




ADB



FOCUS ON EDUCATION



PUBLIC-PRIVATE  
PARTNERSHIPS IN ADB  
EDUCATION LENDING,  
2000-2009

Asian Development Bank

# Public–Private Partnerships in ADB Education Lending, 2000–2009

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Printed in the Philippines

ISBN 978-92-9092-171-4  
Publication Stock No. TIM102413

#### Cataloging-In-Publication Data

Public-private partnerships in ADB education lending, 2000–2009.

1. Public-private partnership.
  2. Education lending.
  3. Asian Development Bank.
- I. Asian Development Bank.

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Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4444  
Fax +63 2 636 2444  
[www.adb.org](http://www.adb.org)

For orders, please contact:  
Department of External Relations  
Fax +63 2 636 2648  
[adbpub@adb.org](mailto:adbpub@adb.org)

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# Abbreviations

ADB	–	Asian Development Bank
CSO	–	community service organization
DMC	–	developing member country
FDI	–	foreign direct investment
GASTPE	–	Government Assistance to Students and Teachers in Private Education
ICT	–	information and communication technology
IFC	–	International Finance Corporation
Lao PDR	–	Lao People’s Democratic Republic
NFE	–	nonformal education
NFP	–	nonformal provider
NGO	–	nongovernment organization
PEF	–	Punjab Education Foundation
PPP	–	public–private partnership
SES	–	special evaluation study
TVET	–	technical and vocational education and training

# Foreword

## Focus on Education

**T**he Asian Development Bank (ADB) has long been providing financing and advisory assistance to its developing member countries (DMCs) to broaden and deepen the delivery of education services. Under its new long-term strategic framework, or Strategy 2020, ADB reaffirms its commitment to step up education sector operations and contribute to the further development of human capital and skilled labor force in the DMCs. ADB is keen to ensure the development effectiveness of all its operations and that the assistance provided must be relevant and responsive and must add value.

This series—Focus on Education—surveys important topics including education sector policy, financing, and service delivery; identifies key concerns; and distills practical insights. It is intended for practitioners in the education sector in Asia and the Pacific. It will draw on a wide range of sources, including materials on the experience of ADB's education sector operations, and specific studies conducted by ADB. The series is integral to ADB's efforts to support knowledge sharing and the implementation of Strategy 2020 in the education sector. We hope that readers will find the series informative in their practice.



**Xianbin Yao**  
Director General  
Regional and Sustainable Development Department

# Preface

**A**DB recently approved in 2010 an operations plan for the education sector to guide the implementation of the vision of Strategy 2020 in the sector. The plan identifies key educational challenges in Asia and the Pacific in the coming years, and proposes ways for ADB to meet those challenges.

Education is a concern for all, including students, parents, communities, employers, societies, and governments. All stakeholders have a role to play in providing education services. The operation plan stresses the importance of utilizing new and innovative models of education service delivery and financing. Public–private partnerships (PPPs) have emerged as a modality that can contribute to improving the quality and relevance of education, and to raising the cost efficiency of education delivery, including to disadvantaged groups.

However, the potential of PPPs has not yet been fully realized in developing member countries (DMCs). There is considerable scope for incorporating PPPs into DMCs' education sectors. PPPs can, for example, expand education infrastructure and generate benefits in education service delivery, improve information and communication technology for education, and provide sustainable financing for education.

To achieve the required learning outcomes, governments will need to formulate better policies, regulations, and monitorable performance targets to foster accountable PPPs in the education sector. This will involve, among other things, making the regulatory environment more facilitative of market-based mechanisms in the education sector. Doing so will reap gains in the form of greater efficiency, more educational options, and improved quality. Furthermore, all partners, such as DMC governments, public education institutions, nongovernment stakeholders, and the private sector, will need to improve their capacity to design and implement PPPs. It will be important to explore new and innovative types of PPPs in the sector.

This report focuses on PPPs supported by ADB-financed education sector projects in the past decade, 2000–2009. The report is part of a broader analytical work being conducted by ADB on PPPs in education informing sector operations in the coming years. This particular report provides a review of PPP models supported by ADB projects; it does not include evaluation of the outcomes of the PPPs.

Michael Latham, staff consultant, prepared a draft report. Norman LaRocque, senior education specialist, provided specific peer-review inputs. Dorothy Geronimo helped with process coordination, Myla Bonto helped with database analysis, Stephen Banta edited the report for publication, and Imelda Marquez provided administrative support. Many thanks to all for their contributions.



**Jouko Sarvi**

Practice Leader (Education Sector)

Regional and Sustainable Development Department

# Executive Summary

In response to its Strategy 2020 and its mandate under the core component of education to explore opportunities for new approaches and instruments involving public–private partnerships (PPPs), the Asian Development Bank (ADB) is preparing a series of analytical studies and outputs on PPPs in the education sector. The purpose of this review is to study PPPs in ADB education sector assistance from fiscal years 2000 through 2009 in order to provide inputs for formulating strategies and business plans for implementing further ADB support to PPP operations in the sector.

The review assesses the extent of partnership activities in education projects during this period and analyzes the forms of contract that were used to involve the nongovernment sector. For analysis in this review, the focus is on four formal delivery-based PPPs: private management of public schools, contracting for the delivery of education services, vouchers and voucher-like initiatives such as grants and scholarships, and provision of capacity development services.

ADB approved 100 loan and grant projects in the education sector during the period 2000–2009. These projects were analyzed for the purpose of this review according to type of contract used for the partnership across the five ADB operation regions (South Asia, Southeast Asia, Central and West Asia, East Asia, and the Pacific). Of the 100 projects, 38 were considered to have varying degrees of partnership activities—12 in South Asia, 12 in Southeast Asia,

11 in Central and West Asia, 2 in East Asia, and 1 in the Pacific. Data were obtained from the ADB database and specifically from reports and recommendations of the President, project completion reports, and evaluation reports. The main sections of the documents that were examined were the project development objectives, project descriptions, project components, and estimated project costs.

The review highlights the considerable PPP activity found in ADB education projects, with 38% of them exhibiting examples of one of the four delivery-based types of PPP. However, a closer review shows two further points of interest: first, the need for greater diversity, since 79% of the projects identified as using PPPs were found to be under two of the contract forms—provision of capacity development (47%) and contracting for the delivery of education services (32%), while the other two categories exhibited only 13% for voucher initiatives and 8% for the private management of public schools. Second, and most significantly, 34% of the total projects exhibiting PPPs were in only two countries: Bangladesh and Pakistan.

The recently approved Education Sector Operations Plan of ADB pursues expansion of support to the education sector. This will require a pipeline that is focused and innovative. In addition, it will require well-designed PPP modalities that utilize the full range of alternative strategies that are available under the PPP delivery models for education service delivery.



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# Introduction

## Need for Alternatives

Education sectors in developing countries have received substantial external investments over the years along with increasing national allocations. While investments were targeted initially at specific subsectoral projects, external funding has also begun to address sector-wide systemic issues in education. National and international investments have led to significant and measurable increases in the provision of schooling in terms of both physical access as well as quality. There has been considerable progress in child and adult literacy, and there have been significant improvements in enrollments at all levels. Countries in Asia and the Pacific have made good overall progress in improving enrollment rates in primary education, to an impressive average of about 90%. The region, which had two-thirds of the world's out-of-school children 35 years ago, now has less than one-third—25 million children—out of a world total of 77 million children out of primary school. Progress has been made also in increasing access to secondary and post-secondary education. However, the unfinished agenda is enormous. Public provision of education in the region is still associated with inadequate financing and resources; poor learning outcomes, high rates of grade repetition, school dropout, and teacher absenteeism; and other general inefficiencies.

Even given market failures and equity concerns, the public sector remains the critical player in the provision of education services, but making high quality education through all subsectors accessible for all requires innovative programs and initiatives. There is a requirement for a realignment from the traditional education system in which the public sector dominates all four facets of the process—provision, finance, ownership, and monitoring and evaluation—and the recognition of the existence of alternative options for providing education besides public finance and public delivery. These alterna-

tives need to be designed and measured against their ability to address the following four key challenges: increasing enrollments (access), improving education outcomes (quality and relevance), reducing education inequality (equity and inclusiveness), and reducing costs (finance and cost-efficiency).

## ADB Strategy

Education is one of the five core operation areas of Strategy 2020, the long-term strategic framework of the Asian Development Bank (ADB). Strategy 2020 provides a mandate under the core area of education to explore opportunities for new approaches and instruments involving public-private partnerships (PPPs). The recently approved Education Sector Operations Plan of ADB guides the implementation of the vision of Strategy 2020. The plan reflects ADB's commitment to increase and align its support in the education sector to meet the changing needs and priorities of its developing member countries (DMCs). It emphasizes the operational importance of a broad range of alternative or nontraditional strategies for education service delivery, and provides support to new and innovative types of PPPs for education and regulatory frameworks that effectively guide PPPs and private funding in education.

Table 1 presents extracts from key ADB documents in which there is a particular reference to the need for embracing a partnerships approach between the public and private sectors to address challenges in education in DMCs.

## Purpose of the Review

The specific purpose of this review is to study PPPs in ADB education lending from fiscal year 2000 through fiscal year 2009 to provide inputs for formulating strategies and business plans for implementing further ADB support to PPP

operations in the education sector in Asia and the Pacific. The objective of the review is to assist ADB to improve its understanding of how partnerships can be used in education projects to maximize the potential for expanding equitable access to education and training and for improving education outcomes, particularly for the poor and disadvantaged.

**Table 1 ADB Documentation on the Need for a Partnership Approach in the Education Sector**

ADB Document	Specific Extract
Education Sector Policy (2003) <sup>a</sup>	“ADB will actively support private sector education institutions and education-related industries and services...when this is clearly the more cost-effective alternative.” (page 40)
Education and Skills (2008) <sup>b</sup>	“One of the themes cutting across these challenges is the need to develop new and innovative approaches to education financing, including the development of public–private partnerships.” (page 4)
Strategy 2020 (2008) <sup>c</sup>	“Across all these [education] areas, ADB will explore opportunities for new approaches and instruments involving public–private partnerships.” (page 20)
Education Sector Operations Plan (2010) <sup>d</sup>	“ADB will help Ministries of Education formulate policies that encourage consideration of a broad range of alternative or nontraditional strategies for education service delivery, and develop regulatory frameworks that effectively guide PPPs and private funding in education. ADB will also help education ministries design innovative PPPs and demonstration interventions that attract private investment, while at the same time meeting the objectives of the government and other stakeholders of education. In addition, ADB will assist DMCs to incorporate PPPs into their education sector plans, concretize procedures for setting up PPPs, identify the roles and responsibilities of PPP partners, and set monitorable performance targets for PPPs. ADB will contribute to the capacity development of partners to effectively carry out their agreed upon roles and responsibilities. ADB will explore new and innovative types of PPPs.” (pages 14–15)

DMC = developing member country.

<sup>a</sup> ADB. 2003. *Education. Our Framework. Policies and Strategies*. Manila.

<sup>b</sup> ADB. 2008a. *Education and Skills: Strategies for Accelerated Development in Asia and the Pacific*. Manila.

<sup>c</sup> ADB. 2008b. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

<sup>d</sup> ADB. 2010. *Education by 2020. A Sector Operations Plan*. Manila.

# Scope and Approach of the Review

## Defining Public–Private Partnerships

The review specifically used contracting as the means for analysis, since contracts are used in projects for multiple purposes including assigning responsibilities to the actors, identifying objectives and outputs, obtaining information on the performance and progress of the contractor, and ensuring compliance with the terms of the contract. Many forms of contracting are currently used in ADB education projects to finance and provide a range of services. Specifically, the review looked for the following elements in a partnership contract: First, the government contracts out private providers to supply a specified service of a defined quality and quantity at an agreed-upon price for a defined period of time; second, there are rewards or penalties for attaining or not attaining specified performance indicators; and finally, to a lesser degree, the private sector shares the financial risk in the delivery of public services.

A very wide range of public–private partnerships (PPPs) are in use in the education sector, each with different characteristics, design features, and country contexts. For analysis in this review, the focus is on four delivery-based PPPs: (i) private management of public schools, (ii) contracting for the delivery of education services, (iii) vouchers and voucher-like initiatives such as grants and scholarships, and (iv) provision of capacity development services. The review does not consider three other common forms of PPP: infrastructure partnerships, adopt-a-school programs, and private philanthropy, as these forms have not been supported by ADB operations in the sector.

### Private management of public schools

Private management of public schools involves education authorities contracting directly with

private providers to operate public institutions or certain aspects of the education or training operations. While these institutions are privately managed, they remain publicly owned and publicly funded. Under this PPP delivery model, contract schools or institutions can be run by a variety of entities including private firms, non-government organizations (NGOs), and community service organizations (CSOs). The contract schools or institutions are individual legal entities capable of negotiating contracts, spending public funds, and hiring and firing staff. The contracts specify basic requirements as well as outlining expected student outcomes; methods for assessing those outcomes; and specific performance benchmarks in areas such as attendance, student performance, and community involvement. Box 1 provides a non-ADB project regional example from Malaysia and the proposed plan for establishing trust schools.

### Contracting for the delivery of education services

In this model, the government purchases services from private providers to deliver education or training at public expense. Box 2 provides a non-ADB project regional example from the Philippine government's long-standing assistance to students and teachers in private education.

### Vouchers and voucher-like initiatives

A voucher is a certificate or entitlement that parents or students can use to pay for education or training at a public or private institution of their choice rather than attending the public school that is closest to them or to which they have been assigned. The vouchers are paid from a public entity to the parents or students or directly to the institutions. There are many international examples

### Box 1 A Regional Example of Private Management of Public Institutions in Malaysia

The Government of Malaysia is embracing this approach under its proposed Trust Schools Scheme. Trust schools are a new format proposed for selected public schools in the country. Trust schools are intended to be public schools that are managed jointly by private sector partners and Ministry of Education school leaders. The ministry provides trust schools with more autonomy and in return requires greater accountability for improved student outcomes. Trust schools are intended to combine the best of public and private school delivery models, with the schools maintaining their public status and funding but having their management responsibilities transferred to a qualified private sector partner that works in collaboration with the school leaders. The private sector is expected to provide operational, management, and educational expertise and, if necessary, additional funds to the schools. This initiative is under the framework of the Khazanah Trust Schools Network, which aspires to establish a replicable model for the positive transformation of student outcomes regardless of the starting point. The network is led by the government's investment holding arm, the Khazanah Nasional Berhad. Under its Trust Schools Scheme, commencing in 2011, the Khazanah Nasional Berhad intends to set up 10 trust schools located in rural and urban settings, with plans to add another 10 schools each year and to have 50 schools in place by 2016.

Source: Author.

### Box 2 A Regional Example of Contracting for the Delivery of Education Services in the Philippines

The Philippines' Government Assistance to Students and Teachers in Private Education (GASTPE) scheme consists of (i) tuition fee supplements for students in private high schools; (ii) the High School Textbook Assistance Fund; (iii) expansion of the existing Education Service Contracting Scheme, i.e., the Department of Education shoulders the tuition and other fees of excess students in public high schools who enroll under this program; (iv) scholarship grants to students graduating as valedictorians and salutatorians from secondary schools; (v) tuition fee supplements to students in private colleges and universities; (vi) the Education Loan Fund; and (vii) the College Faculty Development Fund. Overall, the GASTPE scheme appropriates financial assistance to students and teachers in private education by providing subsidies to students who would not otherwise receive a free public secondary education, possibly due to the public school system's limited facilities.

Source: LaRocque, N. 2008. *Public–Private Partnerships in Basic Education: An International Review*. Reading, United Kingdom: CfBT Education Trust.

in both developed and developing countries of such voucher programs that provide funding to students attending either public or private education institutions. These programs may have different objectives, such as increasing access for all or for specified groups, and they exhibit many different features, rules, and regulations depending on their objectives. Box 3 provides a non-ADB project regional example of a voucher scheme from Punjab Province in Pakistan, the Punjab Education Foundation's innovative Education Voucher Scheme.

### Provision of capacity development services

Capacity development services are the easiest type of PPP delivery model to establish contractually and are thus the most common. They can involve a range of activities including curriculum and pedagogical support; management and administrative training; textbook provision; teacher training; and the development of support networks, professional partnerships, and linkages. Box 4 provides a non-ADB education project example from Indonesia of the Putera Sampoerna Foundation and the range of services the foundation supplies for public benefit.

### Box 3 A Regional Example of a Voucher Scheme in the Punjab, Pakistan

In collaboration with Columbia University, New York, USA and assisted by the Open Society Institute, New York, USA, the Punjab Education Foundation designed the Education Voucher Scheme (EVS) for the slums/katchi abadies in the province of Punjab. A pilot project was started in the urban slums of Sukhnehar, Lahore in 2006. The slums were surveyed, and it was established that all the households in the locality were living below the poverty line. Through the EVS, education vouchers have been delivered to all households in the urban slums for all children aged 5–13. At the pilot stage, 1,053 households were given the opportunity to access the school of their choice for their children. The voucher is redeemable against payment of fees in educational institutions. The EVS is meant to ensure freedom of choice, productive efficiency, equity, and social cohesion. It makes the schools accountable to the parents instead of government functionaries in the education department. The choice of school remains with the parents, because they possess the education voucher issued by Punjab Education Foundation. The partner schools are subject to periodic review depending on the results of their students, additional private investment, and improvement in working conditions for the teachers.

Source: Malik, A. 2009. *Public–Private Partnerships in Education: Lessons Learnt from the Punjab Education Foundation*.

### Box 4 A Regional Example of Capacity Development Services in Indonesia

The Putera Sampoerna Foundation is a professional philanthropic and corporate social responsibility (CSR) services organization. It is a partner for the local and international aid communities and is a service provider for CSR partners whose focus is to help strengthen the education system in Indonesia. The foundation provides subsidies to benefit students from lower socioeconomic backgrounds through a number of demand- and supply-side initiatives. Such initiatives are (i) Sampoerna Academy's program, which provides an opportunity for gifted students from lower socioeconomic backgrounds to receive a rich internationalized secondary education in one of the Sampoerna Academy's model schools; (ii) Sampoerna Foundation, which has implemented whole school development projects in strategic locations across Indonesia involving 17 government schools and 5 Islamic (madrasah) schools, with some assistance provided by CSR partner organizations; and (iii) Sampoerna School of Education, a degree-granting institution that commenced in September 2009 by offering bachelor of education degrees with majors in English and mathematics, provides affordable quality tertiary education based on international standards; academically worthy students from the lowest socioeconomic backgrounds are provided with scholarships for admission to the Sampoerna School of Education.

Source: Author.

## Scope of the Review

ADB approved 100 loan and grant projects in the education sector during the period 2000–2009. These projects were analyzed for the purpose of this review across the five ADB operation regions (South Asia, Southeast Asia, Central and West Asia, East Asia, and the Pacific). Appendix 1 includes a comprehensive list of all the loan and grant projects that were analyzed.

Data were examined in terms of project development objectives, descriptions, components, and

costs. Table 2 shows the four factors that were used for the selection of the projects before these selected projects were then categorized according to the four delivery-based PPP models.

Of the 100 projects, 38 were considered to have varying degrees of partnership activities that utilized the four delivery-based PPP models—12 in South Asia, 12 in Southeast Asia, 11 in Central and West Asia, 2 in East Asia, and 1 in the Pacific.

This review complements the special evaluation study (SES) on ADB assistance for PPPs in

**Table 2 Factors for Inclusion of Public–Private Partnership Projects in the Review**

Factors for Inclusion	Specific Defaults
Project design	<ul style="list-style-type: none"> <li>• An expressed intention for partnership with the private sector</li> <li>• PPP as an outcome and/or output</li> </ul>
Type of assistance	<ul style="list-style-type: none"> <li>• Provision for either investment or program component(s) in support of a PPP</li> </ul>
Project cycle	<ul style="list-style-type: none"> <li>• ADB participation in supporting PPP arrangements at any stage of the project cycle from identification through to preparation and implementation</li> </ul>
Financing flow	<ul style="list-style-type: none"> <li>• Loan or grant provided is for financing a project that involves a PPP arrangement</li> </ul>

ADB = Asian Development Bank, PPP = public–private partnership.

Source: ADB. 2009. *Review of ADB Assistance for Public–Private Partnerships in Infrastructure Development (1998–2008)*. Manila. page 3.

infrastructure development. That ADB study covers 2 decades (1988–2008) of related ADB operations and is intended to provide inputs to formulating strategies and business plans for implementing further ADB support to PPP operations in developing member countries (DMCs). The SES and this review differ in two areas, though: First, the SES defines PPP as a subset of private sector participation and includes all modalities that assume some form of partnership and/or contractual relationship between the public sector and private entities with the aim of delivering a public service, such as service and management

contracts, leases, build–operate–transfer projects and other forms of concessions, and joint ventures. This review on PPPs in the education sector does not focus on the PPP infrastructure arrangements or on private sector participation. Second, the SES evaluates the performance of ADB’s public and private sector operations in support of PPPs in the power, transport, and water sectors; and the development of related policy, legal, regulatory, and institutional frameworks.<sup>1</sup> This review considers issues pertaining to these frameworks, but only in the context of the education sector.

<sup>1</sup> ADB. 2009. *ADB Assistance for Public–Private Partnerships in Infrastructure Development—Potential for More Success*. Special Evaluation Study SES: OTH2009-31.

# Rationale for Public–Private Partnerships

## Context and Actors

The concept of the public–private partnership (PPP) displays great diversity, making it very difficult to provide a specific technical or programmatic definition. A PPP can best be advocated by the following:

- It is the formation of cooperative relationships among the state, profit-making firms, and nonprofit private organizations to fulfill the function of providing services where the state is unable to meet an increased demand.
- It is a means of institutionalizing flexible and collaborative arrangements whereby private provision and public provision of goods and services are not viewed as merely competing alternatives locked in interminable conflict.
- It is not a means for turning responsibility entirely over to the private sector, but rather it is a mechanism for enabling critical objectives to be met in collaboration, that could certainly not be met by either partner on its own.
- It involves a sharing of responsibility and financial risk for both partners.
- It is complex, and each partnership involves different levels and types of conflict of interest.

Further, a partnership exhibits the following key characteristics: (i) common objectives—the partnership is undertaken for the purpose of implementing objectives that have been agreed to by the groups involved; these objectives are developed through a process of communication that is acceptable to all actors involved; a partnership as understood here is a joint investment for the production of a shared value; (ii) an agreement to undertake the activities; and (iii) the activities

undertaken building on each other’s strengths and overcoming weaknesses.

Placement of decision-making authority is not solely a matter of centralization or decentralization; nor is it solely a matter of state power, employer or employee power, or consumer power. The critical issue is achieving the best balance among legitimate but competing interests. The best balance will vary from society to society and over time within a society as contexts, value definitions, and priorities change. Negotiating the terms under which the public and private sectors cooperate to provide the basic service is the critical issue. Nonstate actors—comprising both members of civil society and private sector organizations—have a particularly important role to play in various aspects of pro-poor policy change in the education sector. First, they can ensure that the voices of different interest groups are brought into wider societal processes. Second, they can assist in demanding effective and inclusive government and in holding the government accountable for protecting and promoting the educational rights of its citizens. And, third, they can assist in the provision of basic education and training services.

Definitions of “private” or “nonstate” providers are blurred between state and nonstate responsibilities and different ways in which they can cooperate in service delivery. These can range from private support to government for the delivery of education services, management, and associated services to nonstate management and running of government schools, as well as the independent establishment of nonstate schools. In addition, public and private actors may take responsibility for different aspects of service delivery that require different forms of interaction. Each of these forms of interaction implies a different relationship with the state that can range from informal to formal contractual arrangements as well as different roles



**Table 3 Scope and Forms of Nonstate Provision of Basic Education<sup>a</sup>**

Types of Private Provider	Forms of Private Provision
• Commercially driven private entrepreneurs	<i>Private support to public service delivery</i>
• Nongovernment organizations	• Supply inputs to public schools (e.g., learning materials)
• Faith-based organizations	• Support infrastructure development of public schools (e.g., school building)
• Philanthropic associations	• Support management of public-run schools
• Spontaneous community-based organizations	• Supply associated services (e.g., inspection, teacher training)
	<i>Private service delivery</i>
	• Manage and run public schools
	• Establish and run of private schools
	• Private tuition to supplement public provision

<sup>a</sup> For this review, nonstate provision is defined as a private entity, and it is understood to refer to any of the five types presented in this table unless specifically discussed otherwise.

Source: Rose, P. 2007. *Supporting Nonstate Providers in Basic Education Services Delivery*. University of Sussex.

in policy dialogue, forms of regulation, and forms of facilitation. Table 3 provides a summary of the scope and forms of nonstate provision for basic education service delivery.

## Key Components of the Partnership

Partnerships are not ends in themselves. What partnerships hope to actually achieve matters most. The value of partnerships goes beyond market efficiency and community participation. The use of partnership relies on the judgment of whom to form partnerships with and how they can best combine their strengths. But what is the strategy of the government or lending agencies vis-à-vis nonstate provision of basic services? A number of options are available: (i) continue the common strategy, which is to recognize their existence but be explicit about having little to do with them; (ii) expand the knowledge base with a view to considering greater public–private engagement; or (iii) provide know-

ledge and financial resource support to the public and private sectors in order to work toward a specific framework for greater participation.

Options (ii) and (iii) support a proactive policy of engagement, but this engagement requires a policy stance concerning the degree and means of enhancing and monitoring the private sector's contribution in the areas of legislation, finance, standards, and equity concerns. There are three issues to address in support of any proactive supportive strategy: first, the need to incorporate the main features of the public–private mix into the strategies and policies of the funding agencies; second, the development of work programs that include well-defined targets on establishing the mix (i.e., design of the new agreement on an education development strategy and a policy investment framework); and finally, specification of operational plans that detail new forms of joint undertakings, especially with regard to the negotiation process.

# Overview of the Projects

## Overview by Region and Subsector

Due to the lack of data recording the amounts specifically apportioned to public–private partnership (PPP) activities, it was not possible to estimate the proportion of any given project that involved partnership. Table 4, however, provides a breakdown by region of ADB loans and grants for education projects over the decade. It highlights how the South Asia region was responsible for disbursing over 45% of the loans and grants and that this region, along with Southeast Asia, together comprised 77% of the total allocated to all the education projects during this period.

Figure 1 shows how these projects were apportioned across the five regions, with South Asia

having the greatest number at 33 of the projects, of which 13 were located in Bangladesh.

Figure 2 shows the trends of the loan and grant assistance in the education sector over the past decade by subsector—a sum of \$3.03 billion. This graph illustrates the predominance of the basic and secondary education subsectors, which comprised 55% of the total allocation over the decade.

Over the next 3 years this allocation is to change dramatically, with an indicative sum of \$1.5 billion programmed and an allocation of 48% going toward the technical and vocational education and training (TVET) and tertiary and/or higher education subsectors, and 34% allocated for the basic and secondary education subsectors.<sup>2</sup> ADB's operation plan in the education sector pursues expansion of the support beyond 2012.

**Table 4 Breakdown by Region of Total Education Projects, 2000–2009 (\$ million)**

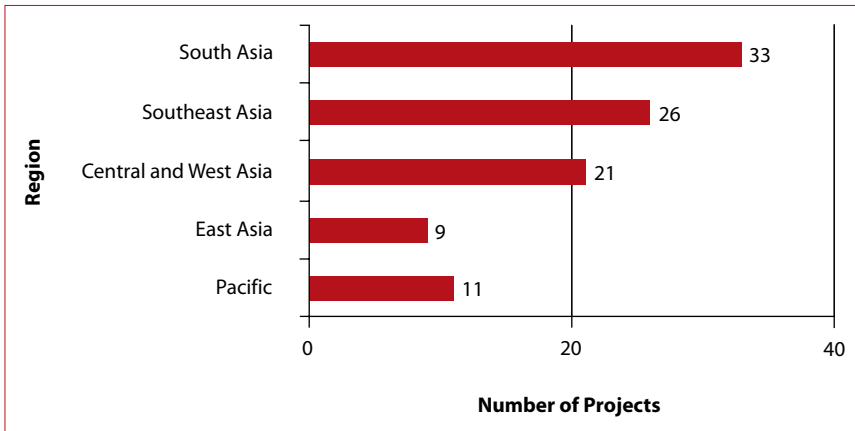
Year	Number of Projects	South Asia	Southeast Asia	Central and West Asia	East Asia	Pacific	Total
2000	8	50.00	224.87	57.00	–	13.83	345.70
2001	10	103.60	165.50	–	–	5.49	274.59
2002	12	54.00	61.20	187.50	14.00	1.84	318.54
2003	6	540.00	–	99.56	–	–	639.56
2004	14	141.90	100.00	85.48	–	1.97	329.35
2005	14	29.18	21.00	77.00	–	26.24	153.42
2006	10	147.00	133.56	–	13.00	–	293.56
2007	7	80.00	77.10	40.00	–	5.90	203.00
2008	6	66.50	80.00	–	10.00	–	156.50
2009	13	142.50	111.30	–	61.19	–	314.99
<b>Total</b>	<b>100</b>	<b>1,354.68</b>	<b>974.53</b>	<b>546.54</b>	<b>98.19</b>	<b>55.27</b>	<b>3,029.21</b>

– = none.

Source: ADB records. These figures include standalone education projects and education components in multisector programs.

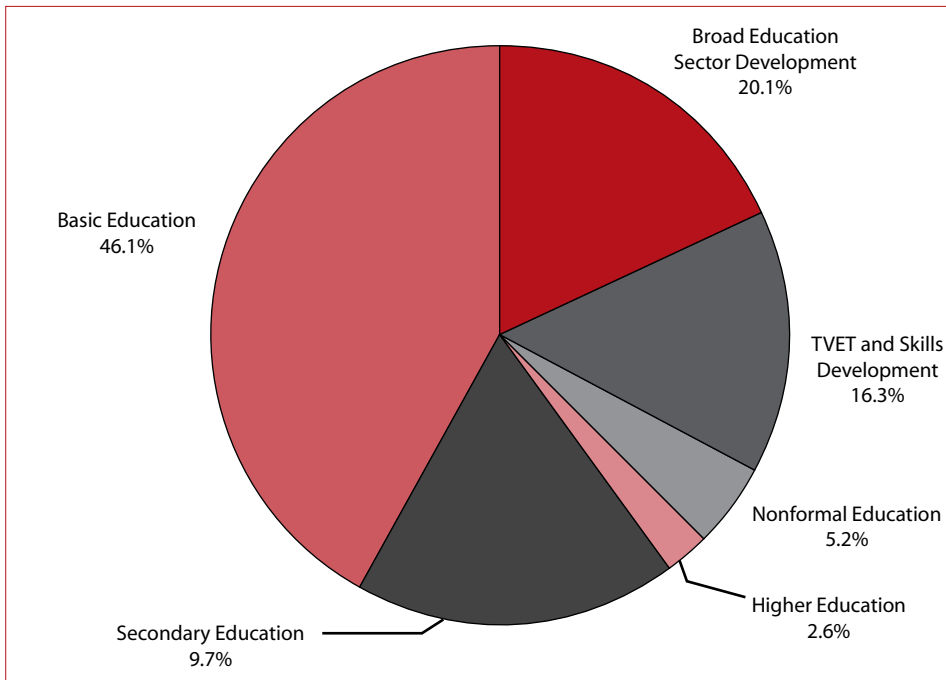
<sup>2</sup> ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila.

**Figure 1 Total Number of Education Projects Analyzed, 2000–2009**



Source: ADB database.

**Figure 2 Allocation of Loan and Grant Assistance by Subsector, 2000–2009 (% of total)**



TVET = technical and vocational education and training.

Source: ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila.

## Overview by Region and Category

In this review, 38 projects were categorized according to the four delivery-based PPP models—12 of 33 projects (36%) in South Asia, 12 out of 26 projects (46%) in the Southeast Asia, 11 of 21 projects (52%) in Central and West Asia, 2 of 9 projects in East Asia (22%), and 1 of 11 projects (9%) in the Pacific. These 38 projects were allocated across 15 countries in total, with two countries—Bangladesh and Pakistan—exhibiting examples in 13 of the projects (34% of the total number of projects categorized). Indonesia had four examples; Cambodia, the Lao People’s Democratic Republic (Lao PDR), and Nepal each exhibited three examples; Mongolia, Sri Lanka, and Uzbekistan exhibited two examples; and the remaining six countries had one example each (Afghanistan, Bhutan, the Kyrgyz Republic, Papua New Guinea, the Philippines, and Viet Nam). Table 5 provides a summary of

these PPP projects according to the year, country, region, and type of PPP delivery model.

Figure 3 illustrates how capacity development was the most prominent type of PPP activity used with 18 examples (47% of the total number of project categorized), followed by 12 examples of contracting for delivery of education services (32%), five examples of the use of vouchers (13%), and then the private management of public schools with only three examples (8%).

Figure 4 shows the types of delivery model distributed across the five regions. This graph again highlights how most of the PPP examples involved capacity development (100% in East Asia, 55% in Central and West Asia, and 50% in Southeast Asia) or government purchase of education services from private providers (42% of examples in South Asia, and 36% of examples in Central and West Asia).

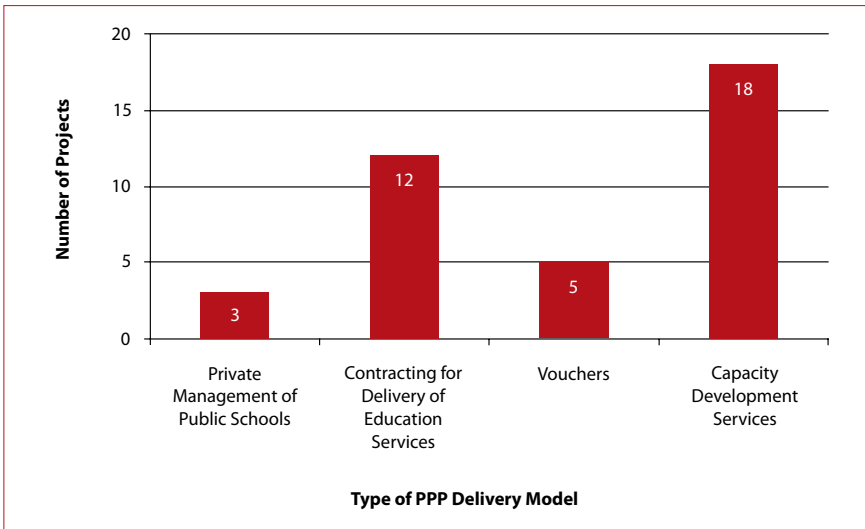
**Table 5 Education Projects by Public–Private Partnership Contract Type, Country, Region, and Year**

South Asia	Southeast Asia	Central and West Asia	East Asia	Pacific
<b>Private Management of Public Schools</b>				
Bangladesh (2008)	Lao PDR (2001)	Pakistan (Balochistan) 2004		
<b>Contracting for Delivery of Education Services</b>				
Bangladesh (2001)	Lao PDR (2006)	Afghanistan (2002)		Papua New Guinea (2001)
Bangladesh (2004)	Indonesia (2008)	Pakistan (Balochistan) (2004)		
Bhutan (2001)		Pakistan (North–West Frontier Province) (2004)		
Nepal (2001)				
Sri Lanka (2007)		Pakistan (Punjab) (2004)		
<b>Vouchers and Voucher-like Initiatives</b>				
Nepal (2006)	Cambodia (2001)			
Sri Lanka (2003)	Cambodia (2009)			
	Lao PDR (2009)			
<b>Capacity Development Services</b>				
Bangladesh (2001)	Indonesia (2000)	Pakistan (Sindh) (2002)	Mongolia (2006)	
Bangladesh (2003)	Philippines (2000)	Uzbekistan (2002)	Mongolia (2008)	
Nepal (2004)	Indonesia (2002)	Pakistan (Balochistan) (2004)		
Bangladesh (2006)	Cambodia (2002)	Uzbekistan (2004)		
	Viet Nam (2006)	Pakistan (Balochistan) (2005)		
	Indonesia (2008)	Kyrgyz Republic (2007)		

Lao PDR = Lao People’s Democratic Republic.

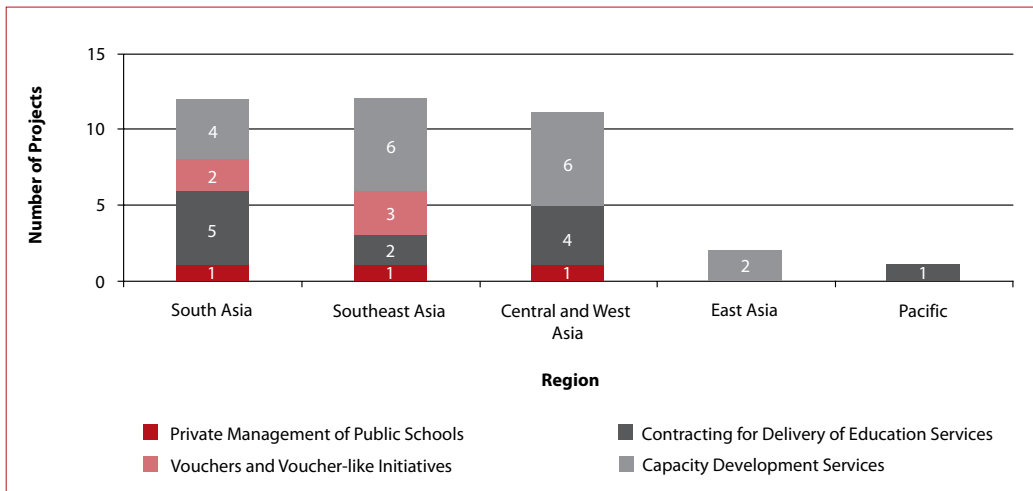
Source: ADB database.

**Figure 3 Public-Private Partnerships in Education Projects, by Type of Activity, 2000-2009**



PPP = public-private partnership.  
 Source: ADB database.

**Figure 4 Education Projects by Public-Private Partnership Category, by Region, 2000-2009**



Source: ADB database.

# The Role of the Asian Development Bank

This section introduces each of the four categories of public–private partnerships (PPP) and provides extracts from project documentation to illustrate its inherent activities.

## Private Management of Public Schools

This PPP delivery model involves education authorities contracting directly with private providers to operate public institutions or certain aspects of the education or training operations. There were only three clear examples of this contractual type in the reviewed projects, as shown in Table 6.

## Contracting for the Delivery of Education Services

The second type of PPP delivery model involves the government purchasing services from private

providers to deliver education or training at public expense. Twelve examples of this type of contract were identified in the 100 ADB education projects. Examples of these loan and grant projects are provided in Table 7 (loans or grants for education components in two multisector programs are not included in the table).

Two of the projects (Bangladesh 2001 and Sri Lanka 2007) involved the funding of private providers to deliver education directly to students; in Bangladesh 2001, to a considerable number of children in the early childhood years, and in Sri Lanka 2007, for secondary school students in information and communication technology (ICT) education. Two of the projects (Bangladesh 2004 and Indonesia 2008) involved the private sector in helping the state to monitor and assess standards. The remaining nine projects involved the purchase of training services from the private sector.

**Table 6 Education Projects Involving Private Management of Public Schools**

Country	Year	Project Title	Activities from Project Documents
Bangladesh	2008	Skills Development Project	"...establishing new partnerships as necessary, including management of government TVET institutions by industry associations on a pilot basis.
Lao People's Democratic Republic	2001	Second Education Quality Improvement Project	"To increase access to and participation in primary schooling, the Project will upgrade incomplete primary schools through locally supported construction;... mobilize community support for planning, management, operation, and maintenance of the school."
Pakistan (Balochistan)	2004	Restructuring of the Technical and Vocational Training System Project	"The Project will establish a production and service center in partnership with the private sector...the management of the unit will be contracted out to qualified private institutions or NGOs that are willing to engage teachers from the TVET institutions and train the students on a cost-sharing basis."

NGO = nongovernment organization, TVET = technical and vocational education and training.

Source: ADB database.

**Table 7 Education Projects Involving Contracting for the Delivery of Education Services**

Country	Year	Project Title	Activities from Project Documents
Bangladesh	2001	Post-Literacy and Continuing Education Project	"An estimated 1.6 million learners will complete PLCE courses offered by 210 selected International NGOs who are accountable to communities and learners by obligation and choice."
Bangladesh	2004	Teaching Quality Improvement in Secondary Education Project	"MOE aims to implement an approach where competitively selected private sector service providers will be entrusted with the responsibility of evaluating the readiness of schools and colleges for establishment and recognition, based on criteria established by MOE. TA will help the government develop and implement a self-regulatory mechanism for the private sector.... The Government will have prepared an action plan for compulsory in-service through the network of public training institutes and selected private teacher training colleges (TTCs)."
Bhutan	2001	Basic Skills Development Project	"The project preparatory technical assistance recommended the creation of business opportunities for private training institutes by consigning training to accredited private institutes instead of providing subsidies, or investing in National Technical Training Authority facilities that may duplicate training activities by the private sector."
Indonesia	2008	Vocational Education Strengthening Project	"Assessors from local industry will be paid to assess students completing competency-based modules and to train teachers."
Lao People's Democratic Republic	2006	Basic Education Sector Development Program	"A committee with community representation, including one female and [one] male student representative, will be responsible for management and use of these grant funds." "Develop training modules and assist in training the 96 student-parent associations in community mobilization and management of the education development funds."
Nepal	2001	Teacher Education Project	"Preservice training will be the responsibility of private primary teacher training colleges (PTTCs), higher secondary schools, and faculty of education campuses. The training management and coordination committee has approved 15 private PTTCs."

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Table 7 continued

Country	Year	Project Title	Activities from Project Documents
Pakistan, (Balochistan)	2004	Restructuring of the Technical and Vocational Education Project	"The District Advisory Committee, comprising representatives of industries, educational institutions, and the communities, will help promote closer collaboration between local industries, the communities, and the institutions in order to mobilize resources and support from the private sector to the TVET institutions."
Pakistan (North–West Frontier Province)	2004	Restructuring of the Technical Education and Vocational Education Project	"The District Monitoring Committee...will promote collaboration between local industries, the community, and institutions to mobilize resources and support from the private sector for TVET institutions."
Papua New Guinea	2001	Employment-Oriented Skills Development Project	"Establishing a sustainable financing mechanism to support short-term employment-oriented skills training to be conducted by vocational training centers, churches, NGOs, and private training providers."
Sri Lanka	2007	Education for Knowledge Society Project	"The Project will provide funding to small or locally based initiatives, involving secondary schools, community groups, and the private sector to enhance innovative use of information and communication technology for learning."

MOE = Ministry of Education, NGO = nongovernment organization, PLCE = Post-Literacy and Continuing Education, TA = technical assistance, TVET = technical and vocational education and training.

Source: ADB database.

## Vouchers and Voucher-like Initiatives

Only five examples of this type of PPP delivery model were identified in the ADB education projects, as shown in Table 8. The most substantive example of a voucher scheme is evidenced in the recent Cambodia (2009) Strengthening Vocational Education and Training Project.

## Provision of Capacity Development Services

Capacity development services are the easiest type of PPP delivery model to establish contractually and are thus the most common. These initiatives can

involve a range of activities including curriculum and pedagogical support, management and administrative training, textbook provision, teacher training and the development of support networks, and professional partnerships and linkages. Eighteen examples of this type of PPP were found in the reviewed ADB education projects and, as in the case with the three other types of contract, it is assumed that this number is not exhaustive and that there will be some overlap with the type of contract in which the public sector purchases services from a private provider. As illustrated in the examples of these loan and grant projects given in Table 9, a wide range of activities have been involved across all the education subsectors (loans or grants for education components in multisector programs are not included in examples in the table).



**Table 8 Education Projects with Vouchers or Voucher-like Initiatives**

Country	Year	Project Title	Activities from Project Documents
Cambodia	2001	Education Sector Development Program	"The programs will be poverty indexed, and merit-driven incentive schemes, such as scholarships and social credit programs with community involvement in student selection, management, and monitoring."
Cambodia	2009	Strengthening Vocational Education and Training Project	"The pilot Voucher Skills Training Program (VSTP) supported the development and delivery of nonformal, community-responsive training in seven of the poorest provinces. The communes selected received a 'voucher' to fund training linked to local commune planning. Under this Project, a revised VSTP will be extended to all 24 provinces... To improve the quality of training, the expanded VSTP will be modified through (i) reductions in group size in field-based training, (ii) greater emphasis on enterprise attachments and center-based training and combinations of both, (iii) new incentives for placing VSTP graduates in employment, and (iv) the implementation of a pilot urban VSTP."
Lao People's Democratic Republic	2009	Strengthening Higher Education Project	"Universities will be encouraged to seek relationships with quality, commercially oriented international professional training organizations by financing membership fees."
Nepal	2006	Education Sector Program I	"The Government intends to transfer 60% of nonsalary budget to school monitoring committees as grants by 2009. The earmarked grants are intended for teachers' salaries, free textbooks, and scholarships."
Sri Lanka	2003	Distance Education Modernization Project	"Of special interest is the Government's provision of matching grants to private postsecondary institutions for ICT and multimedia services that allow private schools to migrate academic programs on line."

ICT = information and communication technology.

Source: ADB database.

**Table 9 Education Projects with Capacity Development Public-Private Partnership Activities**

Country	Year	Project Title	Activities from Project Documents
Bangladesh	2001	Post-Literacy and Continuing Education Project	"The government has agreed to use the specialized services of the private consulting sector to supplement the input of other public institutions."
Bangladesh	2003	Second Primary Education Development Program	"When weighting the advantages and disadvantages of arrangements for external monitoring and evaluation, it is important to aim for optimum arrangements that ensure enough independence and external oversight on one hand, and provision for building local capacity for external monitoring on the other hand."
Bangladesh	2006	Secondary Education Sector Development Program	"The project implementation unit will ensure that participatory approaches are used...through these approaches, local communities, NGOs, women, and representatives of tribal people will be involved in subproject activities."

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Table 9 *continued*

Country	Year	Project Title	Activities from Project Documents
Indonesia	2008	Vocational Education Strengthening Project	"National and local linkages with industry will be promoted through formal partnerships; assessors from local industry will be paid to assess students completing competency-based modules, and to train teachers."
Kyrgyz Republic	2007	Vocational Education and Skills Development Project	"To adjust training programs to changing demands of the formal and informal labor market in a timely manner, the Project will support strengthening labor market research and employment forecasts and involve private participation at all levels."
Mongolia	2006	Third Education Development Project	"In order to ensure the proper and efficient management of the textbook rental scheme, it is normal to establish a national trust or NGO to manage the system."
Mongolia	2008	Education Sector Reform Project	"The Project will support the involvement of CSOs, NGOs, and parents in the monitoring of education programs such as textbooks and meals at preschools. User satisfaction surveys administered to parents will be used as a monitoring tool."
Nepal	2004	Skills for Employment Project	"About 80,000 trainees will directly benefit from skills training provided under the Project by public and private training providers."
Pakistan (Balochistan)	2004	Restructuring of the Technical and Vocational Training System Project	"Nonformal training programs to improve livelihood and provide employable skills to about 20,000 out-of-school youths and adults will be provided largely through qualified NGOs identified competitively. Interested polytechnics and technical-vocational teacher colleges can also compete for the funds and may choose to partner with NGOs."
Pakistan (Balochistan)	2005	Devolved Social Services Program	"NGOs or firms will be contracted to (i) support the Bureau of Statistics in carrying out quantitative service delivery surveys, (ii) support the finance department in carrying out public expenditure tracking surveys, and (iii) conduct third party validation of the process and results of the survey."
Pakistan (Sindh)	2002	Decentralized Elementary Education Project	"Suitable NGOs, universities, TTCs, institutions, firms, or district master trainers will be identified to design and implement on-the-job training for SMC members, to operate school development funds to accommodate stipend, scholarship, free textbook, and teacher incentive programs in each of the 3,400 elementary schools."
Uzbekistan	2002	Education Sector Development Program	"Communities should be assisted in establishing and operating kindergartens in order to meet the demand for affordable preschool services."
Viet Nam	2006	Upper Secondary and Professional Development Project	"To encourage greater use of industry-developed programs and systems, a small grant program will be piloted to encourage teacher training institutes to forge partnerships with industry to provide industry-accredited courses as part of teacher training program."

CSO = civil society organization, NGO = nongovernment organization, SMC = school management committee, TTC = teacher training college.

Source: ADB database.

# Lessons Learned from the International Review

This section looks at lessons learned regarding public–private partnerships (PPPs) in education internationally, while the next section concludes the review by looking at the specific lessons learned from ADB education projects and of evaluation reports.

## Growth of Public–Private Partnerships in Education

There are four key challenges that have implications for future assistance across all of the education subsectors:

- The progress achieved in improving access to primary education presents a challenge for secondary education to provide sufficient places to meet the bulge that is transiting from primary schools.
- Governments still need to address the particular challenges of meeting the education and training needs of disadvantaged and hard-to-reach groups.
- While access targets are being met, the levels of quality are deficient to raise pass rates and lower repetition rates.
- There is still a lack of relevance in technical and vocational education and training (TVET) programs and a need for greater linkages between the education and training sectors and the world of work.

Support from nongovernment and private providers is necessary for governments to (i) increase access for the disadvantaged students, (ii) improve the quality of education, and (iii) enhance relevance and linkages of education and training with employment.

To meet these challenges, many governments are exploring options and mechanisms that involve

the private sector in providing education. This involvement comes in many forms. From the supply side, the public sector may fund private school operations with vouchers, subsidies, capitation grants, stipends, and contracts for education systems. In addition, from the demand side, there are mechanisms that can promote parental choice, school competition, and accountability. The idea is that parents will choose the best schooling alternative for their children following quality criteria, generating demand pressure on schools to increase enrollments and attain higher productivity (better academic results at a lower cost). Indeed, the role of PPPs is increasingly recognized by governments, which are developing institutions, funding mechanisms, and regulatory frameworks to leverage private capabilities and expertise to enhance public education.

PPPs are common in several member countries of the Organisation for Economic Co-operation and Development (OECD), where more than 20% of public expenditure is transferred to private organizations, either directly or through households, to pay for education services and enable school choice. But now, increasingly in developing countries, there is recognition of the role of private providers and the development of mechanisms that use the capacity of private education institutions to expand access. Several countries subsidize private schools, mostly faith-based nonprofit organizations, either with school inputs (such as teacher salaries and textbooks) or through per pupil grants. In Asia and the Pacific, there are many examples in which governments collaborate with nonpublic providers to deliver education and training across all education subsectors. More recently, excess demand from attempting to universalize primary education coupled with limited public funding has increased the number of private low-cost schools that cater to low-income students, mostly at the secondary level.

There is a growing trend now for governments to (i) strengthen the capacities of their public agencies to regulate, monitor, and contract private schools; (ii) develop private operators' capacity to deliver quality education by facilitating access to capital and to improve educational and management practices; and (iii) create institutions that assist in the implementation of PPPs and guarantee the necessary flows of information.

## Evidence of the Impact of Public–Private Partnerships in Education

The strengths of the four main types of PPP delivery model need to be assessed by how they assist in the attainment of three key objectives: (i) increasing enrollments, (ii) improving educational outcomes, and (iii) enhancing equality in access to quality education and training services. The following reasons support the case that there is a positive relationship between PPPs and education outcomes:

- PPPs can induce competition in the market for education. The private sector can compete for students with the public sector. In turn, the public sector can react to the competition by improving the quality of public education.
- PPP contracts allow more flexibility than do most arrangements in the public sector. Generally, the public sector has high inflexibility in hiring teachers and organizing schools, while PPPs do not. A flexible contract can create a better fit between the supply of and demand for education.
- Private providers in PPP contracts are usually chosen through an open bidding process based on quality criteria. Contracts usually stipulate a certain quality of education, and the best proposals are chosen. By itself, this characteristic of the contract can increase the quality of education.
- PPP contracts can achieve an optimal level of risk sharing between the government and the private sector. The change to an optimal level of risk sharing may increase efficiency in the delivery of services, and consequently may induce more resources

and higher provision in the education sector.

- The private sector can have higher standards in the delivery of education services. PPP contracts can reflect specific standards and quality targets. Therefore, performance during the life of the contract, with adequate supervision, can lead to education improvements.
- A model of PPPs that combines the strengths of government, the private sector, and civil society stakeholders to advance education can create new, sustainable education reform initiatives.

## Lessons Learned

The extensive evidence base required to make a robust assessment of impact is still lacking. While the literature on vouchers is large and the strength of the empirical evidence is strong, the evidence on the other three types of contracts—private management of public schools, contracting for the delivery of education services, and provision of capacity development services—is far less abundant or robust. Future experimentation with PPP models needs to be accompanied by rigorous impact evaluation. However, although drawing on a small set of empirical studies, the following five lessons have been learned:

### Improve the perception of the role that the private sector plays for the public benefit

In many countries, the initial culture is hostile to private providers of education, particularly to those that are for-profit. One option would be to introduce a policy that clearly defines the place of private providers in the national long-term education strategy.

### Allow not-for-profit and for-profit education and training providers to operate

Private for-profit providers play a significant—and indeed growing—role in many countries. While private providers are often perceived as catering solely to the wealthy, the reality is that for-profit providers are important in providing education to the poor. Private for-profit providers come in a

variety of forms, including single owner–operated schools, chains that operate a large number of schools, and education management organizations.

### Promote and facilitate foreign direct investment in education

Foreign direct investment (FDI) in education is small but growing in developed countries, developing economies, and transition economies. In 2005, FDI in education was nearly \$3.5 billion, up from just \$86 million in 1990 and \$401 million in 2002, and most of it was in developed countries, although FDI in education remains considerably smaller than in other sectors of the economy. In 2007, it accounted for less than 0.1% of FDI in the service sector.<sup>3</sup> Box 5 illustrates how active the International Finance Corporation (IFC), the World Bank Group’s private sector arm, has been in its mission to promote sustainable private education sector investment in developing countries.

### Develop clear and objective establishment criteria and streamline processes for registering private education providers

Many countries limit the scope for new providers to enter the education marketplace. The consumer

protection objective of many of these regulations is laudable. Minimum standards can help ensure the quality and safety of private sector provision and protect consumers from unscrupulous operators. But these benefits must be balanced against the negative impact of overly restrictive entry regulations. Poorly designed registration criteria for private providers can often have the opposite impact of what is intended.

Governments should ensure that registration criteria for private education and training providers are (i) realistic and achievable while meeting policy goals efficiently and effectively, (ii) objective and measurable to minimize discretion and limit scope for corruption, (iii) openly available to prospective private providers, (iv) output focused to allow for flexible and diverse delivery approaches, and (v) applied consistently across the various levels of government.<sup>4</sup>

### Provide subsidies to the private education and training sector

In addition to providing general investment incentives, governments can encourage private investment in education by offering monetary or in-kind subsidies to private providers. These subsidies can

#### Box 5 International Finance Corporation Investment in Private Education

In the basic education subsector, the Kenya Private School Support Program is an initiative of the International Finance Corporation (IFC) to provide local currency financing and technical assistance to private K-12 institutions. On 7 December 2006, IFC signed a risk sharing agreement with K-Rep Bank for up to 120 million Kenyan shillings (\$1.7 million equivalent) on loans extended to eligible private schools. Under this agreement, IFC shares 50% of the risk on the pool of loans made to schools after an initial 5% first loss taken by K-Rep Bank. Schools use these loans to finance construction projects; purchase educational materials, including computers; and cover other capital expenditures. Supporting the risk-sharing agreement is a comprehensive advisory services program designed to improve schools’ financial, management, and educational capacities; strengthen K-Rep Bank’s ability to evaluate and monitor loans to schools; and foster the development of an independent provider of educational services to private schools.

Source: IFC Kenya Private Sector Support Program. 2009.

<sup>3</sup> Patrinos, H., F. Barrera-Osorio, and J. Guaqueta. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank.

<sup>4</sup> Fielden, J., and N. LaRocque. 2008. *The Evolving Regulatory Context for Private Education in Emerging Economies*. Washington, DC: International Finance Corporation.

be up front—for example, free or discounted land, establishment grants, and education infrastructure. Land can be especially important in urban areas, where land is expensive. Governments can also encourage private investment by facilitating work visas for foreign teachers, management, and technical staff.

## Constraints to Partnerships

Constraints to partnerships can be viewed from three perspectives: (i) the public sector, (ii) the lending agencies, and (iii) civil society and the private sector. For the **public sector**, the most insurmountable problem is not even necessarily a lack of political commitment but rather the wide range of actions needed and the intensely political nature of the reforms required to create effective service delivery systems under a partnership arrangement. The capacity of the government, both within its institutions and at the policy level, is a constraint, most particularly the lack of capacity to develop and implement the partnership in a holistic manner.

For **lending agencies** like the Asian Development Bank (ADB), even if there is a political commitment from the public sector, the question is whether the government is likely to receive an adequate response from the lending agencies from which they will receive policy advice and an introduction to alternative funding modalities. Why is partnership in the social sectors not championed more strongly? A number of reasons are posited, including lack of resources, lack of a sufficient knowledge base, and possibly lack of an ideological bias.

For the **private sector**, there are a number of constraints: first, a lack of access, which may be exacerbated in part by the undeveloped and unpredictable nature of the banking sector. Social areas such as education and health are not a focus for lenders. Second, as in the public sector, one of the major constraints to expansion of private education and training provision is the shortage of skilled and qualified professionals. Third, there is difficulty in accessing infrastructure and land. Then there is the demand-side impediment of inability of the user to pay the fees. Finally, there are bureaucratic hurdles: Procedures are often slow and arduous, with the result that many providers see

little alternative but to operate on an unregistered basis or on provisional certificates.

There is neither a “one-size-fits-all” PPP approach nor a universal prescription for success or for the process itself. Similarly, there is no inherent reason why public intervention correlates merely with public provision, nor, similarly, any dictate that privatization solely implies the outright sale of public assets to private entrepreneurs. Rather there are different forms of private activity and PPP that offer a range of different types of intervention.

Fiscal constraints, cost escalation, and poor performance are propelling the partnership wave. Governments realize that they cannot finance their current services, let alone afford future demands, while customers exhibit growing dissatisfaction with the services that are presently being delivered. A range of participants is required to increase nonstate participation in the education and training subsectors. This participation can be manifested through a variety of forms and at different extremes of intervention ranging from (i) management contracts, where management of state organizations is transferred to nonstate hands; to (ii) outsourcing, where state organizations procure services from nonstate entities; to (iii) financing demand, where the state procures core and noncore services from private providers; to (iv) corporatization, whereby the government becomes the purchaser, and operational control moves from the state to nonstate organizations.

In summary, PPPs may offer more scope for rapidly increasing access to quality education than do alternative funding and delivery models—even fully public and fully private ones—but there can be some challenges and risks involved in PPPs, and there is still a lack of robust empirical evidence to guide the innovator’s path—evidence that can both illustrate the diverse channels of relationship between the private provision of public services and educational outcomes and also shed light on concerns associated with PPPs. Inputs to education, processes, and outputs are very different and require several different forms of contracts (including management, support, professional, operational, educational services, and infrastructure). All of these variations need to be assessed separately, as they are likely to have different requirements for being effective.



# Conclusions

## Key Findings

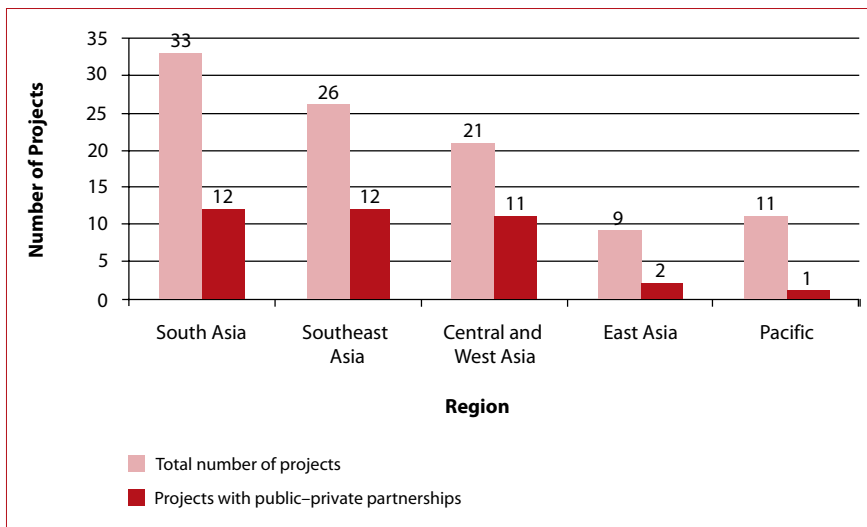
Public–private partnerships (PPPs) in use in the education sector come in a wide variety, each with different characteristics, design features, and country contexts. For the purpose of this review, a PPP is classified in one of four delivery-based PP categories: (i) private management of public schools, (ii) contracting for the delivery of education services, (iii) vouchers and voucher-like initiatives, and (iv) provision of capacity development services.

The review analyzed all 100 loan and grant projects in the education sector (including multisector loans with education components), approved by the Asian Development Bank (ADB) over the period 2000–2009. Figure 5 provides a summary of this analysis according to the total number of ADB education projects reviewed and the total number of projects with PPPs by ADB operation regions.

Under the four categories of PPP, significant findings include the following:

- 30 of the 38 projects identified as exhibiting PPPs involved similar activities in which the government purchased services to provide education or to support capacity development in education.
- Only three projects were identified as supporting a “supply-side” alternative under which the education authorities contract directly with private providers to operate public schools, and only five projects were identified as supporting a “demand-side” alternative under which governments fund students to attend private education and training institutions. Of these eight projects, five were understandably focused on post-secondary education services and only three on the primary and secondary subsectors.
- Although 38 projects were identified as exhibiting PPPs under the four categories,

**Figure 5 Total Number of Projects and Number of Projects with Public–Private Partnerships, by Region, 2000–2009**



Source: ADB database.

only 15 of ADB's 44 developing member countries (DMCs) were involved.

- More significantly, two DMCs (Bangladesh and Pakistan) comprised 13 of the 38 projects.
- The four delivery-based PPP models used for identification were found in projects in all key subsectors of education.

Appendix 2 provides a country case study from Bangladesh of potential policy directions that support partnership between a government and the private sector. This brief case study illustrates how enabling of this partnership requires improving the performance of the private education and training sector and the employment of four policy instruments to improve this performance—funding, regulation, ownership of schools, and provision of information. Proposed reforms can be grouped under the following five main themes: regulation and coordination, provision of information, means of funding for private providers, access to finance, and strengthening capacity and capability.

Across Asia and the Pacific there are already considerable PPPs in that the nonstate sector is providing vital and significant education services while the state sector is often subsidizing a substantial part of these services. Yet there is still room for strengthening this partnership to attain benefits ranging from expanded education infrastructure, increased access to finance, and provision of alternative means for accessing relevant skills, to higher level of education service delivery and better education and training outcomes. This review, which has looked at the PPP models that have been used over the past decade, is part of analytical work which will help formulate new operational strategies and frameworks, since, looking ahead, a broader range of alternative strategies will be required to support the implementation of ADB's operations in the sector.

## Recommendations

As the data indicate, there is scope for diversifying future PPP-related forms of contract and

types of activities pursued in response to ADB's Strategy 2020 and its mandate under the core component of education to "explore opportunities for new approaches and instruments involving public–private partnerships." This review concludes with six recommendations that support such diversification.

### Recommendation 1: Analyze the enabling environment for PPP contracts

The first step is for country partnership and sector strategies to be designed that can make an initial analysis of (i) PPP processes and methodologies; (ii) PPP enabling policies and legislation; (iii) development, appraisal, and implementation of PPP projects; (iv) procurement; and (v) development of monitoring mechanisms and parameters of PPP projects across the four forms of contract. This analysis needs to be based on the recognition that government has a variety of policy instruments at its disposal to intervene in the education sector: funding, provision, regulation, and information dissemination. PPPs require a redefinition of the traditional role of government from being funder, provider, owner, and regulator to one in which the government remains funder and overarching regulator but partners with the private sector in the provision and ownership of education.<sup>5</sup>

### Recommendation 2: Identify the specific potential for PPPs in education

Once education sector analysis and road maps, as part of country programming process, have determined the conditions for, as well as the policy, regulatory, and institutional issues and challenges to partnerships, then it is possible to determine which education subsectors would benefit from PPPs and which assistance modalities are required for supporting the PPPs. The country partnership strategy documents should indicate what form of contract and services at each of the subsector levels can or cannot be pursued using a PPP approach, and these documents need to differentiate clearly a PPP response from a purely private sector participation response. Any identification of a potential role for PPPs must be underpinned

<sup>5</sup> LaRocque, N. 2008. *Public–Private Partnerships in Basic Education: An International Review*. Reading, United Kingdom: CfBT Education Trust. pp. 36–39.



**Table 10** Expected Effects of Different Public–Private Partnership Contracts on Education Objectives

Country type	Increasing Enrollments	Improving Outcomes	Reducing Inequality	Lowering Cost
<i>Private management of public schools</i>	Moderate impact, since limited by the supply of private operators	Moderate impact, since limited by available places in the private sector	Strong impact when targeted	Moderate cost incurred
<i>Government purchase of education services</i>	Limited impact	Strong increase when key performance indicators are clearly specified	Impact is contingent upon whether the purpose of the service is to support access	Variable impact—in some instances though, there can be considerable costs gains
<i>Vouchers</i>	Impact dependent on the number of students who receive the voucher	Considerable impact on school choice by parents and students	Strong impact when the targeting is focused	Cost reduction if private sector is more efficient
<i>Capacity development</i>	Little impact and impact difficult to measure given nature of the service provided	Considerable impact but limited if not sustained over the long term	Limited impact	Variable impact—in some instances, though, the impact can provide considerable gains

Source: Patrinos, H., F. Barrera-Osorio, and J. Guaqueta. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank.

by a clear rationale and pursuit of the four main education objectives: increasing enrollments, improving education outcomes, reducing inequality, and lowering costs. Table 10 presents information on the respective strengths of the four types of contract.

### Recommendation 3: Provide ongoing support to project development and implementation

While a reorientation of government policy toward PPPs brings advantages, a new set of challenges need to be overcome throughout the entire project process, including low levels of public sector revenue mobilization, underdeveloped financial systems that do not encourage the necessary flow of private capital into the education and training sector, the presence of well-entrenched but weak sector institutions, and numerous policy constraints. A flexible response is required to address these

challenges, and thus the traditional project design needs to be revised to provide transaction advice and technical support, as necessary, on a call-down basis over the entire life of the project.

### Recommendation 4: Develop a PPP monitoring framework

Complex questions need to be answered when developing a PPP. The prevailing logic is that the scope of a PPP is determined by the degree to which the interests of the partners meet. However, this logic focuses on best practices and management challenges; it does not provide an understanding of the conditions under which PPPs emerge, the factors that drive them, or the factors that determine whether or not the PPPs show impact and sustainability. What is needed is a fact-based, comparative assessment of what PPPs can accomplish and what it takes to make them work, particularly in the provision of core education services.<sup>6</sup>

<sup>6</sup> E.g., the ADB 2009 Special Evaluation Study advocates the development of a project monitoring framework for PPPs in infrastructure development that assesses project impacts on users of the outputs, neighbors (externalities), sponsors (return on equity), lenders (interest rate), and the government (level of fiscal support required and affordability). Asian Development Bank. 2009. *ADB Assistance for Public–Private Partnerships in Infrastructure Development—Potential for More Success*, Special Evaluation Study SES: OTHE2009-31. Manila.

### Recommendation 5: Provide a complementary package of interventions

Communications with project officers from international development agencies and government officers involved in the planning of public sector education loan projects regularly stress how there is an intent to pursue PPPs but that a number of challenges hinder the actual realization of PPPs in education, such as financial and economic risks associated with the operation of a project; delayed preparation of contract and bidding documents; and, most critically, difficulty in attracting private sector investment. The introduction of reforms involving private participation often faces skepticism and sometimes outright opposition. One means for overcoming this opposition is to design a pilot project that shows visible improvements associated with the reform.

### Recommendation 6: Continue increased emphasis on research and analysis

This review has highlighted the need for more details on PPP activities in project descriptions. Given the pressing need to know more about the PPP experience, it is important to continue research and analysis on PPPs in the sector operations, and to incorporate adequate information on PPPs in the country partnership strategy documents and project documents.

ADB is preparing a series of analytical studies and outputs on PPPs in the education sector. A key objective of this review has been to analyze past trends in ADB education sector operations in a manner that can be readily used as a reference document by ADB staff and stakeholders of education in DMCs. The review covered PPPs in ADB education sector assistance from fiscal years 2000 through 2009. The review has not included the mandate of evaluating the outcomes of the PPPs.

## Appendix 1

# Education Loan Projects by Year of Approval

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2000	33137-01	1737	Uzbekistan	Senior Secondary Education Project	8 Feb 2000	57.00
2000	23229-01	1750	Philippines	Technical Education and Skills Development	24 Aug 2000	25.00
2000	23229-02	1751	Philippines	Fund for Technical Education and Skills Development	24 Aug 2000	19.87
2000	30175-01	1752	Samoa	Education Sector Project	5 Sep 2000	7.00
2000	33245-01	1756	Sri Lanka	Secondary Education Modernization Project	12 Sep 2000	50.00
2000	30315-01	1786	Kyrgyz Republic	Skills and Entrepreneurship Development	28 Nov 2000	25.00
2000	33166-01	1791	Marshall Islands	Skills Training and Vocational Education Project	29 Nov 2000	6.83
2000	31081-01	1792	Indonesia	Technological and Professional Skills Development Sector Project	29 Nov 2000	180.00
2001	29637-02	G3632	Papua New Guinea	Employment-Oriented Skills Development	20 Feb 2001	5.49
2001	32914-01	PS-7169	Viet Nam	RMIT International University in Viet Nam	26 Apr 2001	7.25
2001	31317-01	1830	Bhutan	Basic Skills Development	21 Jun 2001	7.00
2001	32236-01	1840	Nepal	Teacher Education	24 Sep 2001	19.60
2001	31345-01	1844	Lao People's Democratic Republic	Second Education Quality Improvement Project	28 Sep 2001	20.00
2001	31137-01	1863	Indonesia	Decentralized Basic Education	29 Nov 2001	100.00
2001	33396-01	1864	Cambodia	Education Sector Development Program	4 Dec 2001	20.00
2001	33396-02	1865	Cambodia	Education Sector Development Project	4 Dec 2001	18.00
2001	31309-01	1881	Bangladesh	Post-Literacy and Continuing Education Project	13 Dec 2001	65.00
2002	31309-02	G3899	Bangladesh	Post-Literacy and Continuing Education Project	12 Jul 2002	12.00
2002	35178-01	G9016	Indonesia	Supporting the Community-based Basic Education for the Poor	7 May 2002	3.20

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Appendix 1 *continued*

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2002	31213-01	1908	Mongolia	Second Education Development Project	6 Aug 2002	14.00
2002	32236-02	G3923	Nepal	Teachers Education	9 Sep 2002	0.30
2002	36484-01	G9019	Afghanistan	Community-Based Gender-Sensitive Basic Education for the Poor	10 Sep 2002	4.00
2002	30208-01	1916	Pakistan	Decentralized Elementary Education Project (Sindh)	19 Sep 2002	75.00
2002	34022-01	1917	Nepal	Secondary Education Support Project	20 Sep 2002	30.00
2002	34022-02	G3927	Nepal	Secondary Education Support Project	20 Sep 2002	23.70
2002	32407-01	1921	Tuvalu	Maritime Training Project	16 Oct 2002	1.84
2002	36152-01	G9028	Cambodia	Targeted Assistance for Education of Poor Girls and Indigenous Children	25 Nov 2002	3.00
2002	34160-01	1960	Uzbekistan	Education Sector Development Program	6 Dec 2002	70.00
2002	34161-02	1961	Uzbekistan	Education Sector Development Project	6 Dec 2002	38.50
2002	28309-01	1979	Viet Nam	Upper Secondary Education Development	17 Dec 2002	55.00
2003	33251-01	1999	Sri Lanka	Distance Education Modernization	11 Jun 2003	45.00
2003	30216-01	2015	Bangladesh	Second Primary Education Development Program (Sector Loan)	3 Nov 2003	100.00
2003	30216-02	G4209	Bangladesh	Second Primary Education Development Program	3 Nov 2003	389.00
2003	33217-01	2028	Maldives	Employment Skills Training	2 Dec 2003	6.00
2003	34337-01	2047/48/49	Pakistan	Sindh Devolved Social Services Program	12 Dec 2003	92.06
2003	37175-01	2053	Tajikistan	Education Sector Reform	17 Dec 2003	7.50
2004	37175-02	G9040	Tajikistan	School Improvement Project	13 Jan 2004	2.00
2004	32407-02	2088	Tuvalu	Maritime Training Project (Supplementary Loan)	3 Aug 2004	1.97
2004	36510-01	2093	Uzbekistan	Second Textbook Development	29 Sep 2004	25.00
2004	35192-01	2096	Sri Lanka	Secondary Education Modernization II	25 Oct 2004	35.00
2004	26061-01	2101	Bangladesh	Teaching Quality Improvement in Secondary Education	9 Nov 2004	68.90

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Appendix 1 *continued*

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2004	26061-01	G4559	Bangladesh	Teaching Quality Improvement for Secondary Education	9 Nov 2004	18.00
2004	36611-01	2111	Nepal	Skills for Employment Project	25 Nov 2004	20.00
2004	33304-01	2115	Viet Nam	Second Lower Secondary Education Development	26 Nov 2004	55.00
2004	34388-02	2121	Cambodia	Second Education Sector Development Program	9 Dec 2004	20.00
2004	34388-01	2122	Cambodia	Second Education Sector Development	9 Dec 2004	25.00
2004	36654-01	2133	Pakistan	Restructuring of the Technical Education and Vocational Training System (Balochistan Province)	14 Dec 2004	16.00
2004	38178-01	2135	Pakistan	Restructuring of the Technical Education and Vocational Training System (NWFP)	14 Dec 2004	11.00
2004	32264-01	2144/45	Pakistan	Punjab Devolved Social Services	20 Dec 2004	27.00
2004	38135-01	2153	Pakistan	Multisectoral Rehabilitation Project for Azad Jammu and Kashmir	21 Dec 2004	4.48
2005	39127-01	G0002	Indonesia	Earthquake and Tsunami Emergency Support Project	7 Apr 2005	21.00
2005	36601-01	2168	Sri Lanka	North East Community Restoration and Development Project II	14 Apr 2005	6.30
2005	39118-01	2174	Cook Islands	Cyclone Emergency Assistance Project (formerly Emergency Rehabilitation Project)	30 Jun 2005	0.32
2005	39304-01	G0020	Kyrgyz Republic	Second Education Project	27 Oct 2005	15.50
2005	37698-01	2191	Uzbekistan	Information and Communication Technology in Basic Education	27 Oct 2005	30.00
2005	38599-02	G0021	Regional	HIV/AIDS Prevention and Capacity Development in the Pacific	8 Nov 2005	0.66
2005	35197-01	2197	Sri Lanka	Technical Education Development	21 Nov 2005	20.00
2005	35201-01	2201	Sri Lanka	Local Government Infrastructure Improvement Project	24 Nov 2005	2.88

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Appendix 1 *continued*

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2005	37218-01	2202/ 03	Pakistan	Balochistan Devolved Social Services	8 Dec 2005	13.00
2005	37218-02	2204	Pakistan	Technical Assistance Loan for Balochistan Devolved Social Services	8 Dec 2005	1.00
2005	39631-01	2213	Pakistan	Earthquake Emergency Assistance Project	13 Dec 2005	17.50
2005	34285-03	G0031	Samoa	Education Sector Project II (AusAID Grant)	16 Dec 2005	8.60
2005	34285-04	G0032	Samoa	Education Sector Project II (NZ Aid cofinancing)	16 Dec 2005	8.60
2005	34285-01	2220	Samoa	Education Sector Project II (formerly Education and Youth Development)	16 Dec 2005	8.06
2006	31137-03	G0047	Indonesia	Decentralized Basic Education (Supplementary)	14 Mar 2006	28.00
2006	34187-01	2238	Mongolia	Third Education Development Project	21 Jun 2006	13.00
2006	37307-01	2266	Bangladesh	Secondary Education Sector Development Program (Project)	26 Oct 2006	85.00
2006	37307-02	2267	Bangladesh	Secondary Education Sector Development Program (Program Loan)	26 Oct 2006	30.00
2006	35174-01	2277	Nepal	Education Sector Program I	1 Dec 2006	30.00
2006	35174-02	G0065	Nepal	Education Sector Program I (Capacity Development Grant)	1 Dec 2006	2.00
2006	37475-01	2294	Indonesia	Madrasah Education Development	15 Dec 2006	50.00
2006	37622-01	2298	Viet Nam	Upper Secondary and Professional Teacher Development	18 Dec 2006	34.00
2006	32312-02	G0069	Lao People's Democratic Republic	Basic Education Development (Investment)	20 Dec 2006	12.66
2006	32312-01	2306	Lao People's Democratic Republic	Basic Education Sector Development Program	20 Dec 2006	8.90
2007	38298-02	G0074	Kyrgyz Republic	Vocational Education and Skills Development	29 Jan 2007	10.00
2007	38559-02	G0090	Cambodia	Enhancing Education Quality Project	23 Nov 2007	27.10
2007	39293-01	2371	Sri Lanka	Education for Knowledge Society Project	26 Nov 2007	65.00

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Appendix 1 *continued*

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2007	39293-02	G0091	Sri Lanka	Education for Knowledge Society Project	26 Nov 2007	15.00
2007	40049-01	2380	Uzbekistan	Rural Basic Education Project	6 Dec 2007	30.00
2007	36008-01	2384	Viet Nam	Lower Secondary Education for the Most Disadvantaged Regions Project	10 Dec 2007	50.00
2007	36513-03	G0097	Samoa	Schoolnet and Community Access Project	14 Dec 2007	5.90
2008	35174-03	G0105	Nepal	Education Sector Program Cluster (Subprogram II)	24 Jan 2008	8.00
2008	33409-01	2416	Indonesia	Vocational Education Strengthening Project	31 Mar 2008	80.00
2008	39408-01	2425	Bangladesh	Skills Development Project	6 Jun 2008	50.00
2008	39408-02	G0140	Bangladesh	Skills Development Project	17 Dec 2008	6.00
2008	31309-03	G3899	Bangladesh	Post-Literacy and Continuing Education Project (formerly Second Non-Formal Education)	1 Jul 2008	2.50
2008	39254-02	G0125	Mongolia	Education Sector Reform Project	21 Nov 2008	10.00
2009	30216- 11	G4209	Bangladesh	Second Primary Education Development Program (Supplementary)	30 Jan 2009	30.00
2009	42496-01	2508	People's Republic of China	Emergency Assistance for Wenchuan Earthquake Reconstruction Project	19 Feb 2009	24.40
2009	42164-01	G9133	Cambodia	Piloting the Post-Harvest Technology and Skills Bridging Program for Rural Poor	20 Apr 2009	2.00
2009	43096-01	G0151	Mongolia	Social Sectors Support Program	24 Jun 2009	110.00 <sup>a</sup>
2009	31309-04	G3899	Bangladesh	Post-Literacy and Continuing Education Project (formerly Second Non-Formal Education) (Supplementary)	10 Jun 2009	2.50
2009	41607-01/02	2536/7	India	Mizoram Public Resource Management Program and Development	18 Aug 2009	15.00
2009	42222-01	G9138	Mongolia	Early Childhood Education for Rural, Nomadic, and Migrant Children	28 Aug 2009	2.89
2009	43127-01	G0158	Mongolia	Education for the Poor—Financial Crisis Response Project	18 Sep 2009	17.00

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Appendix 1 *continued*

Approval Year	Project No.	Loan No.	Country	Project Title as Indicated in ADB Database	Approval Date	Funds (\$ million)
2009	35174-05	G0160	Nepal	Education Sector Program (Subprogram III)	22 Sep 2009	70.00
2009	35174-02	2551	Nepal	Education Sector Program (Subprogram III)	22 Sep 2009	25.00
2009	42134-02	G0166	Lao People's Democratic Republic	Strengthening Higher Education Project	5 Oct 2009	24.80
2009	40347-01/02	2582/3	Viet Nam	Secondary Education Sector Development Program	25 Nov 2009	60.00
2009	40555-01	G0178	Cambodia	Strengthening Technical and Vocational Education and Training Project	13 Nov 2009	24.50
<b>Total</b>			<b>100</b>			<b>3,122.06</b>
						<b>100.00%</b>

AusAID = Australian Agency for International Development, NWFP = North–West Frontier Province, NZAID = New Zealand's Agency for International Aid and Development.

<sup>a</sup> No amount has been earmarked for specific policy reforms or sectors.

Source: ADB database.



## Appendix 2

# Potential Policy Directions that Support Partnership: A Country Case Study from Bangladesh

### Outline of Possible Reforms

Partnership between governments and the private sector can help address the twin challenges of improving quality and expanding access in a cost-effective way, as the private providers can help reduce the burden on the government budget as well as promote better quality education throughout the system by providing a choice for families through competition among providers. Enabling this partnership requires improving the performance of the private education and training sector. The Government of Bangladesh needs to employ policy instruments to improve this performance concerning funding, regulation, ownership of schools, and provision of information. Proposed reforms can be grouped under five main themes: regulation and coordination, provision of information, means of funding for private providers, access to finance, and strengthening capacity and capability.

#### Regulation and coordination

This reform entails improving the way private education and training providers are regulated and engaged. There are a number of examples in projects in Bangladesh in which the government has to address this reform. Under the ADB-financed Post-Literacy and Continuing Education Project, quality standards of the core curricula for continuing education and teacher training, and assessment of curriculum implementation, needed to remain the responsibility of the Education Ministry at the national level. However, the government contracted out program implementation and related support functions to private sector organizations including nongovernment organizations

(NGOs). The government also provided technical expertise and opportunities for public and private stakeholders to collaborate in contributing to the policy framework that became the long-term vision for the Post-Literacy and Continuing Education Project.

#### Provision of information

This reform involves the provision of information available to students, parents, and regulators to support informed educational decision making. Again, there are examples in projects in Bangladesh in which the government has proposed to address this reform, such as under the ADB-financed Secondary Education Sector Development Program, in which the Bangladesh Bureau of Educational Information and Statistics was mandated to publish an annual statistical report on the status of secondary education (which is important given that 98% of secondary schools in Bangladesh are nongovernment schools); data from the Education Management Information System are now made available to other government agencies, researchers, development partners, and education stakeholders.

#### Means of funding for private providers

The third reform involves improving the way private education and training institutions are funded. There are examples of this reform in the Secondary Education Sector Development Program, where the Innovative Schemes Fund has been used to promote community awareness of the value of education and child health, and in the Second Primary Education Development Program with the Innovation Grants Scheme. Both projects are

ADB-financed. The aim of the Innovative Schemes Fund is to provide a basic package of teaching aids and core and supplementary reading and learning materials to all government primary schools, registered nongovernment primary schools, and community schools, including satellite schools. Also under this project, to make access to secondary education more equitable, the government is continuing to assist in the construction and establishment of new community-managed schools in underserved communities that are willing to support and manage a new secondary school.

### Access to finance

The fourth reform involves increasing access to finance for private education institutions. Under this reform there are no specific examples of schemes in which private operators can access preferential loans from the public purse, nor are there examples in which the commercial banking sector is given incentives to provide specific funding to either suppliers or users of education and training services. However, there are project examples where private providers have been encouraged to access public funding to provide services such as under the ADB-financed Post-Literacy and Continuing Education Project, where the basic literacy programs are delivered at nonformal learning centers by a wide range of selected NGOs, contracted by the line ministry.

### Strengthening capacity and capability

The fifth reform involves strengthening the capacity and capability of the private education sector. Understandably, given the size of the nongovernment sector in Bangladesh, the projects have exhibited many examples of capacity development including those under the ADB-financed Skills Development Project, where—with a view to supporting the National Poverty Reduction Strategy goal of expanding skills development to more Bangladeshis—the project is strengthening institutional capacity, on a training program basis, of public and private technical and vocational education and training (TVET) providers to deliver short courses developed under the project. The project is assisting about 60 public training institutions, 15 private training institutions, and 10 NGO-

managed training centers. The TVET institutions will be competitively selected.

## Regulation and Legislation

### Existing legislation

The Constitution of Bangladesh provides for establishing a uniform, mass-oriented, universal system of education, and extending free and compulsory education to all children. It also provides for relating education to the needs of society, producing trained and motivated citizens to serve the needs of society, and removing illiteracy. The Government of Bangladesh expressed its commitment to the World Declaration on Education for All in Jomtien (1990), the World Summit on Children in New York (1990), and the Education for All Summit of Nine High-Population Countries in Delhi (1993). As an expression of the firm determination of Bangladesh to improve the literacy situation of the country, a National Plan of Action was prepared under the guidance of a National Committee, setting objectives to raise the gross enrollment rate to 95%, the completion rate to 70%, and the adult literacy rate to 62% by the year 2000.

To meet the target of Education for All, the Compulsory Primary Education Act was promulgated in 1990, implemented in 1992 on a limited scale, and extended throughout the country since 1993. Primary education was made compulsory for children aged 6–10 years by the Act, which states that “unless there is a valid ground, the guardian of each child living in an area where primary education has been made compulsory shall...have his/her child admitted to the nearest primary education institution located in that area.”

The National Education Policy (2000) declares: “Education will be offered in accordance with the age and need of the learners. Nonformal education (NFE) will be complementary to formal education. Learners in the NFE system will have life skills to find employment in the world of work. NFE can be enrolled in appropriate classes of the formal schools. NFE will include opportunities of continuing education to upgrade and improve the skills of the learners. NFE will create opportunity for mass

education with the involvement of Ministries and Departments other than the Ministry of Education.” The policy states that primary education will be universal, compulsory, free, and of equal standard for all. It also states that primary education is the responsibility of the state and that it should not be handed over to the private sector and NGOs. The policy provides for primary education to be extended to grade 8 instead of the present grade 5.

### Regulations in support of partnerships

For public–private partnerships (PPPs) to deliver potential benefits to the primary education subsector, they must be well designed. Box A2.1 summarizes the key things that the Government of Bangladesh may wish to consider to create an environment that is conducive to the establishment of well-designed and successful PPPs.

The Government of Bangladesh exhibits tremendous acceptance of the nonformal private sector as its partner in the primary and secondary education subsectors. Understandably though, given its constitutional mandate, the government has less room for flexibility for adopting partnerships in the primary subsector. However, illustrative examples can still be taken from the secondary education subsector experience to determine clear and objective school registration criteria, the degree to which alternative curricula

and qualifications should be permitted, appropriate teacher registration requirements, land-use limits, and other requirements for schools’ registration and operation such as financial prerequisites and ownership of land and infrastructure. Regulations can be an important tool for protecting students from low-quality providers, but they must be well designed. Key components include the following:

### Improving education policy and regulations

Several requirements in the new policy framework encourage the provision of primary education by nonformal providers (NFPs) in partnership with the government. The principle behind the framework should be the creation of conditions under which NFPs can operate effectively and efficiently, while ensuring that the education that they provide is still of high quality.

### Providing recognition for the operation of the private school primary sector

The government can encourage PPPs by recognizing the important role that the private sector plays in providing education. This recognition can be the foundation for building political and public support for the private sector’s involvement in education and for minimizing investor uncertainty. This is

#### Box A2.1 Summary of Actions that the Government Can Take to Promote Public–Private Partnerships

- Set clear, objective, and streamlined criteria and processes for establishing and registering private schools.
- Provide subsidies to the private school sector.
- Ensure that public–private partnership (PPP) contracts give private providers considerable flexibility.
- Establish quality assurance processes and provide families with information to help them choose schools for their children.
- Use a transparent, competitive, and multistage process for selecting private partners in PPPs.
- Separate the purchaser and provider roles within the education administrative agency.
- Ensure that the PPP contracting agency has adequate capacity.
- Establish appropriate performance measures and include performance incentives and sanctions for inadequate performance in PPP contracts.
- Develop an effective communications strategy to inform parents about school characteristics, and the public about the benefits and objectives of PPPs.
- Introduce a framework for evaluating the outcomes of contracts.

Source: Author.

particularly important, given that education is often seen as a social rather than a commercial endeavor.

### Setting clear, objective criteria for establishing and registering private schools

Often the objective of regulations is the laudable goal of protecting consumers from substandard services. However, ensuring the quality and safety of private schools must be balanced against the negative impact of overly restrictive entry criteria, especially in situations where demand for education exceeds the amount that the public sector is able to supply. Rather than promoting increased access, better quality, and safer schools, overly restrictive registration criteria often deter potential providers or increase their costs so much that the newly created schools become unaffordable. To encourage the provision of primary education in partnership with private providers, the registration criteria and process should include the key features in Box A2.2.

### Ensuring that NGO providers have the flexibility to deliver services effectively

For any PPPs to be implemented successfully, the NGO partners will need to be given considerable flexibility regarding how they deliver the service for which they have been contracted. The desired outputs, performance standards, and penalties for failure should be set clearly, but thereafter the providers should be left to decide how best

to deliver the required outputs to the specified standard.

Operational contracts are superior to management contracts, because they give the NGO sector greater flexibility to reorganize work schedules, select appropriately skilled staff, pay the level of salaries required to attract good staff, and dismiss nonperforming staff. Management contracts that put government restrictions on how the contractor operates the school (beyond the minimum standards required to assure safety) can significantly hamper the contractor's ability to determine appropriate resource allocations, introduce management and pedagogical innovations, and improve the quality of education that it delivers. In operational contracts, the government simply pays the NGO provider a management fee and an amount per student to operate the school and then allows the provider to make all operational decisions, including those related to staffing.

### Improving information flows and establish an effective quality assurance system

A key current weakness is the lack of available consumer information on the NFE sector regarding unit costs and programs offered. Well-informed consumers and regulators are vital. One way to keep consumers informed would be to put more stringent requirements on education providers to disclose information about their operations. Among the various ways to make this happen are (i) requiring schools to disclose information to

#### Box A2.2 Registration Criteria and Processes

##### Criteria

- Realistic and achievable, so that they do not unduly restrict the establishment of new schools or the operation of existing schools
- Objective and measurable, to limit the scope for corruption
- Output focused, to allow schools to change how they deliver their education services
- Applied consistently across different government levels and departments

##### Process

- Not overly long
- Inclusion of performance targets for the regulatory authority and time limits on its decision making
- Provision to operators of guidance and information about how to register, including the registration criteria, a detailed description of the process, the registration timelines, and relevant forms

Source: Author.

regulators and the general public as a condition of registration; (ii) collecting and disseminating information by education authorities on schools according to a number of indicators, including the quality of their infrastructure, facilities, and curriculum; the qualifications they offer; and their class sizes, fee levels, teacher qualifications, and examination scores; (iii) introducing independent school review systems to provide information on schools' performance; and (iv) introducing independent accrediting agencies that focus on school performance.

While making information freely available is an important way to improve the quality of schooling, formal independent quality assurance and monitoring mechanisms that evaluate the performance of providers and their outcomes are also needed. This would ensure independent, unbiased assessments of the performance of PPPs. Well-designed quality assurance mechanisms can provide consumers, providers, and government officials with valuable information on the performance of private schools and ensure that providers are meeting quality standards.

## Implementing the Partnership

Good design, while important, is not sufficient to ensure the success of a PPP in education. It must also be effectively and efficiently implemented, and the government can take several actions to improve the way in which PPPs are carried out. While the previous section focused primarily on PPPs to support education delivery by NFPs, this section considers details pertaining to the contracting out for the delivery of professional services by the NFE sector, with a brief presentation of several broad principles and guidelines for implementing education PPPs.

### Employ a transparent, competitive, and multistage process for selecting partners in PPPs

A key element of effective contracting is that the bidding process should be transparent and competitive. Bidding for service delivery contracts should be open to all organizations, including both state and nonstate providers that meet the initial longlist eligibility criteria. The contracting agency should use a multistage process to select providers

of education services, commencing with a tender bidding open to all through an expression of interest, and then having a shortlist of some 20 experienced national providers called for response to proposal in the second round.

A transparent and competitive bidding process is likely to have positive effects in both the short and long term. In the short term, competitive bidding is most likely to yield bids that deliver value for money (that is, the lowest price for a given level of desired quality) and to minimize the potential for corruption in the awarding of the contracts. Over the longer term, a competitive process is likely to build market confidence in both the bidding process and the contracting agency, thereby encouraging the growth of the market in private education services over time.

### Split the purchaser and provider roles within the education administrative agency

PPPs function best when the education department's policy and regulatory functions are kept separate and distinct from its service delivery and compliance functions. Splitting policy functions from service delivery creates incentives for governments to become more discriminating consumers, looking beyond government monopoly providers to a wide range of public and private providers.

### Build the capacity of the contracting agency

An important factor in the successful design and implementation of PPPs will be the capacity and capability of the education ministry, and most critically, the ability to change its role from being the exclusive provider of a service to being the facilitator and regulator for a range of different providers. In particular, this shift from input controls to output-based contracting means that the designated government agencies must develop their capacity to (i) assess the various services that are provided in the education sector to determine when and under what circumstances contracting, rather than direct public provision, could be used; (ii) design, negotiate, implement, and monitor education service contracts; (iii) develop legislation that sets up a competitive and transparent

contracting system; and (iv) develop appropriate quality assurance mechanisms. In addition, to what degree does the government's contracting agency have the resources, information, and skills needed to design, develop, and manage the diverse contracting processes that underlie PPP programs, which include the following?

- access to reliable and accurate financial and administrative information, including accurate baseline information on price and outputs, and access to baseline information on the education outcomes yielded by the sector in general and by the schools to be contracted out to be able to specify appropriate performance benchmarks for the private sector contractors; and
- employment of people with the skills needed to manage the new task of contracting with private sector partners, carrying out functions such as designing, developing, and managing payment systems; accrediting and registering schools; performing quality assurance; and running private sector incentive programs.

In many countries, governments have chosen to set up either a dedicated, cross-sector unit to oversee the implementation of PPPs or specialized PPP teams within sector ministries. Establishing these units is the best way to overcome capacity weaknesses such as a lack of knowledge about contracting, a dearth of the skills required to implement PPPs, high transaction costs, and poor procurement incentives, which can lead to corruption.

### Establish appropriate performance measures, incentives, and sanctions for failing to perform in PPP contracts

Establishing appropriate performance measures is critical in the design of any contract. Performance measures are necessary for determining whether the service provider has met the agreed-upon terms and conditions of the contract; they must be appropriate and must reflect the outcomes required, since the contractor's behavior will be driven largely by what will be measured and rewarded under the terms of

the contract. Performance indicators should be specified as much as possible in terms of measurable outcomes (for example, learning improvements as measured by test scores, reading levels, reduced dropout rates, and/or reduced teacher-student absenteeism) rather than inputs (for example, hiring additional staff or spending more on particular activities). Of course, these performance incentives and sanctions will be utterly ineffective if the education authority lacks the ability or capacity to monitor contractors' performance. Monitoring should aim both to prevent fraud and to ensure that the objectives and targets of the contract are being met.

### Develop an effective communication strategy

Efforts to involve the private sector in education may face concerted opposition from rival political parties, labor unions, the media, the public at large, and/or specific interest groups. A number of options need to be employed to mitigate this challenge. One option is to have a strategic communications plan built on ongoing opinion research that assesses how various stakeholders are affected by the initiative. Another is the development of a pilot PPP project that can be used to demonstrate outcomes and educate stakeholders about the potential advantages and disadvantages of PPPs. The project also can inform the general public about the education quality improvement that can accrue from involving private partners in education, and promote best practices in developing and applying PPPs.

### Introduce a framework for evaluating program outcomes

Each PPP should be accompanied by a well-designed, rigorous evaluation. Education PPPs are highly amenable to proper impact evaluations, because many of the interventions are output driven. Having more rigorous impact evaluations is important, because this increases the amount of information available to policy makers when they make decisions about program design as well as expanding the international knowledge about the circumstances under which particular types of education PPPs work best.



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## Public–Private Partnerships in ADB Education Lending, 2000–2009

Education is a concern for all, including students, parents, communities, employers, societies, and governments. All stakeholders have a role in providing education services. In this context, the Asian Development Bank's (ADB) operations in the education sector pursue new and innovative models of education service delivery and financing. Public–private partnerships (PPPs) can contribute to improving the quality and relevance of education, and to raising the cost efficiency of education delivery, including to disadvantaged groups. This report provides a review of PPP models supported by ADB-financed education sector projects in the past decade. It is part of broader analytical work being conducted by ADB on PPPs in education that will guide education sector operations in the coming years.

### About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
[www.adb.org](http://www.adb.org)  
ISBN 978-92-9092-171-4  
Publication Stock No. TIM102413



Printed in the Philippines