

# Public-Private Partnerships in education



## GCE Briefing Paper

### What are public-private partnerships (PPPs)?

The term public-private partnership (PPP) is a loose term, used to refer to a wide range of contractual agreements between public institutions and the private sector. Public-private partnerships (PPPs) are a phenomenon in many countries, regardless of income, but they have been growing in low- and middle-income countries in recent years. Since the 2008 global financial crisis, PPPs have been undergoing something of a resurgence, with many governments turning to PPPs in the hope that they can ‘leverage’ private finance into public services. This has been accompanied by a narrative that PPPs are vital to more effective and efficient delivery of development goals, during fiscally constrained times. This narrative had a strong influence on the post-2015 development discourse, with PPPs promoted as a key tool to reach the Sustainable Development Goals,<sup>1</sup> to improve efficiency and, so the argument goes, cut expenditure.

### What are the key features of public-private partnerships (PPPs) in education?

PPPs are becoming an increasing feature in education, with well-known and emerging models including the outsourcing of both educational and non-educational support services, voucher schemes, and charter schools. While formats can vary considerably, some of the common features are as follows:

- **Coverage:** PPPs in education focused initially on physical infrastructure and construction, but have increasingly moved into the provision of services, including support services such as transportation, meals, cleaning or maintenance, and extending into direct provision of education services such as the supply of textbooks, curriculum development, teacher

training, student assessments – or even full operation of schools, such as in ‘charter’ schools. ‘Voucher’ schemes are where a government provides funds to pay the fees of individual students at private schools chosen by their family.<sup>ii</sup>

- **Drivers and motivations:** What drives the expansion of PPPs in education, as a policy choice for governments, varies greatly. Private actors can be motivated by profit, philanthropy, or corporate social responsibility. They can range from local entrepreneurs to global corporations. But much of the expansion into the developing world has been driven by a network of experts, scholars and consultants working in the context of the International Finance Corporation (IFC) and the World Bank, and their regional counterparts, such as the Asia Development Bank,<sup>1</sup> which have positioned PPPs as a cost-effective policy solution to the access and quality issues in education, especially in low- and middle-income countries.<sup>iii</sup>
- **Risk:** The ‘partnership’ is usually intended to involve some form of risk sharing. Governments, however, often provide a guarantee that any up-front costs taken on by the private provider will make a profit over the lifetime of the contract. In fact, as some commentators point out, there is often a fundamental tension between public accountability and commercial orientation.<sup>iv</sup>

**Payment and profit:** The private company usually gets paid over a number of years, either through guaranteed charges paid by users, payments from the government, or a combination of both. A single PPP contract often serves as a shrewd business opportunity for a private entity, providing a flow of income, often for decades, largely underwritten by the government (particularly where the government remains the main duty bearer).

<sup>1</sup> See Chapter 4, Case Study 4A in the Public Good Over Private Profit toolkit on the role of ADB in Philippines.

### **Private provision of schools: a growing trend.**

Some of the major forms of expansion of private engagement and public-private partnerships in the education sector globally are the phenomena of private provision of schools; where private operators run and manage ostensibly 'public' schools, sometimes making a profit. Two notable forms of PPP private provision stand-out as part of this growing trend:

- 1. Charter schools:** Charter schools, 'free' schools, or academies, at their most basic level, are schools that are privately run but publicly funded. This model is expanding globally, including for example in the US (charter schools), play a prominent role.
- 2. Voucher schemes:** Vouchers can also be universal or target specific groups and geographic areas. They can also be supplemented, if the tuition fees turn out higher than the value of the voucher, with families shouldering the balance with their own resources. These schemes attempt to address cost barriers by providing education which should be free at the point of use.

Private education providers can vary hugely; they can include both for-profit actors like private companies, and not-for-profit actors such as non-governmental organisations and faith groups. These may be non-profit entities, but, increasingly, for-profit businesses are expanding into this arena.

**GCE is concerned that for-profit interests may threaten the right to education.** Available evidence shows that for-profit companies, and notably multinational companies, are increasingly active in many lower-income countries, with significant profits to be made from expansion of these forms of private education. The Liberian government announcement in early 2016 to shift to a system-wide charter school PPP model in basic education – which included Bridge Academies becoming a major for-profit multinational company providing schooling in the PPP – seemed to herald a new wave of such schools being rolled out in low-income and fragile countries (see Chapter 2, Case Study 2A in the *Public Good Over Private Profit* toolkit.)

**GCE's concern is that they are leading to violations of the right to education and creating significant barriers to the achievement of equitable, quality education for all.**

## What are GCE's concerns about education PPPs?

Critics of PPPs point out they can be a dangerous diversion from delivering quality and equitable education and lifelong learning for all. GCE is particularly concerned about the growth of PPPs in education, and the impact on the achievement of the right to education, specifically:

- **The role of the state in guaranteeing the right to education:** PPPs in education imply the state moving away from the role of direct provider of schools, teaching and other education services, towards a more indirect role of funder or regulator. This raises questions about impartiality and potential conflict of interest, if governments are simultaneously undertaking a regulatory role, and are involved in the partnership.<sup>v</sup>
- **Increased inequality and segregation, with few quality benefits:** Certain PPPs, notably private provision of schools, have been shown to lead to systemic inequality and segregation, in which schools of different quality cater to different socio-economic groups, often with little or no overall quality improvements. This contributes to inequality, social segregation and greater social stratification, undermining the role education plays as a public good. This has been shown to be a particular concern through the use of vouchers and charter schools. Available evidence for vouchers (see Box 1), for instance, suggests that they appear to drive more unequal educational outcomes, creating significant barriers to the achievement of equitable, quality education for all. In Chile, for instance, 20 years' worth of universal vouchers – the longest and most extensive experience – has led to high levels of inequality, segregation and discriminatory practices in school admissions. In 2013, this led to widespread demonstrations against severe stratification in the education system. Evidence from the United States and Sweden also indicates that vouchers can increase inequality.
- **Weak or absent regulatory frameworks pose problems for ensuring the right to education:** PPPs must have a robust regulatory framework to ensure that private providers adhere to norms and standards of quality, transparency, public accountability, and oversight. The capacity of states to effectively regulate is vital to securing the right to education, and to effectively mitigating against inequality. However, state capacity (or willingness) to set, monitor, and regulate private providers, particularly in low-income or fragile contexts with governance issues, has been shown to be limited.<sup>vi</sup> Moreover, education systems in many countries are increasingly being opened up to profit-making and trade, with, especially in weak regulatory environments, private and commercial interests increasingly involved in agenda-setting, as well as provision. This can have dangerous implications for ensuring the right to education remains central to decision-making.
- **When PPPs go wrong:** As stated in international human rights law,<sup>vii</sup> governments remain the ultimate guarantor of the right to education, such that they retain responsibility – and bear the costs of any risk – in the case of failed PPPs. This points to the limits of the underlying principle of 'risk sharing' between the public and private sectors, embedded in PPP in education: if services fail, the state must step-in to redress (often costly) problems. This is ultimately a cost which is shouldered by citizens themselves who, through their taxes, must pay to ensure the state can fulfil the responsibility to provide education for all.
- **Efficiency gains are unclear:** Studies of the cost-effectiveness of PPPs, one the core arguments of many PPP proponents, show that evidence is mixed. This argument will be severely undermined if, in the long term, states have to address concerns around equity and quality.<sup>viii</sup> Moreover, any efficiency gains from PPPs usually come at the cost of worsening teachers' working conditions, and most 'efficiency gains' are made, in education, through introducing low-skilled, and underpaid teachers.<sup>ix</sup>
- **Public accountability and transparency:** PPPs often come with a lot of unsubstantiated promises, and incredibly complex contracts. Decisions around them can take place in opaque circumstances, with no public consultation, with PPPs often operating outside of institutions of public scrutiny or without guarantees of access to information by the public. PPPs can also

circumnavigate normal public control mechanisms. As such, they can undermine democratic accountability built into public governance systems.

- **Off the balance sheets and budget books:** PPPs often conceal public borrowing, as they take place 'off the balance sheet'. One of the reasons that PPPs remain attractive to decision-makers is because they allow governments to circumvent legislated budgetary limits. Notably, some PPPs, by being co-financed up-front through private sector investors, allow governments to keep the PPP project and contingent liabilities 'off balance sheet' – as a contingent liability is recorded in the accounts only if the contingency is probable, and the amount of the liability can be estimated.<sup>x</sup>

## Endnotes

- i Romero, M. J. (2015). *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. <http://www.eurodad.org/files/pdf/1546450-what-lies-beneath-acritical-assessment-of-ppps-and-their-impact-on-sustainable-development-1450105297.pdf>. As this report points out, this has been driven by economic growth and thus the need for infrastructure development, but also, post financial crisis, by low interest rates in developed countries which has driven investors to 'search for yield' elsewhere.
- ii This is both as this is seen as the fullest form of privatisation in a public-private continuum but also as this adheres to some of the more forceful pro-privatising narratives around increasing choice (see the GCE toolkit GCE's section 1). For more information also see Verger and Mauro Moschetti, UNESCO -GMER background paper: "Public-Private Partnerships as an Education Policy Approach: Multiple Meanings, Risks and Challenges
- iii Notably, the World Bank report *The role and impact of PPPs in education*, has been very influential publications dealing with alternative forms of education provision. Verger, A. 2012. Framing and selling global education policy: the promotion of public-private partnerships for education in low-income contexts. *Journal of Education Policy*, Vol. 27, No. 1, pp. 109-130.
- iv Skelcher, C. 2005. Public-private partnerships and hybridity. E. Ferlie, L. E. Lynn and C. Pollitt (eds), *The Oxford handbook of public management*. Oxford, Oxford University Press.
- v Minow, M. 2003. Public and private partnerships: Accounting for the new religion. *Harvard Law Review*, Vol. 116, No. 5, pp. 1229-1270.
- vi For a review of the national legislations on regulation of private actors worldwide refer to <http://www.right-to-education.org/resource/national-laws-private-provision-education>
- vii (CESCR, GC 13 Resolution A/HRC/32/L.33).
- viii Romero, 2015 Op Cit
- ix Termes, A., Bonal, X., Verger, A. and Zancajo, A. 2015. *Public-Private Partnerships in Colombian Education: The Equity and Quality Implications of "Colegios en concesión"*. London, Open Society Foundations.
- x Romero, M. J. (2015). *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. <http://www.eurodad.org/files/pdf/1546450-what-lies-beneath-acritical-assessment-of-ppps-and-their-impact-on-sustainable-development-1450105297.pd>.

This brief is based on the Global Campaign for Education's report, *Private Profit, Public Loss: why the push for low-fee private schools is throwing quality education off-track* (2016).

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