

**ECONOMIC AND PRIVATE SECTOR**  
**PROFESSIONAL EVIDENCE AND APPLIED KNOWLEDGE SERVICES**

TOPIC GUIDE



## Low-cost private schools:

### Evidence, approaches and emerging issues

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## Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
APPG	All-Party Parliamentary Group
ASER	Annual Status of Education Report
CDE	Centre for Development and Enterprise
DFID	UK Department for International Development
EFA	Education for All
EPS-PEAKS	Economics and Private Sector Professional Evidence and Applied Knowledge Services
FAS	Foundation Assisted Schools
GIS	Geographic Information System
HDRC	Human Development Resource Centre
LCPS	Low-cost Private School
M4P	Making Markets Work for the Poor
PEF	Punjab Education Foundation
PPP	Public-Private Partnership
PTR	Pupil to Teacher Ratio
RCT	Randomised Controlled Trial
RTE	Right to Education Act
UN	United Nations
UNESCO	UN Education, Scientific and Cultural Organisation
UK	United Kingdom
US	United States
USAID	US Agency for International Development

## About topic guides

Topic guides aim to provide a clear, concise and objective report on findings from rigorous research on critical areas of development policy. Rather than provide policy guidance or recommendations, their purpose is to signpost policymakers and practitioners to the key debates, evidence and research gaps on the topic of focus, to help support informed decision making.

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Front page photo credit: A safe environment to learn. Robert Stansfield/DFID/ 2013

## Executive summary

Over the past five years, a polarised debate about the potential contribution of low-cost private schools (LCPSs) to achieving Education for All (EFA) objectives has received growing coverage in international policy circles. At the heart of this debate are disputed questions about whether these schools are providing quality education, reaching disadvantaged groups, supporting or undermining equality (including between girls and boys), affordable for the poor and financially sustainable.

This topic guide synthesises the best available evidence on these questions, navigating readers through often inconclusive and sometimes contradictory research findings. It examines the main challenges development agencies seeking to understand and support LCPSs have encountered to date, documenting emerging approaches and lessons learnt.

LCPSs include any market-oriented (nominally for-profit) school that is dependent on user fees for some or all of its costs. Though their scale and coverage is not reliably documented, and many go unrecognised by government, isolated surveys suggest these schools are expanding across Asia and Africa. This growth is variably attributed to excess and/or differentiated demand. However, there are ongoing questions about what this growth implies for:

- *Equity*: Concerns that the growth in low-cost private schooling is exacerbating or perpetuating existing inequalities in developing countries – specifically between urban and rural populations, lower- and (relatively) higher-income families and girls and boys – are widely found in the literature. Findings are that LCPSs are reaching at least some low-income families, although often in relatively small numbers compared with higher-income families. There is evidence girls are underrepresented.
- *Quality of provision and educational outcomes*: Given their heterogeneity, it is misleading to generalise about the quality of private schools. While some rigorous evidence finds students attending them are achieving better results than their government counterparts, even after their social background is taken into account, other (albeit fewer) studies find the opposite. Quality of teaching and learning, as signalled by levels of teacher absence, pupil to teacher ratios and teaching activity, is found to be better in LCPSs than in government schools in some countries.
- *Choice and affordability for the poor*: Irrespective of incentives to get children into government schools, parents sometimes choose private schools because of perceptions of better-quality teaching and facilities, and a preference for English language instruction. Nevertheless, the concept of 'choice' does not apply in all contexts, or to all groups in society, partly because of limited affordability (which excludes most of the poorest) and other forms of exclusion, related to caste or social status.
- *Cost-effectiveness and financial sustainability*: Evidence is that private schools operate at low cost by keeping teacher salaries low, but their financial situation may be precarious where they are reliant on fees from low-income households.

While there are isolated cases of successful voucher and subsidy programmes, evaluations of international support to the sector are not widespread. Addressing regulatory ineffectiveness is a key challenge. Emerging approaches stress the importance of understanding the political economy of the market for LCPSs, specifically how relationships of power and accountability between users, government and private providers can produce better education outcomes for the poor.

# 1 Introduction: The debate about low-cost private schools

## 1.1 Blurred boundaries: Defining low-cost private schools

Low-cost private schools (LCPSs) – sometimes referred to as low-fee private schools – include any market-oriented (nominally for-profit) schools that are dependent on user fees for some or all of their running and development costs. All LCPSs are characterised by a degree of financial independence from the state, and therefore need to attract and retain pupils in order to operate a viable business model. Distinct from elite private schools, they charge fees that low-income families consider relatively affordable.

There is a great deal of variation *within* the category of LCPSs. Private schools operate with varied and mixed motives (religious, philanthropic, for-profit) and at different scales (from individual entrepreneurs, to small settings, to national and international chains), and target relatively higher or lower income groups. A further key distinction is between ‘recognised’ schools, or those that the state formally acknowledges, and ‘unrecognised’ schools, which operate unofficially. Some recognised LCPSs – such as private-aided schools – are heavily subsidised and regulated by the state. For these schools, there is no clear boundary between private and public education.

## 1.2 The market for LCPS

Over the past five years, there has been growing attention to a so-called ‘mushrooming’ of LCPSs in developing countries (Rose, 2002; Tooley et al., 2008). In practice, however, it is difficult to obtain reliable data on the scale and geographical coverage of these schools. A significant portion of them are likely to be ‘unrecognised’ and unregistered by government, and therefore (deliberately in some instances) operating under the radar (Lewin, 2007; Tooley et al., 2011). Data on LCPS largely takes the form of isolated, cross-sectional surveys that cannot by design provide a clear aggregate picture at national or regional levels, or track changes over time (Dixon, 2013).

Experts agree that official government figures typically underrepresent the number of private schools operating in any given location. Some recent research has illustrated this graphically. For example, a comprehensive census and geographic information system (GIS) mapping exercise in Patna, Bihar, revealed 1,574 private schools operating in the area, as against official government estimates of 350 (Rangaraju et al., 2012).

Although the scale of low-cost schools in developing countries is not reliably documented, empirical studies consistently demonstrate they cater for a significant portion of school-age children. In South Asia, a major focus of research on LCPSs, recent Annual Status of Education Reports (ASERs) from Pakistan and India indicate that private school enrolments are growing in rural areas (see Box 1).

### Box 1: Scale and growth of LCPSs in India and Pakistan

59% of children in *urban* areas and 23% in *rural* areas were enrolled in private schools in Pakistan in 2012.

28.3% of children in *rural* areas were enrolled in private schools in India in 2012.

Increases in private school enrolment were found in almost all Indian states, and in rural areas it has been rising by an annual rate of 10% since 2009.

If this rate of growth continues, 50% of children in rural areas of India will be enrolled in private schools by 2018.

Sources: ASER Pakistan (2013); Pratham (2013).

In Africa, where evidence is patchier, one recent census in Lagos state, Nigeria, found private schools – most often small, not ‘approved’ and run by a sole proprietor – accounted for 57% of all school enrolments (Härmä, 2011a). Another isolated survey, comparing two urban slums in Kenya, found that up to 44% of children were attending LCPSs (Oketch et al., 2010). Significant expansions in private schooling have also been documented in South Africa<sup>1</sup> (CDE, 2013).

### 1.3 What is driving the growth in LCPSs?

In their cross-country review of LCPSs,<sup>2</sup> Heyneman and Stern (2013) identify two ubiquitous reasons accounting for their widespread growth: i) a failure of governments to provide a sufficient quantity of schooling to meet demand (more applicants than places); and ii) the generally poor quality of public education available. This echoes two competing views on the determinants of demand for LCPSs found widely in the literature: ‘excess demand’ (parents choose private schools for want of a better alternative) and ‘differentiated demand’ (parents are seeking certain characteristics, usually related to quality, religious preference or distance) (Box 2).

A number of empirical studies find that private schools emerge in locations where state schools are either underprovided or perceived to be of low quality. One widely cited example is the rigorous study by Kremer and Muralidharan (2008), which, using rural data from India, found that private schools cluster in locations where rates of government schoolteachers’ absence are highest.

Variation in the scale of private schooling across regions and states has also been attributed to population density, quality of infrastructure and availability of labour. Andrabi et al. (2008), for example, found private schools in Pakistan were three times more likely to emerge in villages where there were government girls’ secondary schools and therefore a ready supply of female graduates to recruit as teachers. Table 1 summarises these and other factors associated with the growth and location of LCPSs.

Lewin (2007) stresses limits to the growth of private schooling in low-income developing countries. He argues that demographic and cost factors – including high ratios of income-earning adults to dependent school-age children, income distribution heavily skewed towards the wealthy and a general scarcity of domestic capital – constrain the expansion of unsubsidised private schools that are otherwise reliant on fee collection from lower-income households.

#### Box 2: Determinants of demand

*Excess demand:* Supply of public schooling is insufficient to meet demand. Excluded families who perceive the benefits of education to be greater than the opportunity costs, and can afford to pay fees, will seek alternatives in the private sector.

*Differentiated demand:* A family prefers to enter the private sector because of the product variety offered. Private and public schools are imperfect substitutes. This is more likely where there is greater income diversity within the population.

*Source:* Oketch (2010), based on Estelle (1993).

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<sup>1</sup> According to the Centre for Development and Enterprise (CDE), between 2000 and 2010 the number of public schools in South Africa declined by 9%, while the number of independent schools grew by 44%.

<sup>2</sup> Covering Ghana, Indonesia, Jamaica, Kenya, Pakistan and Tanzania.

Table 1: Factors associated with growth and location of LCPS

Factor	Study findings	Reference
<b>(Perceived) low quality of state schools</b>	Private schools congregate in areas where rates of government schoolteachers' absence are highest.	Kremer and Muralidharan, 2008 (India); Tooley et al. (2008) (India)
	Probability of attending primary schools increases as pupil to teacher ratios (PTRs) increase in government schools.	Nishimura and Yamano (2013) (Kenya)
<b>High population density</b>	Villages with larger populations tend to have more private schools (i.e. private sector activities tend to occur where there is a sustainable market).	Andrabi et al. (2008) (Pakistan)
<b>Relatively high quality of infrastructure (roads, water)</b>	Private schools are mainly located in villages with better public infrastructure.	Dixon (2013b) (India); Pal (2010) (India)
<b>Availability of female secondary school leavers (cohort of teachers)</b>	Private schools are three times more likely to emerge in villages where there are government girls' secondary schools.	Andrabi et al. (2013) (India)

## 1.4 Competing perspectives on private schools and EFA

The contribution of LCPSs to achieving Education for All (EFA) objectives is the subject of widespread debate.<sup>3</sup> Perspectives are highly polarised on this issue, and often ideologically charged.

Some commentators are opposed in principle to the delivery of education – typically regarded as an 'imperfect public good' that produces both individual and collective benefits<sup>4</sup> – through a private market (Oketch et al., 2010). Others are against the charging of school fees, by either private or public actors, on the basis that *education is a right* that should be universal and free at the point of use (UNESCO, 2009). Another key, recurring argument made to critically question the role of private schooling in EFA is that only states are obliged to extend the right to education to all populations, including marginalised and economically disadvantaged groups (Lewin, 2007). Although some experts are convinced LCPSs have expanded access and therefore choice for the poor (Tooley et al, 2011), others maintain that, in practice, government schooling remains the only education option available to the vast majority of economically disadvantaged or vulnerable households in poor countries (UNESCO, 2009).

In the UK, the All-Party Parliamentary Group on Global Education for All (APPG-EFA) debated in December 2012 whether the UK Department for International Development (DFID) should support LCPSs as a strategy to improve education access in developing countries (see APPG on Global Education for All, 2012). Proponents argued LCPSs were already widespread, were often the choice of the poor and were delivering education that was at least as good quality as public schooling. On this basis, they stressed LCPSs were part of the solution to the problem of poor progress towards EFA, and should be supported as a complement to public sector reform. Critics of LCPSs maintained they were failing to reach the poorest children, they were providing unregulated education of questionable quality and the expense of fees had detrimental effects on household poverty. They argued investment in a high-quality system of public schooling was needed, and financial support for LCPSs was a distraction or at worst a diversion from this, the only sustainable and long-term path to inclusive education.

<sup>3</sup> See for example, <http://www.periglobal.org/>, where these debates are represented.

<sup>4</sup> Education addresses the public interest by preparing young people to take on civic responsibilities and embrace a common set of values – necessary for a functioning economy and democracy. It also addresses the private interest, by enhancing the economic, social, cultural and political benefits for the individual (Levin, 1999).

These perspectives on LCPSs and EFA are widely echoed in the broader academic and policy literature. As in the parliamentary debate, the main public policy questions relate to whether LCPSs are providing quality education, reaching the disadvantaged, supporting or undermining equality (including between girls and boys), affordable for the poor and financially sustainable. Table 2 summarises opposing views on each of these questions.

Table 2: Opposing views on the contribution of LCPSs to EFA

Policy question	Supporting arguments	Counter arguments
<b>Do LCPSs provide a quality education?</b>	<ul style="list-style-type: none"> <li>Students achieve better educational outcomes in private schools.</li> <li>LCPSs tend to have low PTRs.</li> </ul>	<ul style="list-style-type: none"> <li>Private school curricula may be unregulated and governments may not provide for transfer into public secondary schools. Private school teachers may be inexperienced and unqualified.</li> </ul>
<b>Do they reach the disadvantaged?</b>	<ul style="list-style-type: none"> <li>Private schools are geographically accessible to the poorest, operating in both rural and urban areas and often 'filling the gaps' in state provision.</li> </ul>	<ul style="list-style-type: none"> <li>LCPSs are not serving the lowest economic quintiles; they stratify the poor into the better-off, who go private, and the worse-off, who go public.</li> <li>Non-state schools cluster in urban areas and cities where the market is more viable than in rural areas, i.e. they 'follow the money'.</li> </ul>
<b>Are they serving girls and boys?</b>	<ul style="list-style-type: none"> <li>Private schools are equally accessible by girls and boys.</li> </ul>	<ul style="list-style-type: none"> <li>Household decisions influence whether attendance is equal; where resources are limited, boys are often favoured over girls.</li> </ul>
<b>Are they affordable to users?</b>	<ul style="list-style-type: none"> <li>The poorest quintile is willing and able to pay for private schools.</li> <li>Private schools are no more expensive than state schools, which often have implicit costs (e.g. uniforms, transport, food, textbooks).</li> </ul>	<ul style="list-style-type: none"> <li>The cost of fees reduces the money available for households for basic welfare.</li> </ul>
<b>Are they cost-effective and financially sustainable?</b>	<ul style="list-style-type: none"> <li>Private schools are more cost-effective than state schools partly because overheads are lower.</li> <li>Teachers working for a fraction of state schoolteachers' salary can still be effective.</li> </ul>	<ul style="list-style-type: none"> <li>LCPSs exploit local labour markets for unemployed, untrained and typically female secondary school leavers.</li> <li>LCPSs serving the poor are unsustainable without significant subsidy.</li> </ul>

Source: Author, based on Day-Ashley et al. (2013).

## 1.5 What is the strength of the evidence?

A rigorous review of the evidence on the role and impact of LCPSs on EFA, completed in 2013, found that many of the assumptions underpinning the highly polarised debate on LCPSs were in practice weakly evidenced and unsupported (Day-Ashley et al., 2013). Table 3 summarises the findings of this review.

The review highlighted that the evidence base was limited in three main ways. First, it is widely acknowledged that there is a lack of data on the true extent of private schooling operating in developing countries. Second, the literature is geographically heavily weighted to South Asia, with a much more limited African focus, and very little evidence from conflict-affected or fragile states. Finally, there is very little evidence on the role and impact of private middle and secondary schools. Given these limitations, along with the heterogeneity of the private education sector, and the variety of research methods used to examine them, findings in this area are inconclusive and not generalisable.

Table 3: Main findings from a rigorous review of the evidence on LCPSs

Hypothesis	Main finding	Examples of relevant studies
<b>QUALITY</b> Private school education is high quality compared with state school education	Strong evidence that private school pupils achieve better learning outcomes than state school pupils. However, the true private school advantage is often small and may be overemphasised. Strong evidence that teaching is of better quality in private schools than in state schools.	Muralidharan et al. (2011) Javaid et al. (2012); Singh (2012) Maitra et al. (2011); Muralidharan et al. (2011); Singh (2012)
<b>EQUITY</b> Private schools provide education to disadvantaged social groups	Weak and inconclusive evidence on whether private schools reach the poor. Moderate evidence that girls are less likely than boys to be enrolled in private schools.	Tooley et al. (2008); Woodhead et al (2013) Maitra et al. (2011); Nishimura and Yamano (2013)
<b>COST-EFFECTIVENESS</b> Private school education is cost-effective and financially sustainable	Strong evidence that private schools have lower relative costs than state schools. Weak and inconclusive evidence on whether private schools are financially sustainable.	Muralidharan et al. (2011) Dixon et al. (2013); Härmä and Rose (2012)
<b>AFFORDABILITY</b> Private schools are financially affordable for the poor and the poorest	Weak and inconclusive evidence on whether the poor and the poorest are able to pay private school fees. Weak and inconclusive evidence that private schools are not more expensive than state schools.	Akaguri (2013); Härmä (2011b) Siddhu (2011)
<b>CHOICE</b> Demand for private schools is driven by informed choice and a concern for quality	Strong evidence that perceived quality of education is a priority for users when choosing private schools. Moderate evidence that users make informed choices about the quality of education.	Nishimura and Yamano (2013); Oketch et al. (2010) Phillips and Stambach (2008); Srivastava (2008)
<b>ACCOUNTABILITY</b> Private schools are accountable to users	Weak and inconclusive evidence on whether users actively participate in or influence operational decision making in private schools. Weak and inconclusive evidence on whether private schools are responsive to users' demands and complaints.	Hartwig (2013) Andrabi et al. (2009)
<b>FINANCING AND PARTNERSHIP</b> State collaboration, financing and regulation improve private school quality, equity and sustainability	Strong evidence that states lack the knowledge, capacity and legitimacy to implement effective policy frameworks for private school collaboration and regulation. Weak and inconclusive evidence on whether state subsidies improve private school quality, equity and sustainability. Moderate evidence that state regulation does not improve private school quality, equity and sustainability.	Barrera-Osorio and Raju (2010) Barrera-Osorio and Raju (2010); Fennell (2013) Dixon (2013b); Heyneman and Stern (2013)
<b>MARKET</b> Private schools have positive effects on the overall education system	Weak and inconclusive evidence on whether private schools complement state provision by filling gaps. Weak and inconclusive evidence on whether market 'competition' enhances quality in private and state sectors.	Andrabi et al. (2013) Andrabi et al. (2009)

Source: Author, based on Day-Ashley et al. (2013).

## 2 Evidence on the role and impact of low-cost private schools

### 2.1 Equity implications

#### Are low-cost private schools serving the poorest?

The question of whether LCPSs are serving the poor is widely debated in the literature, with a majority of empirical studies finding many are reaching at least some low-income families (Day-Ashley et al., 2013). However, the portion of poorer or disadvantaged families accessing private schooling is often relatively small when compared with higher-income families. In India, for example, Härmä and Rose (2012) found that only 10% of children from the poorest quintile were accessing private schools in their study area, compared with 70% of the richest quintile. A similar study in rural India documented a smaller portion of children of unskilled labourers attending private schools than of children of farmers or skilled workers (Härmä, 2011b).<sup>5</sup>

Elsewhere, Heyneman and Stern (2013) cite similar private school enrolment rates of 10-11% of students from the two lowest economic quintiles in Jamaica and Pakistan. They acknowledge that, in Jamaica, Tanzania and Kenya, private schools are offering concessionary spaces to children from families that otherwise could not afford to pay tuition, as well as to street children or AIDS-affected orphans. Sometimes, the fact that private schools are located in particularly poor areas is taken to demonstrate they are reaching the poorest. This argument is made in reference to the significant numbers of private schools found operating in very poor informal settlements of Kibera, Kenya<sup>6</sup> (Tooley et al., 2008). Nevertheless, concerns have also been raised that, even where children from the lowest quintiles are enrolled in LCPSs, they are also the most likely to drop out – as demonstrated by Akaguri (2013) in the case of rural Ghana.

Other research counters the view that private schools reach the poorest, arguing they naturally cluster where the market for them is viable, and this is typically in relatively richer and more developed areas, in either urban or rural settings. Pal's (2010) study of five rural states of India concurs, suggesting private schools are mainly located in better-off villages, with better infrastructure. Andrabi et al. (2008) unearthed similar findings in Pakistan, showing the presence of private schools was correlated with good infrastructure and larger populations. They attributed this to private schools needing a critical mass of children in their catchment area in order to operate a viable financial model. There is, however, evidence directly contradicting this finding: Baird's (2009) analysis in India found private schools were as likely to exist in poor areas, where government provision is of low quality, as they are in rich ones.

#### Is there an urban-rural divide?

Data from a number of countries demonstrate private schools are not confined to urban areas (Day-Ashley et al., 2013). In South Africa, for example, Schirmer et al.'s (2010) analysis found an even split between public and private schools in relatively remote rural regions,<sup>7</sup> almost a quarter of which were unregistered. Heyneman and Stern (2013) document another illustrative example, in Indonesia, where LCPSs were found in one remote mountainous region 10km from the nearest government school.

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<sup>5</sup> Less than 30% of the children of unskilled labourers attended private schools, compared with 55% of farmers' children and over 75% of the children of skilled workers.

<sup>6</sup> 76 private primary and secondary schools were found to be enrolling 12,132 students.

<sup>7</sup> Including Butterworth, Limpopo and the Eastern Cape.

While there is evidence of rural coverage, the portion of the rural population with access to LCPSs is often found to be low, when compared with urban settings (Day-Ashley et al., 2013). In India, Kremer and Muralidharan's (2008) widely cited case found that 28% of the rural population had access to a private school – leaving 72% without access. Other survey data collected across rural and urban India<sup>8</sup> similarly found that, while a majority of school children in rural areas were registered in government schools (74.1%), in urban areas the majority of children were registered in private, unaided schools (66.6%) (Dixon, 2013b). For some, the relatively lower density of private schools in rural versus urban settings implies restricted 'choice' for rural users, and diminishes the (quality-related) effects of competition between suppliers (Härmä, 2011a).

Research summary 1: 'Does Growth in Private Schooling Contribute to Education for All? Evidence from a Longitudinal, Two-cohort Study in Andhra Pradesh, India' (Woodhead et al., 2013)

This study, by *Young Lives*, uses data from two cohorts (2,906 children) in Andhra Pradesh to examine how education choices have changed over time, between rural and urban locations and according to household composition. It finds that children from rural areas, those from lower socioeconomic backgrounds and girls all continue to be underrepresented in private schools:

- *Changes in enrolment over time*: There was an increase in private school enrolment over the seven-period of study. In 2000/01, 24% of eight year olds were attending private schools. In 2006/07, 44% of the equivalent group were attending private schools. More children were found to have switched (mainly from the public to the private sector) in the later survey.
- *Changing opportunities in rural-urban contexts*: The probability of attending a private school was higher in urban than in rural areas. Nevertheless, the largest growth in private schooling between was in rural areas – with an increase from 10% enrolment in 2001 to 31% in 2009.
- *School access and inequality of opportunity* are affected by:
  - *Gender*: There was little difference in the attendance of girls and boys in the younger cohort. However, the gender gap was found to widen in later childhood. A nine percentage point gap between girls and boys was observed at age eight.
  - *Poverty*: While attendance increased for all wealth quartiles, the poorest groups remained underrepresented. The gap in attendance rates between the poorest and least poor groups increased from 14 to 42 percentage points over the seven-year period.
  - *Caste*: Lower-caste children – from Scheduled Castes, Scheduled Tribes and Backward Castes – were less likely to be enrolled in private schools (5-8% enrolment in rural areas) than other castes (32.5% in rural areas).

Research by the Young Lives programme is ongoing, see: <http://www.younglives.org.uk/>

### Are girls disadvantaged?

The gender implications of the growth of low-cost private schooling are a key public policy concern. Two main questions dominate the literature in this regard. First, are girls disadvantaged in terms of their enrolment in LCPSs? Second, are they more (or less) disadvantaged in LCPSs than in government schools, in relative terms? On each of these questions, the evidence is inconsistent and not generalisable (Day-Ashley et al., 2013).

Some studies, mainly from the Indian context, find that, in absolute terms, a smaller portion of girls than boys are enrolled in private schools. One rigorous example is Woodhead et al.'s (2013) longitudinal study in India, which documents, among other types of exclusion, the underrepresentation of girls across four states in particular (see Research summary 1). Gender inequality was also found to be significant in rural India by Härmä (2011b), who documented a third of girls but just over half of boys attending

<sup>8</sup> In Hyderabad, Delhi, Patna and Mahbubnagar.

LCPSs. Some evidence directly counters this, however. Dixon's (2013b) survey data from five states in India found no evidence that girls were chosen to attend private schools over boys as reflected in enrolment data. Likewise, Srivastava's qualitative study (2008) finds an equal likelihood of sending girls and boys to LCPSs among households studied in Lucknow, India.

There is evidence that, in some contexts, girls are more disadvantaged in LCPSs than they are in government schools. In Pakistan, for example, Andrabi et al. (2008) found the share of female enrolment in private schools was three to five percentage points higher than in government schools. Similarly, Maitra et al. (2011) found the gender gap in private school enrolment in India was twice as large as that in public schools, worse among younger children and increasing over time in rural areas. They also highlight that gender disadvantage varies between states; in this case, large northern states in India were found to have significantly higher female disadvantage than southern ones.

Where it is found, gender inequality in private school enrolment is typically attributed to a selection bias towards boys – that is, low-resource households that cannot afford to send all of their children to private schools choose to enrol boys over girls. Hartwig's (2013) case study of 56 villages in Tanzania, which also found significantly lower female enrolment in LCPSs, acknowledges this and other sociocultural factors are behind observed gender disparity. Other factors include inadequate access to latrines and water at schools (which may prohibit attendance during menstruation), and concerns over the safety of the environment for girls, who parents perceived as particularly vulnerable to sexual assault.

## 2.2 Quality of provision and educational outcomes

### Do children attending private schools achieve good education outcomes?

Given their heterogeneity, it is misleading to generalise about the overall quality of private schools in developing countries: good and bad schools can be found in any category (Chudgar and Quin, 2012). Often, the relative quality of private schools is compared with a very low quality of education in government schools (Bano, 2008; Gibson et al., 2011). Notwithstanding these caveats, a rigorous review found that, on the whole, evidence broadly supports the view that students attending private, fee-paying schools are achieving better results, even after their social background is taken into account (Day-Ashley et al., 2013). However, the extent of the true 'private sector effect' (the advantage of attending a private versus a government school) is often marginal, and varies across countries and contexts. Moreover, the degree to which studies can make such claims depends on how rigorously they address the following:

- *Covariates*: Researchers need to separate the influence of the school from the effects of students' ability and family background. Without accounting for these covariates, the true private sector effect is likely to be overestimated (Wadhwa, 2009).
- *Selection effects*: Evidence shows children 'sort' into school types, with children from better-off and better-informed families enrolling in private schools (Goyal and Pandey, 2009). This creates an endogenous advantage, in that a superior (higher-ability) intake may lead to higher achievement, and therefore an overestimation of the true private school effect (French and Kingdon, 2010).

Several rigorous studies find a small but significant private sector achievement advantage. Javaid et al.'s (2012) study in Pakistan found that, after controlling for the effects of private tuition and other covariates, the private school effect declined but remained significant.<sup>9</sup> In Nepal, Thapa (2012) found a large private school premium

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<sup>9</sup> Private school students performed 0.038 standard deviations better than their government school counterparts.

using national data on School Leaving Certificate levels at secondary level (as indicated by a pass rate of 45.1% for government students and 87.2% for private students), even after controlling for the effects of private tuition. However, the study concludes that, overall, these results are attributable to a combination of school/teacher and family/individual characteristics of the students.

Some research findings on the relative quality of private schools are directly contradictory. Research summary 2 reports the findings of two studies that use different techniques and datasets to arrive at contrasting estimations of the true private school effect in parts of India. French and Kingdon's (2010) analysis, using the household fixed effects<sup>10</sup> method in rural India, found a significant achievement advantage for children from poorer backgrounds. However, Chudgar and Quin's (2012) approach using propensity score matching<sup>11</sup> questions this, underlining the heterogeneity in private school performance.

Variation in the degree of the private school advantage across countries, and between different subject areas, is another theme in research (Day-Ashley et al., 2013). For example, Dixon et al.'s (2013) multi-level regression analysis in the Kibera slums finds a positive relationship between attendance in private schools and test scores in maths and Kiswahili, but not in English. One explanation the authors give is that English language skills, unlike maths, tend to be additionally learnt outside the school environment, in the wider community. And, therefore, while private schools can provide a good education, they are not always able to overcome the limitation of a low-income background for subjects where more affluent children arrive at school with significant knowledge.

#### Research summary 2: Relative effectiveness of private and government schools in India

<p>'The Relative Effectiveness of Private and Government Schools in Rural India: Evidence from ASER Data' (French and Kingdon, 2010)</p> <p><i>Study method:</i> Household Fixed Effects</p> <p><i>Main findings:</i></p> <ul style="list-style-type: none"> <li>• Statistically <i>significant</i> positive private school achievement advantage based on standardised test scores.</li> <li>• While the size of the effect was relatively small – only about one-fifth to one-third of a standard deviation in the above two studies – the benefits were found to be greater for children in the low-income strata.</li> </ul>	<p>'Relationship between Private Schooling and Achievement: Results from Rural and Urban India' (Chudgar and Quin, 2012)</p> <p><i>Study method:</i> Propensity Score Matching</p> <p><i>Main findings:</i></p> <ul style="list-style-type: none"> <li>• Statistically <i>insignificant</i> but positive private school achievement advantage.</li> <li>• Further disaggregating the school type by the level of fees charged showed that pupils from <i>low-fee</i> private schools may perform no better than their government school counterparts.</li> </ul>
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#### Is teaching and resourcing better in low-cost private schools?

Better teaching practices are one of the prominent explanations frequently given to account for better educational outcomes in private schools. Day-Ashley et al. (2013) found evidence was generally in support of this assumption. Specifically, private school teachers, although often less qualified than their government counterparts, are less

<sup>10</sup> The household fixed effects method allows researchers to compare the difference in achievement levels of two or more children from the same household who attend private and public school, after adjusting for the child's grade and gender. The main limitation is that parents may invest differently in children because of ability – thus a more 'heavily invested' child may do better because of these unobservable characteristics (Chudgar and Quin, 2012).

<sup>11</sup> Propensity score matching allows researchers to compare or 'match' children who are alike on several attributes, thereby arriving at an estimate the effect of private schooling. The main limitation is that this can be based only on observable (not unobservable) traits (Chudgar and Quin, 2012).

likely to be absent, and more likely to be engaged in teaching activity when present. There is also some evidence that private schools operate lower (PTRs)<sup>12</sup> (ibid.).

Several studies examine proxies for teaching and learning quality in private compared with government schools. Findings from prominent studies are summarised below:

- *Levels of teacher absence*: Kremer and Muralidharan (2008) found that private school teachers were two to eight percentage points less absent than teachers in government schools. Andrabi et al. (2008) on Pakistan and Tooley et al. (2011) comparing India and Nigeria similarly conclude from their data that rates of absence are generally higher among government versus private school teachers.
- *Teacher activity/or 'effort'*: Kingdon and Banerji's (2009) study in Uttar Pradesh found regular government schoolteachers reported spending 75% of their school time teaching, compared with 90% reported by private school teachers. Singh (2012) found teachers in private schools in rural areas in India were more likely to have adopted pedagogies and teaching styles that lead to improved student outcomes. Tooley et al. (2011) found levels of teaching *activity* were significantly higher in private compared with government schools in Nigeria and India.
- *PTRs*: Kremer and Muralidharan (2008) estimated that private school pupils had three to four times more 'contact time' with teachers than their counterparts in government schools in India. Maitra et al. (2011) found similar findings in India. Hartwig's (2013) study in Tanzania found private secondary schools had an average PTR of 33:1 compared with 48:1 in government schools.
- *Teacher qualifications*: Aslam and Kingdon (2011) note that private schools often hire less experienced and less trained (although not necessarily less certified), unmarried and young female staff who are paid low wages. Others argue hiring untrained female teachers does not necessarily undermine the quality of teaching because accountability in private schools is high (with short-term contracts, and hiring and firing) (Andrabi et al., 2008).
- *Teaching and learning environment*: There is limited evidence of the comparative quality of the facilities available to children attending government versus private schools. In her study in India, Dixon (2013b) found that facilities such as drinking water, toilets (including separate ones for boys and girls), a library, computers, television, desks, chairs/benches and electric lighting were generally better in LCPSs (recognised and unrecognised). For example, almost all private schools in Hyderabad and Delhi provided toilets for students, compared with only half of government schools in Hyderabad and 80% of government schools in Delhi.

### Does competition on price lead to improved quality over time?

The principle that competition between private and public schools drives up quality across the entire education system has not been rigorously tested in empirical research (Day-Ashley et al., 2013). This is true not only for whether competition leads to better quality LCPSs, but also for whether it leads to better-quality government schools (i.e. the 'system-wide effects' of competition). For some, these market-based arguments do not apply in developing country settings, where private provision is generally a supplement (rather than a competitor) to weak government provision, and uptake is driven by excess demand (Lincove, 2007). In essence, the argument is that the presence of private providers will not increase the performance of state schools where the two operate as parallel systems (Oketch et al., 2010).

To date, the limited available evidence on competition is contradictory. One study by Pal (2010), which used data from five states across rural India, found improvements in the pass rates of private schools failed to have any significant impact on equivalent pass rates in government schools. This was explained, as per the arguments above, by the

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<sup>12</sup> PTRs are typically measured by dividing the number of students who attend a school by the number of teachers in the school.

absence of any real competition between schools, and specifically by secure funding to government schools diminishing any incentives to compete on quality (ibid.). In contrast, Andrabi et al.'s (2009) randomised controlled trial (RCT)<sup>13</sup> found that market competition *did* lead to quality improvements across all school types in an area of rural Pakistan, although this was only after comparable information on school performance was provided to (potential) users (see Research summary 3). However, in this case, LCPSs responded to the effects of competition more keenly than the government schools did.

Research summary 3: 'Report Cards: The Impact of Providing School and Child Test-scores on Educational Markets' (Andrabi et al., 2009)

This RCT examined the effects of a community report card in 112 randomly selected villages in three regions of Pakistan's Punjab province where there is a high degree of choice between private and public schools. The report card provided individual test scores, average scores and school rankings in each village, with the aim of stimulating market competition, improved quality and accountability. The study found:

- Scorecards created a competitive environment in which all schools were pressured to pursue 'price-adjusted quality'. Average test scores in the villages where scorecards were distributed rose by 0.10-0.15 of a standard deviation compared with control villages.
- Poorly performing private schools were more responsive to this market pressure than government schools. The worst-performing private schools made the most significant improvements in quality (as measured in test scores). Government schools made some but more modest gains on learning outcomes. The highest-performing schools – where the 'cost per test score' was the greatest – made little improvement in test scores but reduced their fees by up to 20%.
- Public distribution of test scores and rankings altered parents' perceptions of school quality, and, although there was little evidence of switching between schools, there was some evidence that enrolment in public schools increased at the expense of enrolment in badly performing LCPSs.

## 2.3 Choice and affordability for the poor

### Is (perceived) quality the main determinant of choice?

Irrespective of incentives to get children into government schools (free uniforms, midday meals, free textbooks), parents tend to prefer private schools (Dixon, 2013b). In Kenya, the number of private schools has increased fourfold since the introduction of Free Primary Education in 2003, at least partly in response to growing numbers of children in public school classes (Nishimura and Yamano, 2013).<sup>14</sup> Research has highlighted other reasons for the apparent puzzle of choosing to pay when there are free alternatives. These are mainly at the socioeconomic and household level.

Oketch et al. (2010) specifically asked whether excess or differentiated demand was driving the uptake of private schooling across parts of Kenya. Their study, which compared choice in two slum settlements and two non-slum settlements, concluded that *excess demand* was the main factor driving poorer parents to send their children to 'low-quality' LCPSs in slum areas. These parents would in fact prefer to send their children to free public schools, but are crowded out owing to limited public school places in their locality. In contrast, wealthier families in non-slum areas were found to be sending their children to private schools through preference – or *differentiated demand* – specifically, because of the perceived higher quality of private schools. In sum, parents in slums were choosing private schools because of the low *quantity* of public schools in their vicinity, whereas parents in non-slum areas were choosing private schools because of the perceived lack of *quality* of public schools in their area.

<sup>13</sup> RCTs are a type of experimental research design that randomly assigns subjects either to a study group (that receives the intervention) or to a 'control' group (that does not receive the intervention).

<sup>14</sup> Specifically, the portion of children attending private schools increased from 4.6% in 2004 to 11.5% in 2007.

Other surveys indicate dissatisfaction with government schools, and that perceptions of levels of teacher engagement and effort, discipline and instruction in English are key drivers of demand for, and uptake of, private schooling (Table 4). Preference for English medium, teaching quality and discipline are particularly prevalent signals of quality, as indicated through surveys of and interviews with parents across India and parts of Africa:

- *English medium*: In some contexts, a large majority of private schools are English medium.<sup>15</sup> Härmä (2011) found that, among surveyed parents in J.P. Nagar district in Uttar Pradesh, 95% preferred LCPs owing to their perceived quality and the fact that English language was the medium of instruction. Singh and Sarkar (2012) also find that English language is a major reason why parents choose private schools in India.
- *Teaching quality and discipline*: Perception surveys in Kenya highlight that levels of discipline are among the central reasons for transfers into private schools (from public or other private schools) (Oketch et al., 2010). Similar surveys in Andhra Pradesh found perceptions of quality teaching to be the driver of decisions to send children to them (Singh and Sarkar, 2012). Srivastava (2008) found the main deficiencies in the state sector cited by parents were the poor attitudes and work practices of teachers (including irregular attendance and poor discipline).

Table 4: Expressed preferences for LCPSs

Preferences for LCPSs	Evidence
<b>English medium</b>	Härmä (2011b) (India)
<b>Smaller class sizes</b>	Ohba (2012) (Kenya)
<b>Lower PTRs</b>	Nishimura and Yamano (2013) (Kenya)
<b>Better facilities</b>	Baird 2009 (India); Ohba (2012) (Kenya)
<b>Better quality of teaching and discipline</b>	Srivastava (2008) (India)

A number of household-level factors are also thought to affect choice of private schooling, including (see Härmä, 2011b):

- *Number of children*: Large families may not be able to afford to send all of their children to private school, and so may have to choose between them.
- *Birth order*: Older children may be more likely to go to private school than younger ones.
- *Level of parental education*: More educated parents tend to invest more in the education of their children.

In addition to the above, recent evidence from Andhra Pradesh and parts of Pakistan links high parental aspirations to a higher probability of children attending private schools. The level of education of the primary caregiver was also strongly associated with the probability of children attending a private school (Woodhead et al., 2013).

### Active choice versus political economy of choice: Contrasting accounts from Tanzania and India

While choice is at the heart of debates about the relevance of LCPSs for EFA goals, the applicability of the idea of choice to the market for LCPSs in developing countries remains contested. Phillips and Stambach (2008) and Srivastava (2008) give contrasting accounts of 'choice' in education in Tanzania and India, respectively. In Tanzania, where the majority of citizens still have no access to secondary education, the concept of choice does not apply to how (secondary) education is informally accessed. In India, however,

<sup>15</sup> For example, a survey in Hyderabad found 87.8% of recognised and 80.2 % of unrecognised schools were teaching in English. In contrast, 72.6% were Urdu medium (Dixon, 2013b).

parents *are* engaged in 'active choice', based on informed assessments of the quality of education on offer.

- Phillips and Stambach's (2008) ethnography in rural Tanzania illustrates that *rather than 'choose' between education providers in an open market, families cultivate education opportunities* by calling in favours, going into debt and cultivating personal relationships with school managers and teachers. These relationships of reciprocity and exchange between families, extended kin, benefactors and potential sponsors are the 'invisible hands' that make or break educational opportunities for school-age children. The result is an unequal system where entry to secondary education is dependent on family resources and community networks.
- Srivastava's (2008) case study in India found *families are engaged in 'active choice' around schooling*. The study uses New Institutional Economics to model the attitudinal and contextual factors driving choice of LCPS. It argues choice involves a process of deliberation based on i) perceptions and beliefs about the superior quality of private schools; and ii) information gathered largely through informal community networks, or 'chatter'. Although choice is constrained by fees, location of the school and information, the findings challenge the idea there is a 'false consciousness' among disadvantaged households, suggesting they can and do make informed choices between education providers.

### How do cost and affordability influence choice?

Two main questions related to affordability recur in the literature. First, how much more expensive than government schools are private schools? Second, to what extent is affordability a driver of choice? On both of these questions the evidence is mixed and, given the heterogeneity of the sector, not generalisable (Day-Ashley et al., 2013).

Researchers comparing the cost of public and private schooling widely acknowledge that public schools are often not 'free', and can require financial contributions, travel costs and payments to parent-teacher associations (PTAs), as evidence from rural Ghana illustrates (see Research summary 4). They also note that education incurs both direct costs (fees, books, uniforms, transport, extra tuition) and indirect costs (loss of family labour), which have to be taken into account when comparisons are made (Akaguri, 2013).

Some cross-country evidence finds the differential costs of sending a child to a private versus public schools is modest, especially where there are concessions to the poorest families. In Ghana, for instance, some LCPSs offer fee discounts for prompt payment, and reductions in the costs of sending second and third children (Akaguri, 2013). However, a small but significant evidence base finds that, in practice, private schools, including LCPSs, are significantly more expensive than state schools – in terms of both direct and indirect costs (Day-Ashley et al., 2013). For instance, the additional costs and distances associated with accessing secondary school are a significant constraint in Uttar Pradesh, India, having the effect of disadvantaging girls in particular (Siddhu, 2011).<sup>16</sup> Within the private schools category, recognised schools are typically more expensive than unrecognised ones (Dixon, 2013b). This is in spite of the fact that parents aren't always aware of the status of schools (Gibson et al., 2011).

#### Box 3: The cost of LCPSs in Hyderabad

In Hyderabad, the first grade mean fee per month is Rs.95.6 (\$1.71) (recognised schools) and Rs.68.23 (\$1.22) (unrecognised schools). This represents 5.5% and 4.2% of the minimum monthly wage, respectively.

Source: Dixon (2013b).

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<sup>16</sup> Transitioning from a government primary school to a private-aided secondary school in this location more than doubles the cost of education for families.

*Affordability* implies a family can pay for education without needing to forgo spending in other essential areas.<sup>17</sup> Some interview-based surveys indicate affordability is a constraint to the poorest households accessing private schooling. Härmä (2011b), for example, found that, despite a vast majority of parents indicating a *preference* for private schools over poor-quality government alternatives, only 41% of the children in the sample were actually attending private schools. A similar analysis of primary and secondary schooling in one province of Pakistan reported that poverty deterred parents from sending their children to private schools in practice (Fennell, 2013). However, recent census data and qualitative research from Lagos, Nigeria, indicate that poverty may not be the singular determinant of choice of primary school. In this urban context, although affordability is an important consideration in the selection of schools, the *proximity* of a school to home was found to be more important, because young children have to be escorted to school (Tooley, 2013).

Research summary 4: 'Fee-free Public or Low-fee Private Basic Education in Rural Ghana: How Does the Cost Influence the Choice of the Poor?' (Akaguri, 2013)

This mixed-methods case study uses household survey data and qualitative interviews to compare the costs for families of sending children to LCPSs versus public schools in three areas of rural Ghana. It concludes that enrolment in LCPSs should not be assumed to mean the costs are affordable for low-income families, and that the poorest have no choice other than to send children to public schools. The data showed that:

- Total educational expenditure per child per year was far greater for private schools (c20-290) than for public schools (c5-70).
- Whether on low-fee or public schools, households spend a significant proportion of their income on education. School meals constitute the most expensive direct cost of education in both private and public schools.
- For lowest-income families to enrol just one child in private school would require around a third (29.8%) of household income.
- However, most families studied had two children. Sending two children to private school would cost more than half of the average income of the lowest economic quintile.
- Interviews with household heads spending more than 10% of their income on schooling showed they were diverting expenditure from other basic needs (food, health care) or coping by purchasing essential items on credit.

## 2.4 Cost-effectiveness and financial sustainability

*Cost-effectiveness* refers to the costs of education delivery relative to its benefits (in this case learning outcomes). Policymakers are interested not only in whether or not LCPSs are cost-effective, but also in whether they are more or less cost-effective than government schools. Overall, there is very limited rigorous evidence to address either question – that is, whether LCPSs deliver value for money for users, funders and beneficiaries in either absolute terms or relative to government (Day-Ashley et al., 2013).

Proponents tend to argue LCPSs produce the same educational outcomes at a fraction of the cost of public schools (Tooley et al., 2011). Indeed, it is widely documented that LCPSs *typically operate at low cost*, significantly aided by lower teacher salaries – the largest expenditure in any education system. Substantial differences in teacher salaries are reported across several country contexts. For example, the average monthly salary of a government teacher in Hyderabad (based on a sample of Class 4 teachers) was reported to be Rs.4,479 (\$80.20), compared with Rs.1,223 (\$21.90) in unrecognised schools and Rs.1,725 (\$30.98) in recognised private unaided schools (Dixon, 2013b).

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<sup>17</sup> Some researchers set a specific threshold by which they measure the 'affordability' of LCPSs. Tooley (2013), for example, takes the position that 'low-cost' private schools are those affordable by a family on or below the poverty line, if total fees for all children in school amount to between 10% and 11% of total family income.

Others argue in principle that value for money requires accountability and regulation (Lewin, 2007).

The (comparative) sustainability of different financial models for operating LCPSs is not rigorously analysed in the literature. Many acknowledge that, while LCPSs may not necessarily be motivated by profit, they nevertheless have to break even as a source of employment/income for the owners (Oketch et al., 2010). However, some argue LCPSs that accommodate low-income families are vulnerable to financial failure where they have to accept payment in kind, rely on a single charismatic founder and are unlikely to be able to attract long-term finance from banks or other lenders (ibid.). There is some isolated survey evidence of this from India, where Härmä and Rose (2012) observed that LCPSs in their dataset were operating for short periods of time, with as many as a quarter of them closing down within 18 months of the end of the study. Dixon et al.'s (2013) surveys in Hyderabad, Delhi and Mahbubnagar present a contrasting account, showing that recognised private schools had been established for an average of 17 years, while most unrecognised schools were generally newer but still a significant minority had been established for more than five years. These isolated findings are not generalisable, however. Moreover, there is little discussion in the literature of any non-financial factors that could affect the sustainability of LCPSs.

## 3 Support to low-cost private schools: Challenges, approaches and lessons

### 3.1 Regulation and the enabling environment

Regulation in principle aims to set and enforce standards that ensure education is provided in line with public policy goals and protects citizen welfare (Heyneman and Stern, 2013). However, evidence from a range of countries suggests regulatory structures for LCPSs have been difficult to enforce in practice (Day-Ashley et al., 2013). Incentives for LCPSs to pursue recognition may include enabling pupils to sit state exams, and the prospect of charging higher fees than unrecognised schools (Dixon, 2013b). Nevertheless, typically only a small portion of private schools are recognised and regulated. For example, recent surveys in Lagos state indicate that only 26% of private schools are government-approved (Härmä, 2011a).

Recognition status can be difficult to achieve where the rules and requirements are unrealistically stringent and costly (Dixon, 2013a). In India, for example, achieving the status of private-aided school requires LCPSs to bring teacher salaries in line with the salaries earned by government teachers (negotiated by unions), which could make them unaffordable for the poor (ibid.). Where the standards of teacher qualifications required in private unaided schools are higher than those in state schools, this can cause resentment between private and public providers (Srivastava, 2008). In addition, various studies have documented regulations that are *unnecessarily numerous, restrictive, unenforced or (as a result) used as an opportunity for graft* (Box 4).

#### Box 4: Regulatory concerns

*Numerous:* Mission statements, certificates, proof of ownership and various reports from different government departments (e.g. Tanzania).

*Restrictive:* Requirements for land ownership (e.g. Kenya, Pakistan).

*Unenforced:* Requirements cannot be monitored in practice (e.g. teacher certification in Ghana).

*Opportunity for corruption:* Public officials collect rent rather than enforcing regulation (found in all cases).

Source: Heyneman and Stern (2013).

Some *specific regulations* have been criticised for focusing on inputs rather than on improving outputs or quality outcomes. *Tuition fee limits* (e.g. in Kenya and Ghana), for example, are seen to restrict market-based models, diminishing investor interest, preventing cross-subsidy between schools and ultimately undermining their financial sustainability (Fielden and LaRocque, 2008; Heyneman and Stern, 2013). *Teacher certification* is also considered to have limited effects on student learning in the classroom (Aslam and Kingdon, 2011; USAID, 2011).

It is well documented that, while the official policy intent of regulation is to ensure quality and apply common standards, the *real effects* can be to limit competition among non-state schools and between them and state schools, and to create opportunities for rent seeking. In India, for example, LCPSs have been found to sometimes gain recognition through informal bribes (Dixon, 2013b). Härmä and Adefisayo (2013) also noted government officials extort bribes from the owners of unapproved schools in return for not closing them down.

#### Addressing regulatory ineffectiveness

Frequently cited reasons for regulatory ineffectiveness are lack of *capacity* to enforce the rules (in terms of resources, information and support in enforcement) and/or lack of

incentives to enforce them on the part of government, front-line bureaucrats or private school owners. Often governments are without the basic information on or knowledge of the non-state sector required to regulate them, as Humayan et al. (2013) argue in the case of Pakistan's Private Educational Institutions Regulatory Authority and Sommers (2012) illustrates for Bangladesh. In this latter case, even basic data on private school enrolment are unavailable.

Fielden and LaRocque (2009) identify two related barriers of i) confused or unclear national policies on the role of the private sector and ii) cumbersome, subjective and complex registration processes that afford considerable discretion to the accreditation body and leave scope for arbitrary decision making. To address these and other barriers, they suggest the following principles be applied to programming:

- *Sound policy framework*: Government's recognition of the role of the private sector in national education policy can help build a politically stable environment in which the private sector can operate.
- *Clear, objective, and streamlined registration criteria*: Regulatory requirements should be measurable (to minimise discretion), output-focused (enabling flexible and diverse delivery or inputs), and openly published.
- *Government capacity*: The government agency responsible for regulating the private sector requires information and skills to design, develop, and manage registration/accreditation programs and monitoring functions.

Alongside the above principles, Heyneman and Stern (2013) note that, overall, regulation needs to balance the protection of citizen welfare with sufficient flexibility to enable private providers to experiment and innovate free from the standardisation of large bureaucratic systems.

### Implementation of the Right to Education Act in India

The introduction of the Right to Education Act (RTE) in India in 2009 illustrates the possibility for disjuncture between the intended and *real* effects of regulation. The RTE gives all children between the ages of six and fourteen the right to a free, compulsory education in a local school. For equity purposes, it also requires all private unaided schools reserve 25% of their places for children from disadvantaged groups, subsidised by the state. All unrecognised private schools are required to achieve recognition status by 2013.

Some experts have raised concerns that the RTE's regulations – including the requirement that no school can be run for private gain – are likely to discourage private education entrepreneurs from running small schools for a living. They are concerned these schools will close, while government schools will not be able to absorb the excess demand, thereby unintentionally compromising the goal of achieving EFA all (Dixon, 2013b). Research summary 5 highlights some emerging evidence of the implementation of RTE in practice.

Research summary 5: 'India's Right to Education Act: Household Experiences and Private School Responses' (Noronha and Srivastava, 2013)

This study, based on household-level surveys and school reports in one urban slum in Delhi, reports on the early phase of implementation of India's landmark Right of Children to Free and Compulsory Education Act, 2009. It finds fee-free education is far from a reality. Specifically:

- The Act *does not substantively change access* to education for most households. Only 3.4% of the sample households were benefiting from 'freeship' (provision of a free place), and none of these was from the poorest, squatter settlement in the slum.
- Results showed that, in practice, *private schools were not implementing* the Act true to its intentions. For example, some schools were found to be admitting existing students under the quota, others were narrowly interpreting the provision to cover tuition fees only and some were passing children with or without learning goals being achieved.
- Elite private schools were admitting the largest proportion of disadvantaged children, but they were also *segregating these children in the classroom*.
- The *reimbursement model*, which requires schools to have the capital to accommodate more students, may be unworkable for the lowest-fee schools.
- There was *some evidence of 'cream skimming'* (selecting children by ability of social background), in that freeship children came from relatively more economically advantaged households.
- *Freeship places were contingent on household ability to pay substantial additional costs* (transport, books, private tuition). In addition to cost, lack of awareness of the Act, opaque application processes and lack of social networks were significant barriers to securing a place.

## 3.2 Financing and public-private partnerships<sup>18</sup>

### Benefits and risks of public-private partnerships

The theoretical benefits and risks of pursuing public-private partnerships (PPPs) in education are well documented (LaRocque, 2010), yet there is a recognised need for more evidence of their actual impact on educational outcomes (Day-Ashley et al., 2013). Advocates claim PPPs ignite a competitive market for education, offering a cost-effective, performance-based approach to delivery that incorporates a degree of risk sharing between the public and private sectors (LaRocque., 2010). On the other hand, some forms of PPPs (e.g. contracting) are considered more expensive than direct delivery, and there is widespread concern that poorly designed PPPs can weaken accountability and control by the state (ibid.). In all, the effectiveness of PPPs is considered dependent on not only their technical design also but the existence of strong regulatory frameworks and government capacity (and will) to engage in partnership (ibid.).

In Pakistan, where PPPs have been seen as an 'anchor' of education reform for over a decade, different models have operated more or less effectively, as explored by Bano (2008). In all cases, it was observed that *the relative power and influential networks of the actors involved*, whether the school, the private sector or the user, largely determined the success of the 'partnership'. The primacy of incentives was particularly illustrated in the experience of the following programmes:

- *Adopt a school programme*: Private actors take responsibility for improving a school, providing management, training and monitoring. In practice, the private sector was mainly interested in taking over the better-performing state schools, not the worst-performing ones. The most effective adopters were those organisations that were most influential with government and could position themselves in authority over the school.

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<sup>18</sup> Please note that a separate, fuller topic guide specifically focusing on non-traditional financing and financial instruments for education is currently being commissioned by DFID.

- *Concessions to private schools:* Concessions included allocating free land, tax exemptions and charging domestic rather than commercial rates for utilities. This was not systematically implemented, and success was reliant on the capacity of the individual school to negotiate the concessions from relevant authorities.

While acknowledging the deficiencies in the evidence base, Patrinos et al. (2009), writing for the World Bank, summarise the relative strengths of four common types of PPPs – vouchers, subsidies, contracting of private management and private finance initiatives – in relation to four key education objectives: increasing enrolment, improving education outcomes, reducing inequality and reducing costs. As Table 5 shows, they argue vouchers and subsidies are more effective at increasing enrolment than private finance, but vouchers have the strongest effect on improving outcomes.

Table 5: Assumed effects of PPPs on education objectives

<b>Contract</b>	<b>Effect on increasing enrolment</b>	<b>Effect on improving education outcomes</b>	<b>Effect on reducing education inequality</b>	<b>Effect on reducing costs</b>
<b>Vouchers</b>	Strong: number of students who receive the voucher	Strong: school choice	Strong when targeted	Strong when private sector is more efficient
<b>Subsidies</b>	Strong: use of already built private infrastructure	Moderate: limited by available places and quality of service delivered in private sector	Strong when targeted	Moderate
<b>Private management and operations</b>	Moderate: limited by the supply of private school operators	Moderate: limited by available places in private sector	Strong when targeted	Moderate
<b>Private finance initiatives</b>	Moderate: limited by financial constraints	Low	Strong when targeted	Strong

Source: Patrinos et al. (2009), based on Harding (2002); LaRocque and Patrinos (2006); Latham 2005; and World Bank (2003a, 2006).

### Vouchers

Vouchers are a demand-side financing mechanism that aims to give users choice and stimulate market competition between providers competing for their business (Dixon, 2013). In so doing, they seek to increase accountability to parents (Salman, 2010). However, common policy concerns about vouchers recur across the literature – as summarised in a systematic review conducted in 2013 (Morgan et al., 2013). These include:

- *Increased cost to taxpayers:* Vouchers are expensive to administer. Still, they may not always cover all schooling costs, and so only those households that can afford to 'top up' (pay extra costs) might use them, and use them to attend the best schools.
- *Inelastic supply of schools:* The idea that vouchers increase enrolment assumes an adequate supply of (quality) school places.
- *Inability of parents to choose:* Only those more affluent families with more social capital have any real choice.
- *Negative impact on state schools:* There may be instances where private school vouchers 'cream off' the best (most capable) pupils.
- *Negative effects on equity:* Segregation by socioeconomic status, ethnicity and academic ability, within schools and more widely, is a concern. Peer effects

decrease quality of lower-performing schools and explain improved outcomes in higher-performing schools.

The systematic review found an overall dearth of rigorous evidence on the true effects of vouchers, particularly in Africa and Asia, concluding that new pilot programmes must be accompanied by rigorous impact evaluation (Morgan et al., 2013).<sup>19</sup>

Nevertheless, the review surmised that, *in order to be truly equitable*, voucher programmes should target poor students, cover the entire cost of tuition and prohibit supplemental fees, offer schools larger vouchers for less advantaged students, subsidise transport, provide information to parents and monitor enrolments so schools cannot misrepresent them or cream skim more privileged children.

#### Box 5: Education Voucher Scheme, Pakistan

The Punjab Education Foundation (PEF) has been running the Education Voucher Scheme in Lahore since 2006. The scheme provides 40,000 vouchers across six districts, at a value of PRs.300 (\$3.71) per child. An additional yearly payment of PRs.1,000 (\$10.57) is given to parents to buy books, stationery and uniforms. Other characteristics of the scheme include:

- *Targeting*: The aim of the scheme is to increase access to education for 'the poorest of the poor'. 97% of the households participating earn less than PRs.7000 (\$74) per month, with the typical occupation of family breadwinners being wage labour, household service or hawking, or they are unemployed.
- *Quality and accountability*: PEF carries out reviews of student learning, professional development programmes and inspections of school facilities. At least half of the children in the school need to score at least 40% on the annual PEF test.

Sources: Bano (2008); Dixon (2013b).

Programme documentation shows that implementing a voucher scheme demands a range of logistical and technical arrangements; from measures to inform households on their use, to logistical systems for voucher distribution, to financial systems to manage transactions between government, parents and schools. Adequate monitoring and evaluation capacity are also important (Dixon, 2013b).

However, administrative and logistical requirements raise the total costs of implementing voucher programmes. In Pakistan, for example, targeted vouchers were estimated to cost up to nine times more than subsidies – with administrative costs of 14.4% (Box 5). On the other hand, vouchers are often considered more easily targeted towards lower income groups than direct subsidies, which from an equity perspective rely on schools mobilising needy children to enrol (Bano, 2008).

#### Subsidies and tax incentives

Evidence on the impact of subsidies in developing countries is weak overall, and few recent impact evaluations of such programmes are publicly available (Day-Ashley et al., 2013). One exception is the recent World Bank evaluation of subsidies delivered under the Foundation Assisted Schools programme in Pakistan – detailed in Section 4.3. The evaluation found that linking subsidies to student learning outcomes was an effective way to incentivise schools to perform better (see World Bank, 2012).

Another frequently cited and relatively successful case of direct subsidies is the Quetta Urban Fellowship in Pakistan (Kim et al., 1999). This programme provided guaranteed subsidies to community-established private schools to encourage them to enrol girls. A randomised evaluation in 1999 found girls' enrolment increased by 33% over the duration of the programme. Boys' enrolment also increased, suggesting the targeting of

<sup>19</sup> Evidence was found to be related mainly to the well-known Latin American cases, where vouchers have been implemented at scale over the medium term. See Chumacero et al. (2011) and Elacqua et al. (2011) on Chile, for example.

girls also induced greater investment in boys' education. The cost of the vouchers was significantly lower than the cost of government school spaces (ibid.). The recruitment of young female teachers, often without full qualifications, was seen as an important factor in the success of this model (HDRC, 2011).

Beyond the Pakistan examples, there is little evidence of the distributional or equity impacts of subsidies. In Côte d'Ivoire, where the government sponsors pupils to attend private schools, one rigorous evaluation found the distributional impacts to be overall positive – that is, subsidies were progressively reducing inequality in education outcomes (Sakellariou and Patrinos, 2009). Likewise, based on interviews and focus group data in Pakistan's Khyber Pakhtunkhwa province, Fennell (2013) argues that levels of gender inequality were addressed through targeting. However, because subsidies in this case were exclusively for the primary level, the result was bulging demand for secondary schooling, which neither the state nor the private sector could meet (ibid.).

There is also limited evidence on the effects of tax incentives on the market for private schools. A general argument is that taxation policies that do not distinguish between for-profit and non-profit schools run counter to the goal of encouraging the role of LCPSs in education for all (USAID, 2011). In Kenya, for example, all LCPSs are taxed as businesses (ibid.).

### Scaling-up and financial sustainability

Evidence on the scalability and financial sustainability of private schools is weak overall (Day-Ashley et al., 2013). However, there are isolated examples in the literature of models of private schools that are operating at scale. One is Gyan Shala schools in India – introduced in the fuller case example in Section 4.1.

Chains of LCPSs increasingly operate across Africa and Asia – as the example in **Box 6** illustrates.<sup>20</sup> However, the performance or cost-effectiveness of these schools has not been independently evaluated to date (Day-Ashley et al., 2013).

#### Box 6: 'School in a box'? Chains of LCPSs in Kenya

Bridge International Academies is the largest chain of LCPSs operating in Africa. Key features of its franchise model in Kenya are:

- A package that includes a scripted curriculum, teacher/management training and all education materials/facilities.
- Costs \$4/month per student.
- Bridge purchases the land on which to build the schools (generally untitled land in slum areas).
- School managers are given performance-related contracts and paid centrally (typically via mobile phone).

Source: Hevnenman and Stern (2013).

## 3.3 The political economy of private education

While research on LCPSs has focused on the performance and efficiency of schools, much less is known about the dynamics of relationships between the state and non-state actors (Bangay and Latham, 2013). Some research casts this relationship as tense and volatile. As Hevnenman and Stern (2013) report from their cross-country case studies, governments often refuse to recognise private schools, ignore or deny their contribution

<sup>20</sup> Such as Pearson (<http://www.affordable-learning.com/the-fund.html#sthash.uCHrwy1.dpbs>); Omega Schools (<http://www.omega-schools.com/>); PEAS (<http://www.peas.org.uk/>); and CfBT Education Trust (<http://www.cfbt.com/en-GB/What-we-do/School-management-and-ownership/Private-schools/CfBT-vision-for-private-schools>).

or are outright hostile towards them – in some cases characterising them as low in quality and an impediment to national education objectives. In South Africa, one report documented that some government officials viewed private schools as fly-by-night institutions run by unscrupulous operators (Schirmer et al., 2010). This was in spite of their popularity and strong community reputation (ibid.).

Studies in Bangladesh, India, Malawi, Nigeria, Pakistan and South Africa contrast the policy rhetoric of partnership with i) a long-term history of policy unreliability and legal instability that undermine attempts to change the relationship and ii) a gulf between formal statements and a day-to-day reality of distrust and rivalry between practitioners (Batley, 2011; ). For some non-state providers, state support implies intervention and often harassment; for government, recognition in national policy and planning can be viewed as a step towards losing control (ibid.). Particularly but not only in fragile and conflict-affected states, relations between the state and private sector can become embroiled in wider political conflict, as Research summary 6 illustrates for the case of Nepal.

Research summary 6: 'Private Schools and Political Conflict in Nepal' (Caddell, 2007)

This ethnographic study, undertaken between 1999 and 2007, explores how private schooling became a focus of violent conflict in Nepal. During this time, many private schools were forcibly shut down or threatened by Maoist forces, as the popular debate about its quality and effectiveness became intertwined with wider political positioning and posturing between the state and Maoist parties. The study concludes private schooling should be understood politically, especially in highly contested in conflict-affected contexts. Specifically:

- A discourse of partnership between state and private sectors masked underlying cultural and ideological tensions in how private provision was perceived.
- Concerns about the content of private schooling, and the values it seeks to promote, fuelled political competition between state and Maoist forces.
- Private school organisations themselves pursued 'selective partnerships' with international donors, seeking assistance by drawing on EFA goals.
- Fundamental differences between political actors around whether education is a public or private good, and whether it should be viewed as the state's responsibility, are at the core of the politicisation of private schooling.

As noted above, studies point to the effectiveness of regulatory processes, or of PPPs, being dependent on whether the incentives of the various actors are truly aligned towards collaboration and improved outcomes. Moreover, states require not only the capacity but also the legitimacy to regulate the private sector (Day-Ashley et al., 2013). This is illustrated by the formation of defensive private school associations in Nigeria (Härmä and Adefisayo, 2013) and high court challenges to the RTE in India (Ohara, 2012). In her review of PPPs in Pakistan, Bano (2008) argues it was not the technical limitations of different models that constrained their effectiveness, but the flawed incentives of a military state, whose motives for signing up to a policy of partnership lay primarily in gaining international legitimacy and support. She concludes international actors should become more politically aware of whether states are genuinely prepared to collaborate with non-state providers, and their motives for doing so.

### Market systems development approach

The *market systems development approach* (formerly Making Markets Work for the Poor – M4P) is an approach to analysing the political economy of markets with the aim of improving the ability of the poorest to participate in them. Grounded on principles of 'do no harm' and sustainability, the approach considers the negative and positive effects of all external interventions on markets. Rather than providing short-term fixes in the form of funds, goods and services that may undermine market systems, it aims to address information asymmetries, incentives and capacities for innovation and long-term change (see: <http://www.m4phub.org/>). For example, rather than providing direct grants, the

approach might seek to reduce government levies or encourage new financial services aimed at improving fee collection from parents (DFID Nigeria, 2013a). A fuller case study of its pilot application to private schools in Lagos, Nigeria, is included in Section 4.2.

### 3.4 Unintended consequences

A number of concerns about the unintended (negative) consequences of aid to this sector, as well as the growth in private schooling in general, have been raised in policy debates. To date, however, available empirical evidence of these consequences remains weak and contested (Day-Ashley et al., 2013). Below, the leading concerns about unintended consequences are summarised; studies that directly address them are signposted where available:

- *Migration of students away from the state sector could increase inequality:* Exit from government schools by those who can afford to pay fees could condemn the poorest households to lower-quality government schooling (Bangay and Latham, 2013; Härmä and Rose, 2012).
- *Fee limits could negatively affect the financial viability of private schools:* Schools that are enrolling students for no charge (e.g. in Kenya) but are fully reliant on tuition fees could jeopardise their financial sustainability in the long term (Heyneman and Stern, 2013).
- *LCPSs exploit less qualified and less experienced teachers working on significantly lower salaries:* A key concern in the literature is that cost-effectiveness, which relies on teachers earning low salaries (often women with restricted mobility), can be exploitative. Exceptionally low salaries are widely recorded, although there are no available rigorous studies of the perceptions of the female teachers themselves (e.g. Aslam, 2009). In the case of Gyan Shala schools in India – outlined in Section 4.1 – there is some documented evidence that women themselves perceived teaching as a source of financial security and independence (Bangay and Latham, 2013).
- The act of engagement (support or control) by governments or development agencies *changes the terms on which markets operate and may reduce their effectiveness.* Full funding or comprehensive regulation of terms could be seen as removing the market benefit of short route accountability and incorporating schools into the public sector, for example. Currently, international aid to private schools represents a very low portion of overall aid to education.<sup>21</sup>
- Support to the private sector concentrates on primary education and creates *bottlenecks at secondary level:* Transfer to secondary schools may exist not only for lack of private secondary schools but also because governments put barriers in the way of transfer from private primary to public secondary schools.

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<sup>21</sup> See Neiberg (2013). This analysis found that approximately 2% of the funds disbursed to the education sector by the bilateral and multilateral agencies analysed through 2007-2011 were provided to LCPSs.

## 4 Country case examples

### 4.1 Gyan Shala: Achieving equity, scalability and cost-effectiveness in slums<sup>22</sup>

Gyan Shala operates low-cost, high-quality schools in densely populated urban slums across India (Ahmedabad, Gujarat, Patna, Bihar Sharif, Gujarat, Bihar and Kolkata). As of July 2011, it was reaching 10,000 formerly out-of-school children in 350 slums.<sup>23</sup> The model has been analysed as equitable, replicable on a mass scale and cost-effective – with unit costs below or in line with government costs per unit (Bangay and Latham, 2013). Impact evaluations have found students attending Gyan Shala schools scored higher in language and maths compared with government school pupils (ibid.).

There is no evidence of gender bias in enrolment in Gyan Shala schools. Although detailed information on the socioeconomic status of pupils is not available, the schools incorporate a timetable, location and price point designed to accommodate children from the lowest economic quintile:

- *Timetable*: Not more than four hours per day, in either morning or afternoon.
- *Location*: Proximity to home to enable children to travel to and from school unescorted. The limited distance between parent and teacher is seen as conducive to higher levels of interaction and accountability.
- *Price point*: A 'no frills' model of financing, which incorporates low set-up costs, rented classrooms, few amenities and low teacher salaries. These cost savings allow Gyan Shala to operate at a cost of approximately Rs.2,200 per annum per child \$35 compared with the government cost of approximately Rs.18,000 \$282 (ibid.).

Successful scale-up is attributed to a number of factors, including operating on a demand-driven basis (opening only where there is community demand); recruiting teachers from within the community; and not threatening existing providers (meaning operating 'without unwanted attention'). The programme also incorporates a number of innovations in pedagogy, including (CfBT Education Trust, 2011):

- *Distributed classes*: Standardisation of the curriculum across classes located close to the homes of teachers and students;
- *Re-engineered teacher role*: Highly standardised units and lesson plans designed by management but delivered by less qualified personnel.
- *Continuous curriculum design adaptation*: Curriculum modified based on local context and feedback from teachers.
- *Learning-development culture*: Focus on the recruitment and development of local people to serve as teachers with ongoing support from more experienced and higher educated teaching professionals.

Although sources of finance are diversified (a combination of public finance, philanthropic donations and fees), financial sustainability remains precarious. Government funding is typically paid in arrears and can be held up in state bureaucracy, and the school does not take punitive action against users for non-payment of fees – both of which present cash flow problems (Bangay and Latham, 2013).

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<sup>22</sup> Sources: Bangay and Latham (2013); CfBT Education Trust (2011); DFID India (n.d.). See <http://gyanshala.org/>

<sup>23</sup> See <http://aylluinitiative.org/indiamap/gyan-shala/>

## 4.2 Making Markets Work for the Poor in Lagos<sup>24</sup>

DFID Nigeria is currently piloting an M4P programme to improve the functioning of the market for low-cost private education in Lagos. This aims to address the market failures of asymmetric information (negatively affecting parents' ability to assess school quality), 'soft' competition among schools owing to excess demand (creating little competitive pressure) and a missing market for support functions such as professional development services (DFID Nigeria, 2013a).

A scoping mission conducted in 2011, which adopted the M4P approach, attributed constraints at the core of the market (related to its size, structure, access and quality) to specific problems associated with the 'rules of the game' (the formal and informal rules on which the market was operating) and the support functions (Gibson et al., 2011). In relation to the *rules of the game*, ineffective and unrealistic government regulations, often targeted at inputs rather than outputs, were failing to provide incentives for schools to improve, or to set out a clear process for them to obtain government approval. In an 'information-poor' environment, parents were making uninformed decisions on the quality and relative costs of schools. In terms of *support functions*, advocacy was weakened by divided and low-capacity private sector associations, strained relationships with government and a general lack of media interest in reporting on LCPSs (ibid.). This was compounded by financial constraints, including risk-averse banks, and a political aversion to demand-side financing on the part of government. The employment market for teachers, in particular salary differentials between state and private teachers that did not reflect knowledge or skills, was also found to be a constraint on performance.

To address these issues, the M4P programme will adopt a 'wholesale' approach to supporting the sector by working with finance institutions, associations of private schools, government, research organisations and the media to improve the government rules and regulations that have an impact on schools and to empower parents to make informed choices and hold schools to account. As opposed to direct grants or subsidies ('picking winners'), the market-based approach seeks to avoid potentially harmful market distortions and create a more durable impact (Gibson et al., 2011).

Interventions to address the identified bottlenecks will be guided by good practice from the implementation of M4P programmes in other sectors.<sup>25</sup> These include a focus on systemic constraints, sustainability, 'do no harm', monitoring and evaluation, addressing government concerns and working with all relevant actors through an inclusive approach. Specific planned interventions in Nigeria include (DFID Nigeria, 2013b):

- Strategic support to the Lagos state government in its role as an enabler and provider of education;
- Support to a comprehensive revision of the regulations for private schools;
- Facilitating constructive and public/private dialogue and advocacy;
- Strengthening information flows to parents, including through the media;
- Establishing credible mechanisms for assessing learning outcomes at primary level;
- Investigating barriers to entry at junior secondary level;
- Improving the availability of commercial finance to private schools.

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<sup>24</sup> Sources: DFID Nigeria (2013a; 2013b); Gibson et al. (2011).

<sup>25</sup> <http://www.m4phub.org/>

### 4.3 Public subsidies for private education: Foundation Assisted Schools in Punjab<sup>26</sup>

The Foundation Assisted Schools (FAS) programme is the flagship PPP of the PEF – an autonomous intermediary organisation funded by the government of Punjab and the World Bank (Bano, 2008).

The programme currently serves 1,107 schools and approximately 392,000 pupils, mainly in districts of Punjab with the lowest recorded literacy rates (Bano, 2008). It aims to promote access and quality outcomes in these areas by providing PRs. 300 (\$5) per child per month to private schools that meet various criteria, including:

- Fees below a cap of PRs. 300 (\$5) per month;
- Adequate infrastructure, furniture and teaching tools;
- PTR of 1:35;
- Quality-assured teaching (see below).

PEF carries out a Quality Assurance Test twice annually. Schools are ejected from the programme if they fail to achieve a minimum pass rate of 40% in the test in two consecutive attempts – making the test stakes high (Barrera-Osorio and Raju, 2011). The highest-performing schools are given additional cash rewards in the form of teacher bonuses. Specifically, five teachers in schools where 90% of children score more than 40% are given PRs.10,000 (\$156) each. Schools are required to display their rankings in the district (ibid.). Tests are varied across schools and conducted on the same day to prevent cheating.

Writing for the World Bank, Barrera-Osorio and Raju (2011) estimated the effects of the subsidy programme on enrolments and inputs. The evaluation concluded the intervention generated statistically significant enrolment gains at a level of cost-effectiveness that compared very favourably with other interventions. Specifically, the evaluation found:

- The threat of programme exit for schools that just failed the test for the first time *induced large learning gains*. However, this did not provide incentives for continued improvement by better-performing schools: teacher bonuses were not acting as a real incentive to pursue quality.
- The programme had *significant impacts on enrolment levels*. However, these increases may have come from students transferring from other schools rather than previously underserved groups.
- Increases in education resources were *not matched by improvements in either PTRs or pupil to classroom ratios*, which may be better proxies for quality than absolute numbers of resources.

In summarising the lessons from the evaluation, the World Bank (2012) concluded that linking programme eligibility to student test scores worked as an effective incentive for schools to raise student scores. In part, this was because many schools were entirely dependent on subsidies (i.e. the offer of 'free tuition') for retaining students.

Addressing whether subsidies improve *equity* of access, Fennell (2013) suggests the expansion of private schools with government subsidies has increased female access at the primary level. However it is unclear whether the subsidies, as opposed to private school expansion and enrolment, can explain this effect in this case (ibid.).

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<sup>26</sup> Sources: Bano (2008); Barrera-Osorio and Raju (2011); World Bank (2012). See also the programme website at <http://www.pef.edu.pk/pef-departments-fas-overview.html>

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