Why Invest in the Private Sector?

Harry Anthony Patrinos
The World Bank
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Why Invest in the Private Sector?

1. Challenge of ensuring learning for all
2. Growth in private sector engagement
3. Evidence revolution
Increased Focus on Measurement

TIMSS

PISA

OECD countries
Partner countries and economies in PISA 2006
Partner countries and economies in previous PISA surveys or in PISA 2009
Growing Market for Education

Education expenditure ($ trillion)

- 1999: 2
- 2013: 4.5
Education Spending

Public spending on pre-primary, primary, and secondary education (% of GNP)

TIMSS median math score

Australia
Bulgaria
Colombia
Czech Republic
Denmark
Germany
Greece
Hong Kong
Iran
Japan
Korea
Lithuania
Netherlands
Norway
Portugal
Romania
Slovak Republic
Singapore
Slovak Republic
Switzerland
Czech Republic
Spain
Sweden
United States
Norway
Slovakia
Czech Republic
Japan
South Africa
Teacher Absenteeism

Survey findings of teachers absenteeism from 2004 to 2011

Source: World Bank
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Private Sector Growth

Private enrollment as % of total student enrollment

Source: World Bank 2013
## Type of Provider

<table>
<thead>
<tr>
<th>Provider</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Traditional public schools</td>
</tr>
<tr>
<td>Faith-based</td>
<td>Madrasas Fe y Alegría schools in Latin America</td>
</tr>
<tr>
<td>NGO</td>
<td>BRAC schools in Bangladesh</td>
</tr>
<tr>
<td>Community</td>
<td>EDUCO schools in El Salvador</td>
</tr>
<tr>
<td>Private, for-profit</td>
<td>Bridge academies in Kenya Omega schools in Ghana Beaconhouse schools in Asia</td>
</tr>
</tbody>
</table>
Public, Private & Mixed Goods

- **Pure Private Good**
  - More Excludable
  - More Rival
  - More Nonrival
  - Mixed Good

- **Mixed Good**
  - More Rival
  - More Nonrival

- **Pure Public Good**
  - More Excludable
  - More Nonrival

Examples:
- **More Rival**
  - Food, clothing
  - Sold-out movie
  - Crowded highway
  - Software
  - Movie with empty seats
  - Uncrowded highway

- **More Nonrival**
  - Crowded city streets
  - Fish in international waters
  - Urban park
  - National defense

- **Mixed Good**
  - Uncleared land
  - Goods sold out of the store
  - Fish in international waters
  - National defense

- **More Excludable**
  - Crowded highways
  - Service sold out of the store
  - Goods sold out of the store
  - Software

- **More Nonexcludable**
  - National defense
  - Fish in international waters
  - Open highways
  - Urban parks
Why Public Intervention?

STUCK ON AN ELEVATOR WITH THE U.S. AT THE UN GLOBAL WARMING CONFERENCE

Suppose I pay one of you who don’t share my problem with overabundant gas emissions. I buy your “right” to emit gas. Problem solved?
Government Intervention...

...need not be provision...

...nor even finance...
Government Intervention...

Rules & Regulations

Information icon
## Finance-Provision Matrix

<table>
<thead>
<tr>
<th>Finance</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>Independent private schools</td>
</tr>
<tr>
<td></td>
<td>Home schooling</td>
</tr>
<tr>
<td></td>
<td>Tutoring</td>
</tr>
<tr>
<td>Public</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td>User fees</td>
</tr>
<tr>
<td></td>
<td>Student loans</td>
</tr>
<tr>
<td>Government-funded private schools</td>
<td>Public schools</td>
</tr>
<tr>
<td>Privately managed schools</td>
<td>Public schools</td>
</tr>
<tr>
<td>Voucher schools</td>
<td>Public schools</td>
</tr>
</tbody>
</table>
Private Engagement across Countries

Source: Baum et al. (2013)
Economics of Education

(1930-2014)
Economics of Vouchers
## Public Schools & Vouchers

<table>
<thead>
<tr>
<th>Current system of education</th>
<th>With a voucher</th>
<th>Parents that switch</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Families purchase public or private education, subject to budget constraint</td>
<td>• Parents that choose public no worse off</td>
<td>• Able to consume more schooling and other goods</td>
</tr>
</tbody>
</table>
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Evidence Revolution | Advances

Cumulative number of articles*

* Articles about definite and possible randomized field trials.

SOURCE: Robert Boruch, Dorothy de Moya, and Brooke Snyder, 2001
School Choice in the Netherlands

![Bar chart showing performance in Math, Reading, and Science.]}
Evidence Revolution | What Works

1/3 to 1/2 SD in English by grade 8

0.12 SD; for special education & limited English students: 0.3 - 0.4 SD

0.09 - 0.17 SD (English)
0.18 - 0.54 SD (math)
Good Charters use No Excuses Model

- Frequent teacher feedback
- Data to guide instruction
- High-dosage tutoring
- Increased instruction time
- High expectations
What Doesn’t Work

Traditionally collected input measures:

- Class size
- Per-pupil expenditure
- Teacher certification & teacher training
Concession Schools

Public School
Ciudad Bolivar, Bogotá, Colombia

Concession School
Ciudad Bolivar, Bogotá, Colombia
Concession Schools

**Enrollments**

- 2000: 5000
- 2004: 25000

**Drop out**

Reduction in dropout rates, 1999-2003 (% points)

- Direct: -2
- Indirect: -1.6

**Outcomes**

Increase in test scores, 1999-2003 (% points)

- Math: 1
- Reading: 4
# Targeted Vouchers: Colombia

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Voucher students were:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schooling</td>
<td>10 pts more likely to finish grade 8</td>
</tr>
<tr>
<td>Grade repetition</td>
<td>6 pts less likely to repeat</td>
</tr>
<tr>
<td>Test scores</td>
<td>0.2 SD higher</td>
</tr>
<tr>
<td>High school</td>
<td>5-7 pts more likely to complete</td>
</tr>
<tr>
<td>College exam</td>
<td>15-20% more likely to take</td>
</tr>
<tr>
<td>College scores</td>
<td>2 pts higher</td>
</tr>
<tr>
<td>Work</td>
<td>3 pts less likely during study</td>
</tr>
<tr>
<td>Delay marriage</td>
<td>1 pts less likely</td>
</tr>
</tbody>
</table>
Universal Vouchers: Chile

• Expansion of schooling
• Mixed evidence on learning  (Urquiola; Sapelli, Gallegos)
• New evidence on long term impacts  (Patrinos, Sakellariou; Bravo, Mukhopadhyay, Todd)
Pakistan Foundation Assisted Schools

Public financing & private provision to reach poor households

Results-oriented approach to raise educational outcomes
Andhra Pradesh School Choice Project
BRAC Education Programme
Investing in Private Sector | Concerns

Public divided on issue of school vouchers

Remain controversial

Opponents of voucher system fear:
- Only poorest of poor would be left in public schools
- Beneficiaries would be high income families
- Funds would be drained away from public schools
Key Features of Successful PPPs

- Appropriate legal / institutional framework
- Well-informed decision making
- Clear / detailed contracts
- Open, competitive, transparent procedures
- Predictable regulatory environment
- Appropriate sharing of risks
- Well developed administrative structures
Investing in Private Sector | Summary

- Tailored to country circumstances
- Not a panacea
- Regulatory environment important
- Think broadly about role of government
- More evidence needed
- Implementation
More Evidence

IE² Impact Evaluations in Education (beta)

300 impact evaluations

This database contains approximately 300 impact evaluations of numerous primary and secondary education interventions both within the US and world-wide from 1981-2012. Studies found in this database include both World Bank publications as well as external publications. Evaluations included here examine the impact of various education interventions on a limited range of education outcomes for students. Inclusion preference was given to studies that employed experimental or quasi-experimental methods. This is a beta version of the impact evaluation database and is therefore being updated on an ongoing basis.

To learn more about studies’ limitations, background, and criteria etc., click here.

Please contact us with feedback, corrections, or suggestions for the inclusion of additional studies.