Higher Technical/ vocational
Tunisia 1998	Supporting private sector to enter market of academic service, ancillary provision		Higher
Ethiopia 1998	Private-public partnership to carry out market surveys; and in design of technical and vocational education	Private sector investment at the higher education level for cost-sharing schemes	Technical/ vocational Higher
Lebanon 1998	Developing policies on roles of the public and private sectors in training		Technical/ vocational
Mexico 1998		Development of a private sector student loan program	Higher
Benin 2000	Improving private sector training capacity	Training grants to workers in the informal, and modern sectors.	Tertiary training

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THE GROWING MARKET FOR EDUCATION

EdInvest conducts surveys of the market for education in a number of countries. A sample of recent surveys conducted between January 1999 and July 2000 reveal the following facts:

China has 1,274 private higher education institutions, serving more than 4 million students. Between 1995-99, 500 new private tertiary institutions were established in China. In addition, there are about 56 domestic business schools in China, recently joined by a number of world class business schools, one of which is funded by the European Union. The MIT Sloan School of Management is working with a local university to develop an international MBA program.

Enrollment in Russian higher education jumped almost 50 percent from 1995 to 1999. Hundreds of new private institutions have opened, providing many more places to study. A new, state-sponsored accreditation body has recognized only a few dozen institutions that are not run by the state.

In Eastern Europe, there has been considerable growth of private business schools. In 1998 alone, there were 91 private business schools in Poland, 29 in the Czech Republic, 21 in Armenia, and 18 in Romania. Innovative student finance schemes are helping create more higher education places.

Income-contingent loan schemes, whereby repayment is contingent upon income and payments are deferred until graduates are working, are being used in a growing number of countries. The existence of an income contingent student loan scheme has allowed Australia to introduce cost-sharing in public higher education, representing up to 20 percent of unit costs, and achieve a 30 percent expansion in enrolment in a few years without a significant increase in public subsidies. A similar system has been established in New Zealand and the United Kingdom.

The private sector student loan program created through the World Bank's higher education project in Mexico is intended to increase access to higher education for a growing number of students, especially academically qualified but financially needy students. The private sector loan scheme has probably helped create investment in Mexican higher education when Sylvan Learning Systems purchased Universidad del Valle de Mexico (UVM), one of the largest private universities in Mexico. Sylvan's venture into Latin America follows their recent purchase of a Spanish university, Universidad Europea de Madrid, a private, for-profit institution that enrolls 7,000 undergraduate and graduate students on a campus in the Spanish capital.

The Apollo Group—which owns the University of Phoenix, the largest private, for-profit university in the United States—owns a minority share of Apollo International. Apollo International is focusing on extending Apollo International's reach into Europe, Latin America and Asia. Privately held Quisic, backed by investors such as FT Knowledge and Pearson, is providing content and courseware for E-ducavia, a

\$100 million venture between IBM Spain, Cisco Systems Spain and Telefonica Media for an online Spanish- and Portuguese-language business school.

And in Africa:

100 percent of professional training in Côte d'Ivoire is private, 44 percent of the skills training market in The Gambia is private, and 75 percent of tertiary colleges in India are private.

In East Africa, new private tertiary institutions fill a growing gap between supply and demand. Dozens of new universities have been established in the 1990s.

There are three new private colleges currently being set up in Ghana.

In 2000, 25 private colleges applied for recognition in Cameroon, 27 in Kenya, and 19 in Tanzania.

Between 15-20 percent of all students in The Gambia, Côte d'Ivoire and Senegal attended private institutions.

In The Gambia, Côte d'Ivoire, Senegal, Ghana and Zimbabwe, up to 16 percent of all primary education pupils attend private institutions.

Almost 80 percent of the senior secondary students in The Gambia were enrolled in private institutions.

100 percent of professional tertiary students were enrolled in private institutions.

In Cameroon, 28 percent of school enrolments in the private sector (57 percent in Douala).

The private sector makes up 1/5th of the education market in The Gambia: enrollments at private institutions make up 14 percent of primary, 28 percent of junior secondary and 77 percent of senior secondary enrollments. Close to 45 percent of vocational training students attend private institutes. Between 1993 and 1996, private school enrollments in The Gambia increased by 41 percent at the primary level, 123 percent at the junior secondary level and 20 percent at the senior secondary level.

Close to 20 percent of students attend private institutions in Côte d'Ivoire: 2/3rds of technical/professional secondary students and all professional tertiary students attend private institutions. Between the 1991/92 and 1995/96 school years, enrollments in private institutions rose by 20 percent at the primary level, 33 percent at the secondary, 140 percent at the technical/professional secondary and close to 670 percent at the tertiary education level.

Students attending private institutions make up close to 11 percent of the student body in Ghana: enrollments in private primary schools in Ghana increased by 344 percent between the 1986/87 and 1996/97 school years and comprised 13 percent of all primary enrollments in 1997.

Over 15 percent of all students in Senegal attend private institutions: close to 70 percent of all pre-schoolers in Senegal attended private institutions in the 1997/98 school

year. Between the 1987/88 and 1997/98 school years, enrollments in private primary institutions increased by 123 percent and account for over 12 percent of all primary enrollments. At the middle school level, enrollments increased by 32 percent during the same time period and account for close to 30 percent of all middle school enrollments in 1998.

The private sector accounts for 3 percent of primary enrollments in Mauritania: in 1993, the number of students in private institutions was close to 6,000. However, enrollments at private institutions increased by over 13,000 percent in Mauritania between 1983 and 1993.

Aggregate enrollments in private institutions increased by almost 600 percent between 1980 and 1996 in Kenya.

Over 60 percent of all secondary school and 8 percent of tertiary professional students attend private institutions in Uganda.

And in Africa:

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In 2000, 25 private colleges applied for recognition in Cameroon, 27 in Kenya, and 19 in Tanzania.

Between 15-20 percent of all students in The Gambia, Côte d'Ivoire and Senegal attended private institutions.

In The Gambia, Côte d'Ivoire, Senegal, Ghana and Zimbabwe, up to 16 percent of all primary education pupils attend private institutions.

Almost 80 percent of the senior secondary students in The Gambia were enrolled in private institutions.

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In Cameroon, 28 percent of school enrolments in the private sector (57 percent in Douala).

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IMPLEMENTATION OF VOUCHER SYSTEMS IN EDUCATION

This Appendix provides examples of voucher schemes in two countries¹. The Appendix is intended to provide information on the implementation and evaluation of a pilot voucher scheme, and to suggest possible policy designs.

The Netherlands

One of the essential features of the Dutch education system, guaranteed under article 23 of the Constitution, is freedom of education. That is, the freedom to found schools, to organize the teaching in schools, and to determine the principles on which they are based. This means that people living in the Netherlands have the right to found schools based on their own religious, ideological or educational beliefs and to have them funded by government. The result of this constitutional right is that schools in the Netherlands differ from each other in terms of their denomination or ideological outlook. The Dutch education system, effectively decentralized and demand-driven since 1917, has recently updated its influence over private education provision. Almost 70 percent of schools in the Netherlands are administered and governed by private school boards. Public and private schools are government funded equally. This structure of equal funding has allowed parents the opportunity to choose the school which best matches their own preferences.

More than two-thirds of all school children in the Netherlands attend privately run schools. These are run by an association or foundation. Most of them are either Roman Catholic or Protestant, but there are also Jewish, Islamic, Hindu and humanist schools in the Netherlands. In addition, there are private non-denominational schools that are run by an association or a foundation but are not based on any specific religious or ideological beliefs. Like some of the publicly run schools, many privately run schools base their teaching on specific educational principles, like those of Maria Montessori. Unlike publicly run schools, which must admit all pupils, private schools can impose criteria for admission. In practice, however, most private schools pursue non-restrictive admissions policies.

Most parents can choose from several schools near their homes. Parental choice has spurred some schools to develop a unique profile and improve their education. Schools are required to provide such information to parents about their educational aims, methods and efficiency. Public schools are run by the municipal authorities or by a governing committee appointed by the municipality for this purpose. They are open to all children regardless of religion or outlook. Some publicly run schools are based on specific educational principles.

¹ The contents of this Appendix are taken from Patrinos, H (2000).

Curriculum/Operational Freedom. The freedom to organize teaching means that schools are free to determine what is taught and how. The Ministry of Education, Culture and Science does, however, impose a number of statutory standards in relation to the quality of education. These prescribe the subjects to be studied, the attainment targets and the content of national examinations. There are also rules about the number of teaching periods per year, teacher training and teaching qualifications, the rights of parents and pupils to have a say in school matters, and the planning and reporting obligations of schools. As a rule, schools enjoy considerable freedom in the choice of textbooks and materials and in the way they manage their affairs. The Education Inspectorate is charged by the Minister of Education with supervising the manner in which schools fulfill their responsibilities.

In recent years, there has been a trend towards greater autonomy and decentralization. Many central government powers have been transferred to the level of the individual school. Central government control is increasingly confined to the area of broad policy-making and to creating the right conditions for the provision of good quality education. Institutions are being given greater freedom in the way they allocate their resources and manage their own affairs, although they still answer to government for their performance and policies. Schools receive extra funds to combat educational disadvantage. For every ethnic minority student, a school receives 1.9 times the amount paid for children from privileged environments. Native children from disadvantaged backgrounds receive 1.25 times the basic amount.

The Dutch Voucher. In effect, each family gets a voucher equivalent to the per capita cost in the local public school that must be spent on education. The school selected by the family is then entitled to funding that will cover specified amounts of teacher salaries and other expenses. Private schools can and do supplement this voucher by charging ancillary fees; however, this right is severely limited. Municipal schools collect similar vouchers from parents but may not charge additional fees during the 10 years of compulsory schooling.

The central government pays most of the costs. Limited local government discretion is allowed. There are substantial restrictions imposed on the ability of private schools to raise and spend funds. The central government pays all teacher salaries directly, for both public and private schools. These salaries are based on fixed scales that take into account education and experience. Schools are not permitted to supplement the salaries. The number of teachers to which a school is entitled depends on its number of students, according to a schedule that embodies a student/faculty ratio of approximately 31:1.

Buildings for both public and private primary schools are provided by the municipality—but with reimbursement by the central government for interest plus depreciation or for rent. Remaining is a small fund for operating expenses that the school may allocate at its discretion among activities such as maintenance, cleaning, heating, libraries, and teaching aids. The sum is determined separately by each municipality,

which must then give all public and private schools the same per capita amount, usually about \$200.

The financing procedure is somewhat different at the secondary level. Here, there are state as well as municipal and private schools. Once again, all teacher salaries and building costs are covered directly by the central government. In addition, municipal and private secondary general schools that are included in the Minister of Education's three-year plan get the same discretionary fund per capita as do comparable state schools.

Private fees are only a minor source of financing. The first ten years of public schooling are legally free, while small charges may be levied by higher secondary schools and universities. At all age levels, however, private schools are allowed to impose their own fees—ostensibly for “educational facilities” (e.g., libraries and swimming pools) rather than for “education” per se. Fees range from \$100 to \$200 per year at most primary schools, slightly higher at the secondary level.

There is relative ease of entry of new providers. A relatively small number of parents can and do propose to start their own school. Government is required to provide almost all initial capital costs, as well as ongoing expenses. The municipality provides buildings, while the central government pays salaries. The requisite number of parents required to set up a school varies by the size of the municipality: 125, 100, 75 or 50 for municipalities with residents of more than 100,000, 50,000-100,000, 25,000-50,000, or less than 25,000.

Colombia

Although in recent years Colombia has progressed economically and socially, the country's achievements have not reached the whole population equally. There are immense disparities in almost all social indicators across regions. Per student public spending at different educational levels in 1990 fits the general pattern of Latin American countries: it is skewed in favor of families with high incomes. In 1990, per-pupil spending was \$62 for primary schooling, \$125 for secondary and \$666 for higher. Pupils from higher income families are overrepresented in secondary and higher education. Therefore, a greater portion of the allocation for education benefits the wealthier segments of the population.

The private sector is prominent in education. For example, in the 87 municipalities covered by the voucher pilot, 2,124 secondary schools were private, compared with 1,248 that were public. The limited access to public schools is not a problem for families with higher incomes. Most of those families prefer private secondary education and are willing and able to pay for it. Poor families, on the other hand, do not have a choice. Public secondary school places are in short supply compared with primary school places. However, when access to public education is not available, poor families face a daunting problem. The painful choice is either to spend their extremely limited income on private secondary schooling or to let their children go without secondary schooling. About 14 percent of fifth grade students drop out of the

system, a portion of whom would have gone to school if a public school place were available or private schooling were affordable.

In municipalities where low-income students do not have access to public secondary schools, they are at risk of dropping out of the education system. Therefore, the voucher program allows these students to enroll in selected private schools that have excess capacity. The voucher program was inaugurated in 1991 as part of the decentralization process, which commenced in the 1980s and became part of Colombia's new constitution in 1991. The new constitution provides for the election of local officials and delineates the responsibility for the management of local affairs to 33 departments and territories, and approximately 1,000 municipalities. The constitution compels the central government to transfer an increasing share of budgetary resources to regional and local governments to help defray the cost of providing social services. The national government also offers cofinancing to local authorities to stimulate local investments in social services that have national importance. The expansion of secondary education and the improvement of its quality at the municipal level have gained prominence in the government's strategy.

The Colombian Voucher. The voucher program, which is cofinanced by the national government, was designed to offer municipalities a short-term, cost-effective and efficient option for expanding access to secondary schooling. The program offers vouchers to low-income students. By using their vouchers, the students are able to attend private secondary schools that have excess classroom capacity.

The objective of the program is to increase access to secondary education for an estimated 90,000 primary school graduates and provide opportunities for secondary education for up to 22,000 students of low-income families.

The vouchers have an average annual cost of \$143 per voucher-year at 1991 prices based on a projected 5 percent average dropout rate among voucher recipients. All vouchers are distributed among 87 pilot municipalities according to demand, with an upper limit determined for each municipality based on the total number of vouchers available annually. Each municipality is expected to program its requirement for vouchers within the framework of its secondary education plans and to verify both the demand and the availability of places in private secondary schools. There are strict eligibility requirements for both students and secondary schools. Students must come from the lowest two socioeconomic strata, have graduated from a public school or a nonprofit private school, and be no older than 15 years. Private secondary schools are required to provide evidence of their ability to offer an acceptable standard of education. Such evidence includes a secondary education degree-granting license issued by the Secretary of Education, and average test scores on a national examination for the previous two years that are at least equal to the average public and private school test scores (excluding the test scores of the elite private schools) in the municipality. New private schools not having the above qualifications must provide evidence of having an operating license, a certified teaching staff, and health facilities deemed suitable by the Secretary of Education.

The National Ministry of Education has signed an agreement with each participating municipality setting forth the terms and conditions of the voucher, and the financial and administrative arrangements. Municipalities determine the number of vouchers required, certify that private schools meet the requirements for participation, and jointly monitor the progress of the program with the Institute of Educational Credit and Training (IECT). The IECT is paid 2.5 percent of the value of vouchers awarded for administrative costs related to meetings between students and schools, publicity efforts, implementing the voucher system, and monitoring the program. Upon approval of the municipal education plan, municipalities work out implementation arrangements for the voucher program with IECT. IECT administers the current program under an agreement with the Central Mortgage Bank to manage the funds for vouchers. A national coordinating committee, with the Vice-Minister and representatives from the above institutions, provides guidance to the program.

As a first step, the Ministry of Education and the municipalities deposit the money allocated for the voucher program at the national branch of the Central Mortgage Bank. This money is equal to 80 percent of the total program cost. The participating municipalities contribute the remaining 20 percent of the cost of the vouchers. Both contributions are deposited at the same time. Next, the national branch of the IECT advises the national branch of the Central Mortgage Bank which cities and schools have been awarded vouchers so that regional branches of the bank can open accounts for private schools involved in the program. The IECT then distributes to parents a list of all schools in the city involved in the program. Finally, the participating schools in the program open an account at the regional office of the Central Mortgage Bank. The final receipt covers three monthly payments. Students are able to transfer from one school to another at any of the payment intervals.

Table 14 concludes the report with a Matrix of Voucher Schemes in three countries.

Table 14: Voucher Schemes in Three Countries

Criteria	Netherlands	Colombia	Côte d'Ivoire
<i>Objective</i>	Competition, quality, free choice	Equity	Increase access and reduce costs by paying for students to attend private schools
<i>Coverage</i>	All primary and secondary-school students nationally	90,000 secondary-school age students from low-income families	Students in lower and upper secondary; technical and professional training
<i>Targeting</i>	Weighted formula to benefit low-income groups and minorities	Available only to poor families	Targeted to families with low incomes
<i>Value of voucher</i>	Equal for private and public schools: Primary: \$3,191 Secondary: \$4,351 (1995)	Set value (based on public cost): \$143 (1993)	Value varies by level of education: \$200-\$750 per year in 1999
<i>Finance mechanism</i>	Reimburses schools based on attendance	Voucher deposited by student; school receives funds from bank	Private school receives funds directly from government
<i>Choice of school</i>	Full choice: private or public, religious or secular, etc.	Participating private schools	Limited to "chartered" private schools
<i>Private school enrollments</i>	Primary: 69% Secondary: 76% (1995)	Primary: 18% Secondary: 39% (1995)	Primary: 13% Secondary: 36% (1995-96)
<i>Fees charged at private schools</i>	Minimal	Yes	No supplementary fees allowed above value of voucher
<i>Regulations of private schools</i>	Extensive	Minimal	Some controls over private schools (e.g., fees)
<i>Entry of private providers</i>	Relatively easy	Easy	Relatively easy

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