

PRIVATE PROVISION OF EDUCATION: OPPORTUNITIES FOR EMERGING MARKETS

The private sector plays an important role in emerging market countries with limited education capacity by providing quality schooling at all levels, from early childhood development to tertiary education and lifelong learning. By strengthening connections between education providers and private enterprises, it helps equip students with skills needed for successful employment, thereby creating additional potential for development. Private firms also play multiple roles in supporting public education by publishing learning materials and developing assessment tools and educational software, building and maintaining schools, and enabling financial support for students in need of it. As a result, private firms can help support all education institutions, private or public, and maximize their contribution to education outcomes.

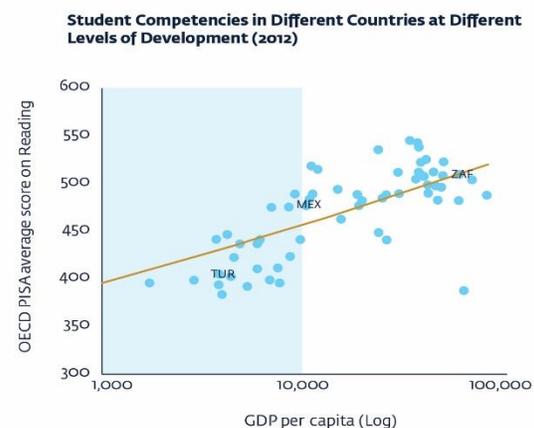
Education is fundamental to improving human lives and living standards, boosting competitiveness in an economy, and achieving inclusion and social mobility. Significant progress has been made in recent decades toward ensuring access to education at all levels, particularly for women and girls. Yet bolder efforts are needed to achieve universal education, in particular in secondary education and above.

Because of its broad societal benefits, governments around the world invest in and support the provision of public education, though to varying degrees. The Sustainable Development Goals aim for primary and secondary education which is *free, equitable, and high quality*. In fact, quality public education is strongly correlated with economic growth in countries across the income spectrum (*Figure 1*). Most important, free access to primary and secondary education is essential to the goals of equality and shared prosperity.

At the same time, markets for private education exist alongside public education systems in a variety of complementary and substituting functions. In all countries, considerable numbers of students and professionals are educated by private providers.¹ While some of these institutions are operated by religious or other nonprofit organizations, many seek to earn a return on their investment. They consist of a mix of independently owned, controlled, and operated, fully private enterprises, as well as a variety of public-private partnerships. Such partnerships involve both government support of private provision, as with vouchers and cash transfers for parents to send their children to private schools, and private support for

government provision, as when governments outsource or contract out various services, including school busing and building, maintenance, and even the private management of government-owned schools.

Figure 1: Education and Economic Growth



Source: PISA results: National center for education statistics, https://nces.ed.gov/surveys/pisa/pisa2012/pisa2012_highlights_5.asp; GINI coefficient, % of enrollment in secondary education in private institutions: World Development Indicators, World Bank

Privately owned and operated, for-profit institutions have been successful across emerging markets at all levels of education—early childhood, elementary, secondary, tertiary, academic, and vocational. And demand for private education is not limited to elites or specialized skill seekers. Populations across the socioeconomic spectrum receive, contribute to, and benefit from private education services.

Private education rarely operates entirely free of governmental influence, however. Instead, it typically involves some government monitoring, oversight, and regulation. In many emerging economies, however, oversight of the private education sector is constrained by a lack of capacity, legitimacy, and the knowledge necessary to implement effective policy frameworks.

And the competition and decentralized decision-making that private education providers can bring to the market have done much to improve performance, lower costs, and increase equitable access for the poorest populations in both government and private-run schools. Reforms initiated at private colleges and vocational schools are starting to revolutionize the business model for tertiary education, bringing affordable and accessible education to nearly every corner of the world.

Emerging Market Elementary and Secondary Education

Effective, compulsory education is available in both advanced economies and in developed countries. Yet in both cases the quality can vary widely. Many parents in low-income countries opt out of public education systems in search of potentially superior results at private schools. Opting out often means choosing private provision over no provision, or over schools with absentee teachers and missing learning materials. As a result, private provision of primary school education has grown considerably and now accounts for more than 20 percent of all primary or secondary school students in 70 low-income countries.²

Figure 2 shows primary and secondary private school enrollment as a percent of the totals in various country income groups. These estimates likely ignore many of the so-called “slum schools” that operate within the informal education sector.

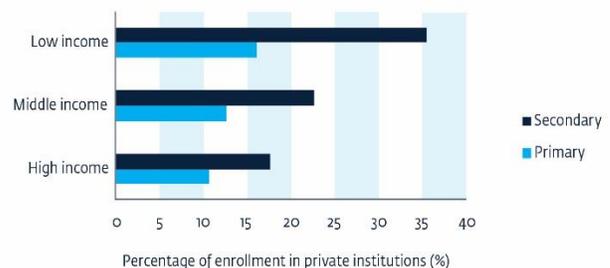
Affordability and Outcomes. Private education has improved educational outcomes and increased affordability and accessibility for parents across low and middle-income regions. Several studies have shown that autonomous decision-making is improving learning outcomes in public as well as private schools—for example, when local school administrators are able to decide for themselves which teachers they hire.³

A comprehensive review of the literature conducted in 2014 for the United Kingdom’s Department for International

Development looked specifically at the advantages that private education provision delivers in emerging economies.⁴ All the surveyed studies determined that the single greatest advantage is teaching. It is of higher quality in private schools than in state schools in terms of higher levels of teacher presence and teaching activity, the studies found, with teaching methods that are more likely to lead to improved learning outcomes. There is also moderately positive evidence that, as a result of these advantages, private school pupils achieve better learning outcomes compared with students in state schools.

Figure 2: Private School Enrollment

Percentage of Enrollment in Primary and Secondary Education in Private Institutions, 2013



Source: World Development Indicators, World Bank

However, in most advanced economies participating in PISA (the OECD’s Programme for International Student Assessment), students at privately managed schools have more advantaged socio-economic backgrounds compared to those in public schools.⁵ This raises questions as to the causes of the better outcomes, and whether they are the enhanced autonomy and better resources at private schools, or the advantageous socio-economic backgrounds of the pupils. In order to avoid stratification in education, emerging economies require legislation that guarantees that public and private schools receive public funding and are open and affordable to all students regardless of socioeconomic status.⁶ A voucher system introduced in Chile in 2008 might serve as a model. It provides more resources for students from low socioeconomic backgrounds and additional support to schools where disadvantaged students are concentrated.⁷

While the true size of the private school effect remains open to debate, the outcome in emerging countries is consistent with results observed in advanced economies. An analysis of PISA scores from 22 countries in 2008 found that “pupils at private (subsidized) schools have a higher net educational achievement than do (those at) comparable public (government-run) schools

This publication may be reused for noncommercial purposes if the source is cited as IFC, a member of the World Bank Group.

with the same social composition.”⁸ Another international study found that “private school competition attributable to past Catholic policies generates higher student achievement in mathematics, reading, and science today.”⁹ The analysis also found that competition between the public and private sector positively affects the achievement of *students attending public schools*, and that spending on education is also reduced, suggesting that school systems are more productive if they are more competitive.¹⁰

Parents play a critical role in the expansion of private education. While private schools tend to be more cost-effective than government-run institutions, they also tend to be more expensive due to school fees, uniforms, books and other costs. Yet parents often choose private over public schools due to their perceived better quality in terms of teaching, teacher attendance, school performance, class size, and discipline.

Private schools have inherent advantages over state schools. Foremost among them is the accountability mechanism that arises from parents’ ability to choose or change their child’s school. Additionally, private providers can be more cost-efficient than their government counterparts with similar or better results. Higher degrees of parental involvement in private schools has also shown positive effects on learning, teacher motivation, and student attendance, and “active engagement results in families and communities holding schools accountable to a much greater degree.”¹¹

Private education over no education. For populations in some of the world’s poorest countries, the choice of private education is in fact a choice over no education. This is due to the limited capacity of many governments to provide free schooling for all. The example of informal “slum schools” is illustrative of the way private education can fill the vacuum and contribute to basic developmental objectives in regions where they are most needed.

The influx of households migrating from rural areas to urban centers in search of better work puts new strains on city infrastructures. Slums emerge when rapid urbanization outpaces urban policy planning, resulting in a shortage or complete lack of provision of public services, including education. Under these circumstances “slum schools”—which operate in the very poorest neighborhoods—have been able to provide affordable, accessible, and sometimes superior educational experiences to those that can be obtained in less numerous government schools.¹²

Evidence of the performance of these privately owned and operated schools in urban slums comes from Somalia, Kenya, Sierra Leone, Pakistan, and India, as well as schools in remote, impoverished areas of China where public education is inaccessible. It shows that, on average, they delivered superior results in math, English, and typically one other subject.

Private providers are often more receptive and responsive to advice from parents. Parents tap into the knowledge of the local community—the shared experiences of friends and relatives living in their urban ghettos and rural villages. Parents also closely monitor teacher absenteeism and classroom disruptions. And accountability to parents encourages the maintenance of higher standards at private schools, creating a feedback loop that often doesn’t exist in state-run schools.

Elementary School in Dhaka, Bangladesh



There are many examples of the advantages of private education in emerging countries, along with a growing body of evidence about the effectiveness of private provision. Still, a number of gaps remain that make it difficult to form definitive conclusions on a broader scale. For example, while much is known about private education in South Asia, considerably less is known about Africa, where the sector’s greatest development challenges lay. There is also a lack of data about the extent and diverse nature of private schools, and little is known about the particularities of private education in middle and secondary schools or in regions on the outskirts of cities and towns.¹³ Civil society institutions, along with development agencies, need to generate additional research about private education in order to improve and better inform decision-making.

Post-Secondary Education: Unleashing Innovation

Access to a quality academic, technical, or vocational post-secondary education—one that provides the skills students will need to fill the productive, quality jobs required by present and future employers—is an essential driver of economic growth, productivity, competitiveness, and social mobility. It is for this

This publication may be reused for noncommercial purposes if the source is cited as IFC, a member of the World Bank Group.

reason that governments tend to maintain much stricter control at the post-secondary level.

Private tertiary institutions—especially community colleges, technical training institutes, and distance learning centers—are nonetheless growing across emerging economies and are creating a breeding ground for innovation in the sector. Private institutions tend to be more focused on non-academic subjects that often have direct employment potential. And they often cater to middle-income students in need of the skills most relevant to employment. Many of their students are already employed and thus benefit from the flexibility and specialized skills that non-traditional programs can offer.

In addition, both public and private universities are increasing collaboration with private firms. For their part, private firms are seeking to access and integrate external sources of knowledge, many of which are available from universities. In addition, in recent decades the mission of universities has moved beyond the traditions of teaching and research to include a “third mission” related to addressing the needs of industry and contributing directly to economic growth and development.¹⁴

Links with private firms are even stronger in technical and vocational education and training. Public-private partnerships in this area involve a new level of communication between employers and education providers that is increasingly necessary to the development of technical curricula. This communication enables education providers to update programs with skills in demand and to train students for jobs that change regularly. It also allows private firms to have input into the education process and can provide them with a recruiting tool to attract skilled workers. In Germany and several other advanced economies, public-private partnerships in technical education have gone a step further, with the so-called dual system of parallel training at public schools and on-the-job training at accredited private firms. There is increasing demand to implement dual system models in emerging economies despite an ongoing debate on the transferability of the system.¹⁵

The innovation that private firms have introduced to education provision, both academic and technical, would not have been possible without advances in technology. Private investments in digital technologies are already transforming the way post-secondary education is delivered, providing access to massive amounts of knowledge and information previously unavailable or difficult to access in emerging market education systems. And profit-driven investors are developing low-cost business models that take advantage of free online services, offering affordable education opportunities for even the most resource constrained nations.

Massive Online Learning provides a good illustration of this trend. The modern Massive Open Online Courses, or MOOC,

Case Study: Uniminuto’s Inclusive Business Model

Corporación Universitaria Minuto de Dios, or Uniminuto, is a rapidly growing, not-for-profit tertiary education institution established in 1990 in Colombia. Uniminuto offers affordable, high-quality technical, technological, and university education. Its largest presence is the principal Bogota campus where 30 percent of its students attend school, and its national network reaches nearly 82,000 students in 48 locations in over 35 municipalities, with more than half enrolled in distance learning programs.

There are three key elements in Uniminuto’s business model. First, Uniminuto operates independently and through formal collaborations with other universities and government entities. It owns seven teaching sites and leases several others. It also operates government-sponsored sites in marginal urban or rural areas and two independent community colleges to provide additional educational services. Its main revenue source is tuition fees, which run between \$400 and \$1,400 per student.

Second, since the ultimate goal for the vast majority of students is to find employment, Uniminuto’s offerings emphasize technology and focus on providing students with needed skillsets. The company works with business, government, and nongovernmental organizations to ensure that curricula meet potential employers’ needs. More than half of Uniminuto’s programs are vocationally-oriented. Course offerings represent key productive sectors in Colombia including engineering, social services, communication and visual design, agribusiness, education, and technology. They are tailored to reflect regional industry mixes with certain sites offering hotel management and agroecology. Short-term courses in skills demanded by prospective employers, such as web design and occupational health, are also offered.

Third, Uniminuto offers programs such as pre-term workshops and basic skills tutoring to support students from lower socioeconomic groups.

An important element of the Uniminuto model is its pricing. Through innovative cost-sharing arrangements and the use of technology, the organization has been able to maintain affordable tuition rates. For example, business undergraduate studies are priced at less than \$1,000 a semester, compared with an industry average of \$1,450. Rates are also differentiated by site in order to align with students’ ability to pay in different regions. Finally, Uniminuto offers financing to students through its Cooperativa Uniminuto.

This publication may be reused for noncommercial purposes if the source is cited as IFC, a member of the World Bank Group.

movement, and its sibling, the Open Courseware Movement, or OCW, were launched in 2001 when the Massachusetts Institute of Technology began putting free, bare-bones versions of its courses online.¹⁶ The MIT initiative was soon joined by two other private institutions, Harvard University and Stanford University, and later by innovators at tech firms including Google and YouTube, as the program expanded to comprehensive offerings of online courses provided by world-class institutions.

The relevance of these technologies for emerging economies is enormous, as it provides access to students across continents and social backgrounds that was not possible in the past. Two-thirds of students who attend MOOCs as of 2013 lived outside the United States.¹⁷ Online classes include video lectures in real time or recorded, lecture notes, e-textbooks, homework, class papers, interactive discussion boards, team projects, and exams. A number of private investors are adapting courses to fit their local communities and cultures, allowing students, most of them from middle-income families, to get a “first world education” in an emerging country setting.¹⁸

However, the potential for online learning programs should not be overstated. They tend to work best in higher education and well-developed urban areas where high-speed Internet is available and students are self-motivated. Moreover, many online students are adult learners and often working learners as well. It remains unclear how effective such programs would be for the poorest children in primary and secondary schools where close attention is needed to motivate students, or in remote villages and inner-city slums where Internet access is rare. Still, such innovations may prove to be critical in reducing the skills gap in low and middle-income countries, where employers often struggle to find qualified applicants.

Public-Private Partnerships as Education Enablers

The provision of education involves a broad spectrum of activities and actors far beyond the classroom. Infrastructure maintenance, learning materials and software, student meals, housing, and transportation are obvious examples of goods and services essential to the sector, and are all dominated by private providers. Financing of higher education, management of human resources, and retraining are other, less known examples. Yet all of these involve some degree of partnering with the private sector based on complementarity that benefits both parties while improving education access, quality and relevance.

Services provided to students, such as the provision of learning materials and software, student meals, housing, and transportation, also help to reduce the cost of provision without penalizing lower income families. Furthermore, there are private providers of student loans—Brazil’s *Ideal Invest* is an example of one—that assist families and students in financing their education needs.¹⁹ Public-private partnerships can be highly effective in vocational education programs for young adults as well. Between 2011 and 2014, the *National Skills Development Corporation* equipped two million of India’s urban and rural youth with the skills necessary to find employment in the private sector.²⁰

For the partnerships to be successful, several conditions need to be in place.²¹ Governments need to play the role of facilitator and regulator (standards and costs, incentives, monitoring), and in particular must ensure that costs are affordable to students. In return, the state can offer tax or other incentives (land, provision of services, development of common areas, low-interest loans, subsidized rental rates, and so forth), thus attracting developers and securing a return on investments. Nongovernmental organizations and multilateral development banks can provide vital support in terms of expertise and financing.

Conclusion

There are many examples of highly successful, publically operated institutions at every level of education and in every region of the world. Still, growing competition from private education providers in emerging economies is contributing to improvements the performance of both private and government-run schools. In many cases where such institutional diversity is allowed, it is driving innovation, transforming the future of both private and public education, and improving the life prospects of children and professionals of all ages. Private provision is a useful complement to public education at a time when the demands for education are rapidly expanding across emerging markets. ■

Tom Walton, Consultant, IFC (Tom.f.walton@gmail.com)

Alexandros Ragoussis, Economist, IFC (aragoussis@ifc.org)

Matthew Benjamin, Consultant, IFC (mbenjamin2@ifc.org)

Kevin Matthees, Consultant, IFC (kmatthees@ifc.org)

This publication may be reused for noncommercial purposes if the source is cited as IFC, a member of the World Bank Group.

Notes

- ¹ Based on data from World Development Indicators (database).
- ² Baum, Lewis, Lusk-Stover, and Patrinos. 2014. "What Matters Most for Engaging the Private Sector in Education: A Framework Paper." System Approach for Better Education Results (SABER) Working Paper No. 8, World Bank. See page 8.
- ³ Baum et al. 2014; See also: Bruns, Filmer, and Patrinos. 2011. *Making Schools Work: New Evidence on Accountability Reforms*. World Bank; Hanushek, Link, and Woessmann. 2013. "Does school autonomy make sense everywhere? Panel estimates from PISA." *Journal of Development Economics* 104 (2013): 212-32; Lusk-Stover and Patrinos. 2014. "Education for all: the private sector can contribute." *Private Sector & Development: PROPARCO's Magazine* 20 (December): 22-24; Muralidharan and Sundararaman. 2015. "The Aggregate Effect of School Choice: Evidence from a Two-Stage Experiment in India." *The Quarterly Journal of Economics* 130 (3): 1011-66.
- ⁴ Ashley, McLoughlin, Aslam, Engel, Wales, Rawal, Batley et al. 2014. "The role and impact of private schools in developing countries: a rigorous review of the evidence." Department for International Development.
- ⁵ OECD. 2012. *Public and Private Schools: How Management and Funding Relates to their Socio-economic Profile*. OECD Publishing.
- ⁶ OECD. 2016. *PISA 2015 Results (Volume I): Excellence and Equity in Education*. OECD Publishing. See page 272. See also: OECD. 2015. *Education Policy Outlook: Making Reform Happen*. OECD Publishing.
- ⁷ OECD. 2012. *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*. OECD Publishing. See page 76.
- ⁸ Dronkers and Robert. 2008. "Differences in Scholastic Achievement of Public, Private Government-Dependent, and Private Independent Schools: A Cross-National Analysis." *Educational Policy* 22 (4): 541-77.
- ⁹ The extent of private schooling stems in large part from the Catholic Church's decision in the 19th century to build an alternative system of education wherever they were unable to control the state-run system. As nineteenth-century Catholic doctrine strongly opposed Catholic attendance at state-run schools, local parishes responded by establishing separate schools in which children received Catholic-infused instruction. Countries with larger shares of Catholics but without an official Catholic state religion in 1900 have significantly larger shares of privately operated schools in 2003. For more information, see West and Woessman. 2009. "School Choice International: Higher private school share boosts national test scores." *Education Next* 9 (1): 54-61.
- ¹⁰ West and Woessman 2009, see page 56.
- ¹¹ Lusk-Stover and Patrinos 2014, see page 23. See also, Andrabi, Das, and Khwaja. 2006. "A Dime a Day: The Possibilities and Limits of Private Schooling in Pakistan." Policy Research Working Paper 4066, World Bank; Barrera-Osorio. 2007. "The Impact of Private Provision of Public Education: Empirical Evidence from Bogotá's Concession School." Policy Research Working Paper 4121, World Bank; Barrera-Osorio and Raju. 2011. "Evaluating Public Per-Student Subsidies to Low-Cost Private Schools: Regression-Discontinuity Evidence from Pakistan." Policy Research Working Paper 5638, World Bank; Bold, Kimenyi, Mwabu, and Sandefur. 2013. "The High Return to Private Schooling in a Low-Income Country." Africa Growth Initiative Working Paper 5, Brookings Institution; Bruns, Filmer, and Patrinos 2011; Hanushek, Link, and Woessmann, 2013; Muralidharan and Sundararaman 2015.
- ¹² This discussion and that in the ensuing paragraphs is liberally drawn from a December 2014 interview with James Tooley; the interview can be heard at http://www.econtalk.org/archives/2014/12/james_tooley_on.html.
- ¹³ Ashley et al. 2014.
- ¹⁴ Guimón, José. 2013. "Promoting University-Industry Collaboration in Developing Countries." The Innovation Policy Platform, Policy Brief, World Bank. http://innovationpolicyplatform.org/sites/default/files/rdf_imported_documents/PromotingUniversityIndustryCollaborationInDevelopingCountries.pdf.
- ¹⁵ World Bank. 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank
- ¹⁶ Kamenetz, Anya. 2013. "Exporting Education: Online courses are taking off in developing countries, but there's a major downside." *Slate*, November 15. http://www.slate.com/articles/technology/future_tense/2013/11/developing_countries_and_moocs_online_education_could_hurt_national_systems.html.
- ¹⁷ Kamenetz 2013.
- ¹⁸ Kamenetz 2013.
- ¹⁹ International Finance Corporation. 2011. *Accelerating Inclusive Business Opportunities: Business Models that Make a Difference*. IFC. See page 30f.
- ²⁰ World Bank. 2015. *Labor Market Impacts and Effectiveness of Skills Development Programs in India*. World Bank.
- ²¹ Patrinos, Barrera-Osorio and Guáqueta 2009.

This publication may be reused for noncommercial purposes if the source is cited as IFC, a member of the World Bank Group.