

Symposium on Government and Non-Government Participation in Education
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Your Excellency, ladies and gentlemen,

It is my pleasure to speak to all of you at this symposium today. I would like to take this opportunity to thank our hosts, the Government of Malaysia. I'd also like to thank to the Dutch Government for financing the case studies that will be presented during this symposium, and CfBT for the logistical arrangements. Above all, I thank all of you in attendance everyone here for participating in this event to make it a rich learning experience and exchange of ideas.

The Best of Times, and the Most Challenging of Times

These are both exciting times and challenging times for the education sector in the countries of East Asia. Education is widely recognized in the region as a major contributor to poverty reduction, economic growth and social development – as well as a vehicle for promoting increased improving stability in the region.

Countries in East Asia the region have expanded their education systems significantly in the past ten years. A, such that approximately 92 percent of primary school- aged children are currently enrolled in school, and two-thirds66% of secondary school age children are enrolled. In addition, between 1985 and 2000, the average number of years of schooling of the adult population increased. In Thailand, this average climbed from 5.2 to 6.5 years of schooling; in Malaysia it went from 5.5 to 6.8 years; in the Philippines it went from 6.7 to 8.2; and in Indonesia the average number of years of schooling moved from 4 to ,0 to 5.0 years. These are impressive gains.

Demand for education in the region is nearly insatiable, and this trend will continue as countries make progress in increasing the number of employment opportunitiesjobs and opportunities. Keeping up with this increasing demand and improving education outcomes, which are so critical for economic development, pose some significant challenges. However, there are many issues remaining in the education sector in the region. While these issues significantly differ across Asian countries, there are some common challenges in educational development:

- **The first challenge is achieving universal aAccess to primary education.** – The achievements in gross primary enrollment notwithstanding, there are still important great numbers of primary school age children who are not enrolled. This problem is most acute in the poorest nations of Southeast Asia – Cambodia and Lao PDR –, but it is also

significant in the poorer parts of relatively prosperous countries, such as China and Indonesia. Those who never enroll in school tend to be from the most disadvantaged group, namely children who are poor, ethnic minorities, p – girls, ethnic minorities, the poor and working children and children who work.

- **Secondly, beyond enrollment, children must complete primary education. Completion of the primary cycle** – Although the enrollment rate at the primary level has increased, the completion rate of the primary cycle still remains low.

- **The third challenge is improving access to higher levels of education.** – Enrollment rates at secondary and tertiary levels remain low. Governments in the region are facing enormous pressures from the business community and from families to expand the number of school places in secondary and tertiary education.

- **The fourth area of attention is education quality and alignment to the skills needed by employers. Quality and relevance** – The quality of education is not uniformly high for all schools. As well, the education that is available is not always aligned with the needs of society and the labor market.

- **And, finally, education spending must be efficient and effective. Resource mobilization and use** – The '97 financial crisis in Asia highlighted the need for a more effective and efficient use of public funds. Even governments which put a high priority on education are looking for ways to improve the impact of their spending. The

challenge is to generate resources to expand access to education and to ensure that both public – and private resources – are spent in an effective and efficient manner.

These are enormous challenges. The implications of these remaining challenges for East Asia are numerous. Meeting them will be essential to not only fulfill national commitments to universal basic education but to fulfill the aspirations of families seeking a better life for their children. Overcoming these challenges is also essential to ensure that employers and potential investors find the skills they need to contribute to job creation and economic growth. Ensuring that all children will acquire a basic education will not be met. Families seeking access to quality and relevant education will be frustrated. And local employers and foreign investors will experience difficulties in finding skilled workers, thus hindering economic growth into the longer term.

As globalization and regional integration increase, education and skills are increasingly the determinants of where companies locate and invest. In this age of accelerating globalization, education is ever more important. Productivity and growth are increasingly dependent on knowledge and skills. Today's employers need people who are skilled readers, problem solvers, communicators, team players, and people capable of handling technology.

But education has use beyond the workplace. Increasing democratization in the region challenges the education systems to develop good citizens, capable of participating in informed debate and tolerant of emerging diversity. Education helps minimize the gap between the rich and poor, the haves and the have-nots in a society, helping to contribute to stability and social cohesion. Growth and development in Asia has been rapid, but unevenly distributed. The large disparities in wealth and opportunity could become a threat to continued progress if they are not managed. Meeting people's demand for high quality education is part of managing this challenge – education helps people acquire skills to participate in the broader economy and society and it provides an important avenue of mobility for those living in poverty.

As families and employers increasingly demand improved access and quality of education in the region, particularly for the poorest households, governments are grappling with what more should be done, and what should be done differently.

Government spending on education across Asia is about 3.2 percent equivalent to approximately 3.2% of GDP, yet the needs are great. Many are beginning to acknowledge that the public sector cannot do it alone. But, and are asking what should be the appropriate stance of government with respect to non-public partners in education?. There is a need for partnerships between government and non-government providers to form partnerships to expand educational opportunity. In referring– and by non-government providers, I am referring to the private sector education providers, firms, institutions from within faith communities, NGOs, and individual households. to These

partnerships non-government providers, I include the private sector education providers, firms, institutions from within faith communities, NGOs, and individual households. The partnership must involve all parties in decision-making and policy design issues. It They must involve increasing the total amount of effort and resources going into the production of learning. And theyIt must also step upinvolve increasing the level of innovation in education.

The private sector has a particular interest in enhancing its role because it needs a better educated population and workforce. Private sector agencies are in a better position to know theunderstand what skills are needed, and their investments in the economy help ensure their commitment to ongoing economic growth and returns on their investment. skill needs in terms of training and vocational skills, and they have already invested in the economy, ensuring their commitment to ongoing economic growth that yields a return on investment. But no less so do families and other members of civil society also have a stake in getting more involved. Families value education for how it can improve their lives, and civil society values education for how it can improve their communities.

So how do we achieve this balance of public and non-public?

The Role of Difference that Non-Public Institutions Can Make

Private education providers have been active in responding to the increasing demand for education in East Asia. As you discuss the various case studies prepared for the you will discuss in this symposium will illustrate, it will become clear that private and non-public institutions have garnered an increasing share of the education market have obtained a large market share of total number of students enrolled. For example, in 2002, for example, 42 percent% of all Thailand students enrolled in higher education in Thailand were enrolled in private institutions. In Malaysia, the Philippines, and Indonesia, that number ranges from 51-76 percent% in in the same year. Similarly, private schools are also increasing their the market share of private schools at the elementary and secondary levels is not insignificant. In 2002, 17 percent of enrolled primary school students in Indonesia and 13 percent in Thailand were attending private schools. of all students enrolled in primary schools, the percentage enrolled in private schools was 7.2 in the Philippines, 13 in Thailand, and 17 in Indonesia. Even in countries es where the share is still relatively small like Vietnam, China, Lao PDR, and Cambodia, the growth of non-government alternatives is dramatic. In Vietnam, China, Lao PDR and Cambodia, rReports indicate that formal and informal private providers are growing very rapidly in these countries.. In terms of financing, one-half of all education spending on education is done is outside of the public budget.

Given that private and other non-public involvement in education is growing in this region, what can be done to ensure that these institutions are contributing to the achievement of the five challenges we have before us –

1. achieving universal access to primary education,

2. ensuring children complete primary education,
3. improving access to higher levels of education,
4. improving education quality and alignment to skills needed by employers, and
5. improving the effectiveness and efficiency of education spending. Given the emerging trends of private and other non-public involvement in education, what more can be done?

How can the partnership between the private and public sector be further improved to achieve these goals??

There are many ways that As we have seen in this region and in other parts of the world, non-state actors can contribute to greater education outcomes in a variety of ways. The private sector can take up excess demand, especially in post-basic education, and provide alternatives to the traditional school in basic education for children with particular needs in basic education. The private sector can increase innovation in the school system and create opportunities for others to enter the sector. By tapping into other sources of financing, the private sector It can increase the amount of resources devoted to the education sector by tapping into private sector financing. Involvement of the private sector can also help refocus government priorities, ensuring that the public sector moves to educate all children include all children in schooling, either through public financing or provision, or through partnerships with non-state bodies. In addition, a larger role for non-public agencies offers unique opportunities for innovative student financing.

Just as it does in other parts of the economy, the private sector can In order to maximize opportunities to foster competition and innovation to improve the quality of education. But because education is a public good and a nation's most basic public service, effective , it is important that effective partnerships bare developed in order to make good on the synergies contained within linkages between public and private institutions are key.

This regional symposium can make an important contribution to the thinking behind improving education in the East Asia and Pacific region. One of the objectives of this meeting symposium iis to form a dialogue between people working in public and non-public bodies to discuss what partnerships exist, how they can be made effective, and what approaches have and have not worked in various countriesthe region. A second objective is to build on this dialogue to facilitate new relationships between the public and private sectors for learning and working together for common goalsto meet the set of common challenges.

An Educated Population is Good for Business, and Education is Good Business

Partnerships between governments, private companies, and other non-governmental agencies in education have the potential to yield high returns for all concerned. A skilled workforce is good for business and good for the economy. , as educated workers are more productive, in turn contributing to the growth of the economy. But education is also good business. R – returns on investments are high, and there is strong and growing demand for quality education services. F – (from 5 percent in Vietnam, to 7 percent in Indonesia, 9 percent in Malaysia, to 12 percent in Thailand and China, and 13 percent in the Philippines) – for averaging about 10 percent in the region, regional average of about 10 percent, which is also the global average return on investment for an additional other year of schooling. In a growing market, tThe private sector can provide alternatives at all levels of schooling to a growing market, offering specialized services for post-basic education, and especially for vocational and higher education. The private sector is also interested in making contributions to the education sector – contributing in not only resources and equipment, but also through sharing knowledge and innovations.

Government's Role in Fostering Partnerships

EWhile education has long been the exclusive domain of governments in East Asia, but more and more people are realizing the , the recognized potential of the a

private sector's role for public good in education provision is becoming apparent. In the global knowledge economy, governments can do much several things to facilitate private involvement in education.

Primarily, tThe public sector can provide an overall framework for education investments – investments that parents and students make everyday when they come to school, investments that private sector businesses make to improve the human capital of their workers, and investments that non-government providers make in increasing the supply of education services.

First, to make it easier for non-government players to enter the education sector, it is important to reform A number of conditions make it easier for more space to open up within the education sector for non-government players to enter in. It is important to create a level playing field through reforms to the regulatory environment and laws so that the playingthe playing field is a level one. It is also important to increase the participation of private providers in education services by granting more autonomy to schools (including public schools), while getting parents more involved to improve schools' accountability for quality outcomes. In addition, financial and fiscal incentives for both providers and students can stimulate a market for education services, such as entering into cost-sharing arrangements to mitigate investment risk, and making credit or subsidies available for providers, and using scholarships, bursaries or loans for students.

How the World Bank Group Can Help Foster Public-Private Partnerships

The World Bank's commitment to education in the region is evident in the support it gives to country efforts to increase access, improve equity, and raise learning outcomes.

Since 1996, In the East Asia region, since 1996, the World Bank financed 32 education projects worth more than \$2.1 billion in the East Asia region worth more than \$2.1 billion. By design, these projects by their design intentionally aim to respond to excess demand, improve the quality of privately provided educational services, increase private sector access to public funding, promote teacher training for primary and secondary education, and support system-wide capacity building at the tertiary and vocational levels. Many include efforts to increase the participation of the private sector in the education system.

A few examples follow. Let me give you a few examples.

Cambodia

In Cambodia, where private universities are multiplying along the streets of Phnom Penh, the Bank provided a grant to the government to help develop a legal

framework for the growth and development of the higher education system. That framework defines what a "university" is as well as the basic requirements for a degree. It provides a pathway for public universities to become autonomous if they undertake certain reforms of their governance management structures and financial management systems. Perhaps most importantly, this program creates an accreditation committee that provides information to students who are the (consumers of education) as well as to the government, which is (the licensor of institutions and a major financier,) about the quality of the various institutions. The goal in this is to In doing so, it seeks to create a well functioning market for higher education, where in which the principal actors have the information they need to make good decisions. This is an important development in Cambodia where, where there has been an explosion of new providers and consumers and financiers have been having a difficult time sorting the have difficulty sorting the good providers from the not-so-good. Information allows people to make good solid decisions, and it creates a healthy base for competition among the providers themselves. The Formation of the accreditation committee is still being formed a work in progress,, with the composition of its membership still being debated. B, but we hope that this will soon be settled.

Indonesia

The Indonesian Government has long been a believer in private sector involvement in education, and non-public providers have often served as generators or

testing grounds for new approaches. The Government of Indonesia recognizes the importance of the private sector in providing education. The private sector currently provides approximately 40 percent of junior secondary school places, many in small, poor, rural communities at a unit cost that is significantly lower than public schools. Because many of these schools The private sector has also often served as a generator or testing ground for new approaches.

While private junior secondary schools are numerous in Indonesia, especially in the rural areas, the quality of instruction could be improved. These schools serve the poorest, and many of them are under funded, the quality of instruction could be improved. Two Basic Education Projects, one in Sumatra, and one in Sulawesi and the Eastern Islands, provides matching grants to these private schools based on proposals, where they outline which they would use for needed quality improvements, ranging that could range from construction and rehabilitation of facilities, to the hiring of extra teachers, purchasing of school materials, or participation in teacher training programs. The projects also provide teacher up-grading and certification to low qualified the least qualified schools and teachers.

In addition, three Junior Secondary Education Projects in East Java and East Nusa Tenggara, Central Indonesia, and Sumatra also support improvements to private junior secondary schools. These projects aim to improve the quality and management by providing teacher in-service training, teaching equipment and materials, references and library books, and management training for school principals. In addition, the projects

help promising students who cannot afford but poor students get access to junior secondary schoolings through the expansion and improvement of the an existing scholarship programs.

Korea

Korea and the World Bank have had a long and proud partnership in education, culminating in the “graduation” of Korea from the Bank in 1994 (but was given assistance again in 1997 as a result of the financial crisis). One of the earliest and most innovative programs helped Korea to bridge an investment gap for technical and higher education, estimated at US\$ 400 million in 1979. Bank financed projects supported the Korean government’s efforts to:

- (1) provide grants to institutions to upgrade staff;
- (2) offer loans on favorable terms for lab equipment and construction of facilities;
- (3) provide matching funds to stimulate industry investments; and
- (4) study the feasibility of increasing revenues to private institutions through allowing fee increases and student loans.

The government on-lent funds to the private institutions as well as to the public institutions. The As a result, the project had a major positive impact on expansion and improved quality at both public and private institutions, and on creating a lower starting

capital base for of private institutions. The expansion of the private sector in higher technical education partly contributed to the Government's ability to contain the public budget for technical and higher education, where many students were able to pay the tuition themselves for themselves and industries were willing to contribute. The Government was then able to , and to invest a larger portion of its public funds in basic education to ensure that all students acquired a solid foundation to carry them through their lives.

IFC involvement

The International Finance Corporation (IFC), the World Bank Group's private sector arm, has also been very involved in the private sector in education in the East Asia rRegion. The IFC's Health and Education Department provides project financing through a variety of financial instruments including loans and direct equity investments as well as technical assistance. In addition to project financing, the Health and Education Department provides technical assistance to support its individual clients throughout the project process.

In Vietnam, By way of example, the IFC provided \$7.25 million helped to help finance the \$34 million approved the RMIT International University Vietnam Project in 2001, Vietnam's first foreign-owned university, which will be wholly owned by Royal Melbourne Institute of Technology (RMIT) of Australia. *(with the IFC contributing*

\$7.25 million to the total project cost of \$34 million. This is the first foreign-owned university in Vietnam. The Asian Development Bank also provided a loan of \$7.25 million in support of the project..) The university will offer undergraduate and graduate degree programs, English and other foreign language training, corporate training, and continuing education programs. It will be wholly owned by Royal Melbourne Institute of Technology (RMIT) of Australia. IFC's financing will help the university construct and operate a new campus in the South Saigon New Urban Development Area in Ho Chi Minh City. RMIT will introduce Australian standards for quality assurance of higher education, which are expected to become benchmarks for development of the quality assurance framework for higher education institutions in Vietnam. This project enables thousands of Vietnamese students to obtain a modern, high quality college university education without having to go overseas.

The IFC is also providing loans to support three new pre-primary, primary and secondary National Plus (NP) schools and one existing school in major cities on Java and Sumatra islands in Indonesia. The loan is IFC's first to support education in Indonesia and will support the expansion of the Singapore International School (SIS) in Jakarta... Each NP school will accommodate up to 750 students. The curriculum, offered in English and Bahasa Indonesia, uses cutting edge curriculum- delivery methods designed in Singapore and already tested in Indonesia. The schools will offer scholarships to low-income students, and will leverage school resources to provide community education programs.

As well, the IFC has also provided technical assistance to Norton University in Cambodia for the development of a quality management system and academic development, and in China, the IFC is about to complete a study of the tertiary sector.

Conclusion

Education is such a critical aspect of any country's development. There are clearly roles for the public sector as well as the private sector. This symposium aims to provide a framework within which the private sector – which includes meaning here all non-Government providers, the business community, NGOs, and religious bodies – can be mobilized to contribute to education development in East Asia. Within this framework, public-private partnerships can play a major role. This symposium is an important step in exploring the lessons and the opportunities for education in East Asia; the market for education and the role of private education; financing and public-private partnerships; and investment opportunities. Some of the main topics to be covered at the symposium will include:

- An overview of the market for education
- The role of private education in the region
- Concepts that are working – selected case studies

- Financing and public-private partnerships

- Investment opportunities

I believe this symposium can help us further our thinking about how to design policies, programs and projects that utilize the potential synergy of partnerships between the public and private sectors to achieve important common goals in education. I do hope that following this meeting, specific actions will result in progress in moving forward.

My colleagues and I in the World Bank Group are certainly ready to help. Again, I thank you all for your attention and I wish you a very productive two days..

Thank you.