Private Sector Engagement: The Philippines

World Bank Education Staff Development Program: Engaging the Private Sector

8-9 May 2014
Bali, Indonesia

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Enhanced Basic Education System

• Ten year basic education system - 6 + 4 years
• Basic education system faces several challenges
• Access to secondary education:
  – Low secondary net enrollment rate
  – Significant disparities – region, income classes, urban and rural populations, boys and girls
• Quality of secondary education:
  – Large class sizes, insufficient teaching resources
  – Congested curriculum, lack of subject specialist teachers
  – Poor math and science learning outcomes, low but increasing education spending
Private Education in the Philippines

• Long history of private education in the Philippines, at all levels of education
• As recently as mid-1970s, private secondary schools represented some 55% of secondary level enrolments (40% in mid-1980s and 30% in mid-1990s)
• Drop due to a number of factors including economic weakness and introduction of free secondary education in 1988
• History of innovative private sector subsidy programs under the Government Assistance to Students and Teachers in Private Education (GASTPE) law:
  – Education Service Contracting Scheme
  – Education Voucher System
## Private Education Statistics: 2012/13

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td><strong>Elementary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schools</td>
<td>38,659</td>
<td>83.3</td>
<td>7,745</td>
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<tr>
<td>Enrolments</td>
<td>13,273,325</td>
<td>91.5</td>
<td>1,236,365</td>
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<tr>
<td><strong>Secondary</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Schools</td>
<td>7,748</td>
<td>60.2</td>
<td>5,130</td>
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<tr>
<td>Enrolments</td>
<td>5,702,597</td>
<td>80.2</td>
<td>1,408,347</td>
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</table>
Section 14. Reasonable Supervision and Regulation. As a matter of policy laid down in Article XIV, Section 5(1) of the 1987 Philippine Constitution, the State recognizes the complementary roles of public and private institutions in the educational system and shall exercise reasonable supervision and regulation of all educational institutions.
Education Service Contracting

- Government contracts with private secondary schools to enrol students in areas where there is a shortage of public school places
- Administered by the FAPE - private not-for-profit organization
- FAPE established in 1968 to support private education
- FAPE Board is chaired by Secretary of DepED and includes members from three private school associations - PACU, CEAP and ACSCU
- FAPE receives a fee for management of ESC and other private education programs
Education Service Contracting

- FAPE’s role in respect of ESC is:
  - Certify participating private schools
  - Determine allocation of ESC places to schools based on DepED regional quotas
  - Collate, review, and forward billing statements from participating private schools to DepED
  - Provide in-service training for teachers and principals
  - Monitor program implementation

- Certification program introduced to address ‘ghost students/ghost schools’
Education Service Contracting

- Per-student payment is $162.50/year in rural areas and $250/year in Metro Manila
- Schools can charge fees on top of the ESC subsidy
- In 2012/13:
  - ESC budget = $109 million, Grantees = 722,000
  - Participating schools = 2,812
- 40% of private secondary schools have ESC grantees
- Regional Project Management Committee:
  - Manages ESC implementation at local level – usually situated in a private college/university
  - Certifies schools and coordinates submission of billing statements to FAPE national office
ESC Schools, 1996/97-2012/13

Number of Schools

Year


1,113 1,127 1,139 1,326 1,361 1,535 1,533 1,519 1,676 1,833 1,949 2,566 2,737 2,813 2,898 2,818 2,812
ESC Funding, 2006/07-2012/13

Year | Funding
--- | ---
2006/07 | 42,947,600
2007/08 | 59,639,000
2008/09 | 64,198,750
2009/10 | 68,419,000
2010/11 | 77,182,500
2011/12 | 90,838,925
2012/13 | 109,106,841
Enhanced Basic Education System

• In 2010, Government announced move to a 12 year basic education system through the addition of 2 years of senior high school (SHS) - 6 + 4 + 2 years
• Implementation of revised curricula began in 2012/13, with new SHS curriculum to be implemented from 2016/17 school year
• Mix of reform objectives - improve quality of education, better preparation of students for the labor market, decongest curriculum
• K to 12 law and IRRs passed in 2013
• ADB supporting preparation of K to 12 program - $400 million loan for ADB Board consideration in 2014
Enhanced Basic Education System

K to 12 law and IRRs both foresee important role for private sector delivery of senior high school:

“Sec. 10. The benefits accorded by the Republic Act No. 8545… shall be extended to qualified students enrolled under the enhanced basic education.

The DepED shall engage the services of private education institutions and non DepED schools offering senior high school through programs under Republic Act No. 8545 and other financial arrangements formulated by the DepED and the Department of Budget Management based on the principles of public private partnership…”
Section 21. Expansion of E-GASTPE Beneficiaries. Pursuant to Section 10 of the Act, the DepEd shall develop programs of assistance that will extend the benefits accorded by Republic Act No. 8545, or the “Expanded Government Assistance for Students and Teachers in Private Education Act,” to qualified students enrolled in senior high school.

Section 22. Criteria for Assistance to Qualified Students. The programs of assistance shall be made available primarily to students who completed junior high school in public schools, taking into account the income background and financial needs of students, available capacities of public, private and non-DepEd public schools in the locality, socio-economic needs of regions, overall performance of private and non-DepEd public schools, as well as geographic spread and size of the student population.

The programs of assistance may also be made available to students who completed junior high school in private educational institutions, whether these students are E-GASTPE beneficiaries or not, subject to compliance with the qualifications and guidelines to be determined by the DepEd.
Section 23. Forms and Amount of Assistance. The forms of assistance that may be provided by the DepEd may include any of the following:

(a) A voucher system, where government issues a coupon directly to students to enable them to enroll in eligible private educational institutions or non-DepEd public schools of their choice under a full or partial tuition or schooling subsidy;

(b) Education Service Contracting (ESC), where the government enters into contracts with private educational institutions or non-DepEd public schools to shoulder the tuition and other fees of high school students who shall enroll in private high schools under this program;

(c) Management contracts, where government enters into contractual arrangements with private educational institutions or non-DepEd public schools to manage the day-to-day operations of public schools under agreed performance targets;

(d) Forms of assistance provided under Republic Act No. 8545; and

(e) Other forms of financial arrangements consistent with the principles of public-private partnership.

The DepEd shall take into account the ability of program beneficiaries to cover tuition differentials, if any, in setting the amount of the voucher, ESC, or other forms of assistance. The amount of assistance to be given by the government shall not exceed the determined per student cost in public schools.
Section 24. Participating Schools. Private educational institutions, non-DepEd public schools, and other potential providers of basic learning needs that may be authorized to offer senior high school are eligible to participate in programs of assistance, as may be applicable, under the E-GASTPE program and other financial arrangements formulated by the DepEd and DBM based on the principles of public-private partnership. The continued participation of said providers in the E-GASTPE program and other financial arrangements is subject to their meeting minimum requirements and standards, including student performance, as determined by the DepEd.

To promote partnership and greater cooperation between public and private educational institutions, government will take into account existing and potential capacities of private educational institutions in expanding public school capacity.
ADB Senior High School Support Program

- $400 million OCR loan (7.1% of Govt program)
- Finance preparation/implementation of K to 12 agenda
- Results-based lending modality
- 6 year program
- 4 Results Areas, 8 Disbursement-Linked Indicators and 20+ Disbursement Linked Results
- No co-financing, but World Bank and Australian financing of broader K to 12 program
- Safeguards: B/B/B categorization
- GEN/EGM gender categorization
- For ADB Board consideration in 2014
- Additional $300 million loan programmed for 2016
Proposed SHS Voucher Program

- Key feature of SHSSP
- ADB and DepED have worked closely in development of program
- Many different demand side financing models examined – vouchers, ESC, school contracting, etc
- Objective is to finance private school enrolment for about 40% of SHS cohort/55% of SHS students in private schools/provision
- Targeting some 400,000 students/year level
- Final design of voucher assistance ongoing
- Builds on existing ESC program at JHS level
Proposed SHS Voucher Program (Cont’d)

- Permanent program
- Can be used at any registered SHS – private schools, SUCs, private HEIs, TVET institutes
- Voucher available to public JHS graduates, ESC students and some private JHS graduates
- Average value of voucher based on estimated unit cost of public school delivery ≈ P15,000
- Voucher value tiered by region/type of student
- Voucher management system – enrolments, enrolment management, billing
- FAPE managed – at least initially
- Top-up tuition fees allowed
- Regulatory issues
## Indicative SHS Voucher Values

<table>
<thead>
<tr>
<th>Regional Cluster</th>
<th>Full Value</th>
<th>Approx. 80% Value</th>
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<tbody>
<tr>
<td>1</td>
<td>PhP 15,000</td>
<td>PHP 12,000</td>
</tr>
<tr>
<td>2</td>
<td>PhP 17,500</td>
<td>PHP 14,000</td>
</tr>
<tr>
<td>3</td>
<td>PhP 20,000</td>
<td>PHP 16,000</td>
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<tr>
<td>4</td>
<td>PhP 22,500</td>
<td>PHP 18,000</td>
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<tr>
<td>Average voucher</td>
<td>value</td>
<td>PhP 15,600</td>
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</table>
Why Use the Private Sector?

• Public provision only would put significant management and budgetary strain on government:
  – Year 1: 1+ million SHS students from public schools (350,000 from private schools)
  – Year 2: 2+ million SHS students from public schools (670,000 from private schools)
  – 80,000+ teachers/50,000+ classrooms for first two cohorts

• Other reasons for private participation:
  – Minimize upfront capital costs
  – Allow government to gauge need for public schools
  – Address impact on private higher education providers
  – Make use of extensive private school/HEI network

• Choice, dynamism, diversity of supply
Infrastructure Public Private Partnerships

• Significant classroom shortage even before SHS
• 2 recent school building programs to address shortage using a form of PPP – complement other initiatives:

PSIP 1
  – Design, finance and construction of 9,300 classrooms, including furniture and fixtures
  – Project cost = $397 million
  – BLT/10 year cooperation period

PSIP 2
  – Design, finance, and construct 4,370 classrooms, including furniture, fixtures and toilets in 1,735 public schools in 5 regions
  – $89.77 million
  – BT model
  – Partially bid out
PSIP Phase I
Contract Package C- Sub-Project No. 244
2-Storey, 4 Classroom School Building

PSIP Phase I
Contract Package C- Sub-Project No. 383
2-Storey, 8 Classroom School Building

Inside the classroom
Gov. D. M. Camerino Elementary School - Imus, Cavite
PSIP Phase I
Contract Package C- Sub-Project No. 383
2-Storey, 8 Classroom School Building

Main staircase and ramp with railings for persons with disability (PWD)
Sta. Cruz Elementary School - Dasmariñas, Cavite
PSIP Phase I
Contract Package C- Sub-Project No. 244
2-Storey, 4 Classroom School Building

Second Floor Corridor
Sta. Cruz Elementary School - Dasmariñas, Cavite

Ramp for persons with disability (PWD)
Gov. D. M. Camerino Elementary School - Imus, Cavite
Infrastructure PPPs

- PSIP 1 = “PPP Light” / PSIP 2 = Not PPP
- ADB program preparation examining scope for undertaking more sophisticated infrastructure PPPs
- Pre-feasibility study conducted by Ernst & Young
- Key findings:
  - Significant public infrastructure requirement, depending on private sector response – up to 68,000 classrooms
  - School infrastructure PPPs are ‘feasible’ – various possible models, including BT, BLT and BTO
  - Could procure 279 schools or 7,328 classrooms using PPP, based on applying certain filters – eg. buildable space, land ownership, budget, etc
  - Positive private sector market soundings
  - Potential role for ADB funding support/guarantees
Conclusions

- Long history of private education in the Philippines
- Philippines has one of the largest and longest running public private partnership programs – the ESC
- Government looking to the private sector for help in implementing the SHS component of K to 12 agenda
- Focus is on developing a voucher program for graduates from public JHS, ESC grantees and some private school graduates
- Also made use of infrastructure PPPs, with potential to use more sophisticated forms