



Contracting for the Delivery of Education Services

A Typology and International Examples

Norman LaRocque

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List of acronyms

AE	Alternative Education, New Zealand
BOT	Build-Operate-Transfer
CPS	Chicago Public Schools, United States
CTU	Chicago Teachers Union, United States
DBFO	Design-Build-Finance-Operate
DET	Department of Education and Training, New South Wales, Australia
DfES	Department for Education and Skills, United Kingdom
DPS	Denver Public Schools, United States
EMO	Education management organisation, United States
ESC	Educational Service Contracting, Philippines
FAPE	Fund for Assistance to Private Education, Philippines
FyA	Fe y Alegría, Latin America/Spain
GASTPE	Government Assistance to Students and Teachers in Private Education, Philippines
HDEC	Haidian District Education Committee, Beijing
ICT	Information communication technology
LEA	Local Education Authority, United Kingdom
MoE	Ministry of Education, New Zealand
OfSTED	Office for Standards in Education, United Kingdom
PFI	Private finance initiative, United Kingdom
PNS	Pitágoras Network of Schools, Latin America
PPP	Public-private partnership
RFP	Request for proposal

ABOUT THE AUTHOR

Norman LaRocque is policy advisor with the New Zealand Business Roundtable and the Education Forum, based in Wellington, New Zealand. His work focuses mainly on education, social and labour market policy.

Norman also works as a consultant on education policy issues and has undertaken projects for a range of organisations, including the World Bank, the International Finance Corporation, the Government of Mongolia and the Asian Development Bank. Since 1999, he has undertaken studies in several countries, including Pakistan, Morocco, Mongolia, the Philippines, Ethiopia, Bangladesh, Saudi Arabia, Oman, China, Cameroon and a number of West African countries.

Publications include: *A New Deal: Making Education Work for All New Zealanders*; *Who Should Pay: Tuition Fees and Tertiary Education Financing in New Zealand*; *The Promise of E Learning in Africa: The Potential for Public-Private Partnerships* (with Michael Latham) and *Private Education in the Philippines: A Market and Regulatory Survey*.

Norman has written articles for a number of publications, including the *New Zealand Herald*, *The Guardian*, *Fraser Forum* and the *IPA Review*.

FOREWORD

Over the years, governments of various political stripes have undertaken market-based reforms in education. These reforms have taken a variety of forms, including subsidies for students in private schools and school vouchers. In some cases – for example, Milwaukee, which dates back to 1990 – these reforms are relatively recent. In other cases, they have a long history – for example, the Netherlands, which has had a private school voucher system since 1917.

This report looks at a more recent form of market-based education reform, namely government contracting for the delivery of educational services. It provides an overview of contracting in its various forms, including the private management of public schools, public–private partnerships (PPPs) for educational infrastructure, government contracting with the private sector for the delivery of education services and private sector administrative and curriculum support.

Contracting for the delivery of educational services can have many benefits. In particular, contracting may raise the efficiency of service delivery and spending, and allow governments to tap specialised skills that may not otherwise be available. Contracting may also allow governments to overcome salary constraints and civil service restrictions. Successful use of contracting permits rapid responses to emerging needs and facilitates the adoption of innovative models. Contracting is also one tool that could quickly enable competition among providers and promote economies of scale for the provision of education services. Other benefits could be conceived, including improvements in quality, more efficient and focused government, closer targeting of spending and service delivery, increased access to education, especially for groups that are poorly served, and increased transparency. At the same time, poorly formalised or executed contracting can generate high costs for society. Specific design elements and accountability clauses are crucial to the contracting process.

Contracting is likely to work best when the services to be delivered are easily specified, where performance can be monitored and when sanctions and penalties can be imposed for non-performing contractors. It also requires a redefinition of the role of public agencies and a set of specific skills on the

part of the civil servants responsible for oversight of the education sector. From a political standpoint, it is most easily implemented when the contracted services are additional to those already in place.

Over the past several years, there has been increasing experience accumulated in contracting with the private sector for education services. It is both crucial and timely that lessons are drawn from this important worldwide experience. The key policy questions can be summarised as follows:

- Does contracting with private schools to enrol publicly funded students provide a successful strategy for rapidly expanding access to education, while avoiding large public sector capital costs? If so, then the expansion of this model could generate high benefits for societies.
- Does contracting for 'non-core' services (for example, school transport, food services and facility maintenance), which is used extensively and is relatively simple to implement, generate significant savings? If so, then the expansion of this type of contracting could stretch constrained public sector budgets.
- Under what circumstances does the private management of public schools, which is increasingly involved and controversial, work best?

Much of the discussion of school contracting in the popular press has focused on examples from developed countries such as the management of public schools by education management organisations (EMOs) in the United States and the UK's private finance initiative, both of which have been controversial. Yet, as this report shows, examples of contracting PPPs are many and varied, stretching around the globe.

With all this activity going on around the world, an increased focus on producing rigorous impact evaluations will help to answer some of the questions posed here. These are important for policy makers and financiers of education projects. The World Bank is increasing its role in producing evidence-based research results on important projects. The education sector is no exception. We hope to support and manage several education evaluations. Providing more evidence on contracting is one of our priorities.

Whatever contracting models are promoted, there is a need to pursue them with caution, to implement slowly and to evaluate their impact. The best evaluations involve random designs, especially at the pilot stage. Proper evaluations will better inform policy makers about going to scale and needed reforms and changes, and help providers improve their service. They also increase transparency about the programme and better justify the use of public funds.

Finally, the innovative PPPs highlighted in this report reinforce the view that the distinction between ‘public’ and ‘private’ education is a false one. What this report says is that we should focus less on whether the provider is public or private and more on what roles the different actors – parents, communities, governments, school operators and corporates – can play in improving education outcomes.

Harry Anthony Patrinos
Senior Education Economist
The World Bank

EXECUTIVE SUMMARY

Education sectors the world over are facing a number of social, economic and policy challenges. Many governments have responded to these challenges by introducing market-based policies that emphasise parental choice, managerial autonomy for schools and accountability for results. Contracting with the private sector for the delivery of ancillary services, such as catering and school transport, is relatively common in the education sector. A more recent trend involves governments contracting with the private sector for the delivery of core education services. While such contracting is not widespread, there are a number of examples in operation in the United States and around the world.

This paper provides an overview of international examples from the education sector whereby governments contract with the private sector for the delivery of educational services, professional services and the provision of educational infrastructure. It also draws tentative lessons from this experience for the design and implementation of contracting in the education sector.

This is a revised version of the Harvard University Program on Education Policy and Governance (PEPG) Report 05–07, which was presented at the World Bank/PEPG Conference *Mobilizing the Private Sector for Public Education*, held 5–6 October 2005. It draws heavily on World Bank Report No 31841-CO entitled *Colombia: Contracting Education Services*.

Input and comments from Harry Anthony Patrinos, April Harding and Raji Chakrabarti are gratefully acknowledged.

I INTRODUCTION

Education sectors throughout the world are facing a number of social, economic and policy issues. Many governments have responded to challenges in the school sector by introducing market-based policies that emphasise parental choice, management autonomy for schools and accountability for results. One relatively recent trend in education policy is the use of ‘contract schools’, whereby governments contract out the delivery of public schools to private sector organisations.

Contracting has been widely used by government agencies to procure a broad range of services, including transportation, cleaning, refuse collection and fire protection. While contracting for social services is less common, private entities (and particularly not-for-profit organisations) have long played an important role in the delivery of child care, health, employment and welfare services.

In the education sector, governments have historically made considerable use of contracting for ‘non-core’ educational services, such as school transport, food services and cleaning. However, in recent years there has been a broadening in the scope of contracting undertaken in the education sector. There are now a number of examples of governments in countries as diverse as the United States, the Philippines, Colombia and the United Kingdom contracting directly with the private sector for the delivery of ‘core’ education services. In New Zealand, under the Alternative Education (AE) programme, the schools can contract with private providers for the delivery of education in non-school settings for students who have become alienated from the education system.

2

CONTRACTING AND EDUCATION SERVICE DELIVERY ARRANGEMENTS

DEFINITION

Contracting can be defined as a purchasing mechanism that is used to acquire a specified service, of a defined quantity and quality, at an agreed-on price, from a specific provider, for a specified period.¹ Contracting implies an ongoing exchange relationship, supported by a contractual agreement. For the purposes of this paper, contracting involves a government agency entering into an agreement with a private provider to procure a service, or a bundle of education services, in exchange for regular payments.

POTENTIAL BENEFITS OF CONTRACTING

Proponents argue that contracting out the delivery of education services to the private sector may have several benefits over traditional procurement methods. These include improved efficiency in service delivery, greater transparency in government spending and increased access to services, especially for those who were not well served under traditional procurement methods. Contracting may also allow government agencies to secure specialised skills, focus on functions where they have a comparative advantage, overcome operating restrictions such as inflexible salary scales and work rules, and facilitate the adoption of service delivery innovations.²

On the other hand, opponents argue that contracting can have a number of drawbacks, including that it is more expensive than traditional procurement methods (for example, because of the cost of awarding and managing contracts and a lack of competition), fosters corruption and results in a loss of government accountability and control.³

¹ Taylor, Robert J (2003) 'Contracting for Health Services', in April L Harding and Alexander S Preker (eds), *Private Participation in Health Services Handbook*, The World Bank, Washington, DC, p 158.

² Savas, ES (2000) *Privatization and Public-Private Partnerships*, Chatham House Publishers/ Seven Bridges Press, New York, pp 76–77.

³ Savas, above n 2.

TYOLOGY OF CONTRACTING FOR EDUCATIONAL SERVICES

Several forms of contracting in the education sector can be distinguished. These are discussed briefly below and summarised in Table 1. Under a management contract model, government agencies contract with a private

Table 1: Typology of models and international examples of contracting in education

Contracting form	Description	Examples
Management contracts	Government contracts with private sector to <i>manage</i> an existing public service/set of services using <i>public infrastructure</i> . Staff are employed by the <i>public sector</i> .	Contract schools, United States
Operational contracts	Government contracts with a private provider to <i>manage</i> an existing public service/set of services using <i>public infrastructure</i> . Staff are employed by the <i>private sector</i> .	Contract schools, United States Colegios en Concesión (Concession Schools), Colombia Fe y Alegría, Latin America/Spain
Service delivery contract	Government contracts with the <i>private sector</i> to deliver a specified service/set of services using <i>private infrastructure</i> .	Government Sponsorship of Students in Private Schools, Côte d'Ivoire Alternative Education, New Zealand Educational Service Contracting, Philippines
Auxiliary/professional services contracts	Government contracts with the <i>private sector</i> to undertake education-related functions such as school review, schooling improvement or curriculum development.	Contracting out Local Education Authority functions, United Kingdom Pitágoras Network of Schools, South America Sabis Network of Schools, Middle East/Europe/North America
Infrastructure provision contracts	Government contracts with the <i>private sector</i> for the provision of <i>educational infrastructure</i> . Contracts can involve finance, design, construction and/or operation of educational infrastructure.	Private Finance Initiative, United Kingdom 'New Schools' Project, Australia Public–Private Partnerships (P3) for Educational Infrastructure, Canada JF Oyster Elementary School, United States Offenbach and Cologne Schools Projects, Germany Montaigne Lyceum, Netherlands

provider to manage an existing government service or set of services using government infrastructure. Although the service is managed by the private sector, staff are employed by the public sector. For example, a school board could contract with a private company to manage a public school, and teachers would continue to be employed by the government and would retain their existing terms and conditions. Under an operational contract model, government agencies contract with a private provider to manage an existing government service or set of services using government infrastructure, but the private manager is responsible for all aspects of the operation of the service, including the employment of staff. This would be similar to the above model except that the private company would employ its own staff in the school, rather than using government staff.

Under a third model, the service delivery contract model, government agencies contract with a private provider to deliver a specified service or set of services using privately owned (rather than government-owned) infrastructure. An example would involve the government contracting with a private provider to enroll students or to deliver tuition in particular subjects.

Under an auxiliary/professional services model, governments contract with the private sector to undertake education-related functions such as school reviews, schooling improvement or curriculum development. Under an infrastructure provision model, governments contract with the private sector for the provision of educational infrastructure such as classrooms or hostels. Contracts can include the finance, design, construction and/or operation of infrastructure.

Not all instances of contracting in education fit neatly into this typology, and some may contain elements of more than one form when implemented. For example, the *Fe y Alegría* (FyA) programme in Latin America, under which the government pays the salaries of teachers, may operate more or less like a management contract model, depending on the degree of autonomy provided by the ministry of education in the respective countries. In some respects, it may also have characteristics of a service delivery model, depending on the ownership of facilities.

A second example is provided by Edison Schools, a for-profit education management organisation (EMO) in the United States. Edison Schools generally operates under 'management contracts' (where the teachers are employed by the local school district) when contracting directly with school districts. However, they generally operate under 'operational contracts' when they contract to operate charter schools that are not subject to school district personnel rules. Other EMOs operate solely under 'management contracts'.

3

INTERNATIONAL EXAMPLES OF CONTRACTING FOR THE DELIVERY OF EDUCATIONAL SERVICES

There is a wide range of contracting models in use in the education sector. Four types of contracting are discussed in this paper. These are:

- The private management of public schools, whereby governments or school districts contract with private providers to manage public schools.
- Government contracting with the private sector for the delivery of education services (for example, the government purchases places at private schools) or the provision of education-related services (for example, curriculum development, school review or school improvement).
- Public–private partnerships for educational infrastructure. These are instances where the government contracts with private firms for the design, construction, finance and operation of educational infrastructure (for example, schools, universities and hostels).
- The provision of administrative and curriculum support by the private sector. These are instances where private organisations provide administrative, curricular and other support to schools.

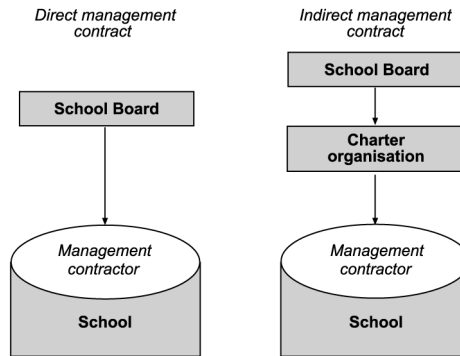
Examples of contracting for the delivery of education services are drawn from a variety of developed and developing countries, including the United States, Colombia, the Philippines, the United Kingdom and Australia. These are discussed briefly below and are summarised in annex 1.

PRIVATE MANAGEMENT OF PUBLIC SCHOOLS

One area of increasing private participation is the private management of public schools. There are various models employed by government agencies in several developed and developing countries.

Contract schools, United States

The private management of public schools in the United States can take either of two forms. The first involves local school boards contracting directly with an EMO to manage a public school. The second involves indirect contracting

Figure 1: Direct and indirect management contracts

where EMOs manage charter schools either as the holder of, or under contract to the organisation that holds, the school charter (see Figure 1).

Although contract schools are privately managed, they remain publicly owned and funded. Students do not pay fees to attend these schools. Typically, private sector operators are brought in to manage the worst performing schools in a given school district. Private sector school operators may operate under either 'management contracts' or 'operational contracts'. Under the former, the management of the school is turned over to the private sector, but teaching and other staff remain employed by the local school board and are subject to the teacher union contract. Under the latter, teaching and other staff are employed by the private operator, and terms and conditions of employment may differ from the teacher union contract.

Under both of the above models, the private sector operator is paid a fixed amount per student (usually equal to the average cost of educating a student in the public sector) or is paid a fixed management fee. In both cases, they agree to meet specific performance benchmarks.

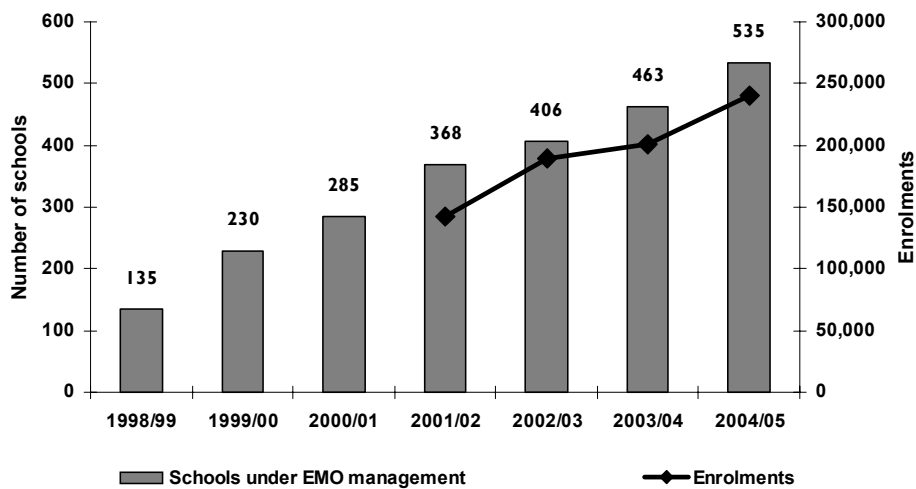
In 2004–05, there were 535 public schools being managed by 59 EMOs in 24 states and the District of Columbia. Eighty-six percent of these were fully privately managed charter schools (up from 81 percent in 2003–04). The number of schools under private management is almost four times the number that existed in 1998–99 (see Figure 2). In 2004–05, there were nearly 240,000 students in privately managed public schools, around 40,000 more than in the previous

year.⁴ The largest EMOs in 2004–05 were Edison Schools (98 schools, 66,482 students), National Heritage Academies (51 schools, 26,133 students) and White Hat Management (38 schools, 18,318 students).

The most significant example of private management of public schools is in Philadelphia where a state takeover of the city's schools resulted in 70 of the worst performing ones being contracted out to for-profit and not-for-profit private providers in 2002. The largest provider, for-profit EMO Edison Schools, was awarded management contracts for 20 schools. This was increased to 22 in 2005.

Denver Public Schools (DPS) has used contract schools as part of its school choice menu since 1993. Contract schools are operated by entities other than the local school board of education. Like charter schools, contract schools have much greater management autonomy than traditional public schools but are governed under different legislation. In 2004–05, there were four contract schools within DPS.

Figure 2: Number of schools under EMO management and enrolments in EMO-managed schools, United States, 1998–99 to 2004–05



Source: Molnar et al (2005), p 2.

⁴ Molnar, Alex et al (2005) *Profiles of For-Profit Education Management Organizations: 2004–2005*, Seventh Annual Report, Education Policy Studies Laboratory, Arizona State University, Tempe, Arizona, p 2.

Chicago Public Schools (CPS) has proposed to contract out the management of a number of its lowest performing public schools as part of its Renaissance 2010 initiative, which is seeking to create 100 new schools by 2010. To date, only one CPS contract school is operating. However, CPS recently received 57 proposals for new schools to operate from 2006. Of these, 14 were for contract

Table 2: Regulatory differences among charter schools, contract schools and CPS performance schools

Area	Charter schools	Contract schools	CPS performance schools
Curriculum	Meets state standards as specified in plan. Not linked to CPS initiatives.	Meets CPS and state learning standards as specified in performance agreement. May or may not participate in CPS initiatives.	Meets CPS and state learning standards as specified in performance agreement. May or may not participate in CPS initiatives.
School calendar and schedule	Must meet state minima.	Must meet state minima.	Must meet state minima. May or may not follow CPS.
School funding	Per pupil.	Per pupil.	Per pupil.
Teacher certification	In schools created prior to 2003, 75 percent of teachers must be certified. Only 50 percent in new schools.	100 percent of teachers must be certified.	100 percent of teachers must be certified.
CPS principal eligibility required?	No.	No.	Yes.
Teacher pension fund?	Certified teachers in pension fund. Others covered by social security.	Chicago Teachers Union (CTU) teachers in pension fund. Other teachers covered by social security.	All teachers in pension fund.
Teachers and staff employed by:	Charter school board or sub-contracted management organisation.	Contract school board or sub-contracted management organisation.	CPS.
Teachers' union	May be unionised.	May be unionised, may or may not be CTU.	CTU members.
Employee compensation	Determined by school.	Determined by school.	In accordance with CPS salary schedules.

Source: <http://www.ren2010.cps.k12.il.us/types.shtml> (last accessed May 2006).

schools, and 25 were for charter schools. Two-thirds of the 100 new schools to be created under Renaissance 2010 are expected to be charter and contract schools, with the remainder being traditional public schools (CPS performance schools). As can be seen from Table 2, contract schools face different regulatory requirements than CPS schools, particularly in the area of personnel.

The states of Arizona and Michigan have the largest number of EMO-managed schools.⁵

According to Hentschke et al, several forces appear to be driving this growth in contracting between governments/local school boards and EMOs. These include:

- a history of outsourcing education delivery for special education students;
- the increasing focus on accountability in schools;
- an increasing reliance on choice-based policies in education;
- the expanded use of school outsourcing as a mechanism for improving educational outcomes; and
- growth in charter school numbers.⁶

Charter schools, United States

Charter schools are secular public schools of choice that operate with freedom from many of the regulations that apply to traditional public schools, such as geographic enrolment restrictions and teacher union contracts. The charter that establishes a school is a performance contract detailing the school's mission, programme, goals, students served, methods of assessment and ways in which success will be measured. Charter schools may be managed by the community or by a for-profit or not-for-profit school manager.

School charters may be granted by a district school board, university or other authorising agency. The term of a charter can vary, but most are granted for three to five years. Charter schools are accountable to their sponsor or authorising agency to produce positive academic results and adhere to the charter contract. A school's charter can be revoked if guidelines on curriculum and management are not followed or standards are not met. At the end of the term of the charter, the entity granting the charter may renew the school's

⁵ Molnar, Alex et al (2004) *Profiles of For-Profit Education Management Organizations 2003–2004*, Sixth Annual Report, Education Policy Studies Laboratory, Arizona State University, Tempe, Arizona, p 3.

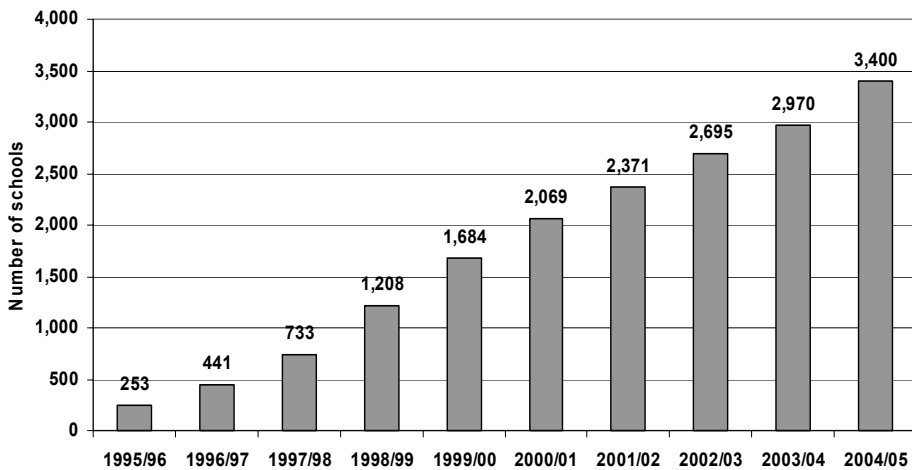
⁶ Hentschke, Guilbert C, Scot Oschman and Lisa Snell (2003) 'Trends and Best Practices for Education Management Organizations', *Policy Perspectives*, WestEd, San Francisco, pp 3–4.

contract. The quid pro quo for charter schools' increased autonomy is strengthened accountability.

The first charter school law was passed in the State of Minnesota in 1991, and the first charter school opened the following year. As at April 2005, there were 3,343 charter schools serving approximately 1 million students. The number of charter schools has increased considerably since the mid-1990s (see Figure 3). More than 40 states have passed charter school laws.

Charter school laws can differ significantly across states and are usually classified as either weak or strong. Approximately two-thirds of charter school laws in the United States are considered strong. Weak laws are defined as those that constrict schools' operations and impose administrative burdens on schools, restrict the range of providers who can operate and provide only one avenue through which schools can be chartered (for example, only the school board can approve charters). States with stronger charter laws provide schools with more management freedom, limit red tape, allow community and for-profit providers to manage charter schools, and provide multiple avenues for charter schools to be sponsored (for example, universities).⁷

Figure 3: Number of operating charter schools, United States, 1995–96 to 2004–05



Source: Vanourek (2005), p 5.

⁷ Center for Education Reform (2004a) *Strong Laws Produce Better Results*, CER Special Report, Washington, DC, www.cer.org (last accessed March 2006), p 1.

Colegios en Concesión (Concession Schools) Bogotá, Colombia

In Colombia, the City of Bogotá has introduced the *Colegios en Concesión* (Concession Schools) programme, under which the management of some public schools is turned over to private institutions with proven track records of delivering high-quality education. The Concession Schools programme was developed in the late 1990s, and the first schools began operating in 2000. In 2004, there were 25 schools, serving over 26,000 students (see Figure 4), being operated by private managers under this model. The programme was expected to grow to approximately 45,000 students in 51 schools (about 5 percent of public school coverage in Bogotá). However, a change in the mayoralty has reportedly stopped the programme's expansion.

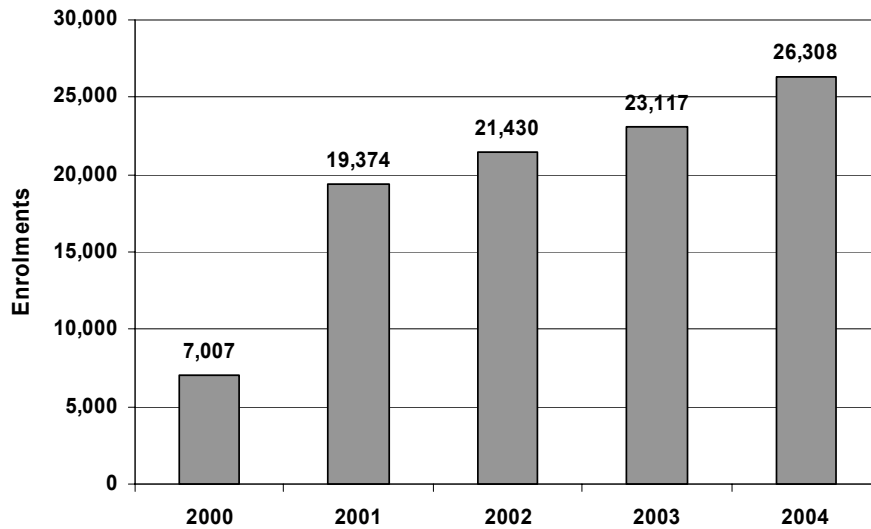
The Concession Schools programme is designed to overcome many of the traditional problems faced by public schools. These include weak leadership, the inability of schools to select their own personnel, a lack of labour flexibility, a lack of equipment and supplies, bureaucratic red-tape and the politicisation/unionisation of the education sector.

Under the Concession Schools programme, private schools and/or educational organisations bid in a competitive process for management contracts of newly built schools in poor neighbourhoods of Bogotá. Contractors may manage a single school or a group of schools. The schools must provide educational services to children who are poor and are paid Col\$1.2 million per full-time student per year – an amount that is considerably below the average cost of a student who attends a public school for only a half day.

Management contracts are for 15 years, which demonstrates both long-term commitment to educational improvement and continuity in supply. Contracts with providers establish clear standards that must be met, including hours of instruction, quality of nutritional provision and the establishment of single shift schooling. The provider has full autonomy over school management and is evaluated on results. Contracts with providers are performance based. Failure to meet educational outcome targets, such as standardised test scores and drop-out rates for two consecutive years, can result in the cancellation of the contract.

School inspections are carried out by a private firm to monitor the maintenance of school facilities and property. In addition, the Bogotá Ministry of Education carries out ongoing reviews of pedagogical standards and norms, and finances an independent evaluation to determine whether academic objectives have been met.

While it remains early days for the Concession Schools programme, initial results show it has led to a number of management improvements. These include

Figure 4: Enrolments in Concession Schools, Bogotá, 2000–2004

Source: Secretaría de Educación de Bogotá.

a reduction in the share of the budget allocated to human resources from 90 percent to 55 percent, which has released money for nutritional support and the purchase of textbooks and teaching materials.⁸ Educators have also expressed satisfaction with the increased level of autonomy that schools enjoy. There is a high demand for more Concession Schools among the local community.

Other forms of school contracting exist throughout Colombia, albeit with different names. Contract schools are known as ‘schools under bidding’ in Medellín, as ‘management modality’ in Cali and ‘managed and directed schools’ in the district of Cartagena.⁹ In 2004, nearly 70,000 students were in privately managed public schools in Colombia (see Table 3).

Fe y Alegría, Latin America and Spain

FyA is a non-governmental organisation controlled by the Jesuit Order of the Catholic Church that operates formal pre-school, primary, secondary and technical education programmes in the poorest communities in Latin America and Spain. The programme began in Venezuela in 1955 and has since spread to

⁸ Rodríguez, Alberto and Kate Hovde (2002) *The Challenge of School Autonomy: Supporting Principals*, LCSHD Paper Series No 77, Department of Human Development, The World Bank, Washington, DC.

⁹ World Bank (2005) *Colombia: Contracting Education Services*, Report No 31841-CO, Washington, DC, p 33.

Table 3: Number of students in public schools managed by private providers, Colombia, 2004

Territorial entity	Number of students enrolled	Share of public enrolments (%)
Bogotá	26,308	3.3
Medellín	21,073	5.6
Cali	11,551	6.4
Cartagena	3,010	1.9
Valle del Cauca	4,000	1.1
Cundinamarca	3,000	0.7
Total	68,942	3.0

Source: Reports of Secretariats of Education to Ministry of National Education, Colombia (2004).

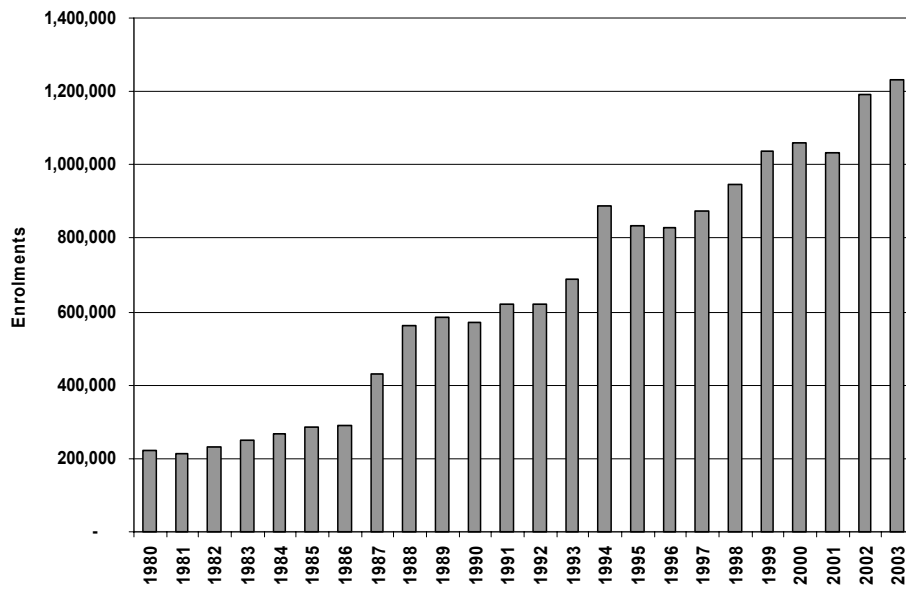
14 other countries. FyA's primary mission is to provide quality education to people who are poor, to ensure that students complete at least the basic cycle of schooling and to establish schools that operate on behalf of community development. Under the FyA model:

- ministries of education pay the salaries of teachers and the principal;
- foundations, international agencies and voluntary fees from the local community pay for the land, construction and maintenance of schools;
- the community invites FyA to establish a school and builds it; and
- FyA trains and supervises teachers, manages the school and assists it in its operation as a community development centre.

A national office coordinates the network of FyA schools in each country, while overall coordination is provided by headquarters in Venezuela. Most FyA schools are located in rural areas, but some are found in or near urban slums. FyA schools can be either public or private, although a majority are public. Schools generally enjoy considerable autonomy, despite being publicly funded and regulated. They can appoint school directors and teachers without state or teacher union interference. The central curriculum is supplemented with locally developed materials. FyA schools do not charge compulsory fees. The main indicator of school performance is retention of students.¹⁰

In 2003, there were over 1.2 million students in the FyA network – up from just 220,000 in 1980 (see Figure 5). Approximately 450,000 students were

¹⁰ McMeekin, Robert W (2003) *Networks of Schools*, Education Policy Analysis Archives, Arizona State University, Tempe, Arizona.

Figure 5: Total number of students in Fe y Alegría schools, 1980–2003

Note: Includes both formal and non-formal education.

Source: www.feyalegria.org (last accessed May 2006).

in formal education programmes in 2002. More than 31,000 people worked for FyA in 2002, of which 97 percent were lay people and 3 percent were members of a religious order.

Transformed Schools, Haidian District of Beijing

Transformed Schools are publicly owned, privately managed schools. An example is Kexing Experimental School, a former failing public school located in the Haidian District of Beijing. The school was established in 1996. It is a middle school that is open to both boarding (fee-paying) and day (compulsory) students. The school's sponsor is a private company owned by a factory that is, in turn, owned by a public school. The school was created after the principal of the (then) failing public school proposed private management to the district's local education authority – the Haidian District Education Committee (HDEC) – as a solution to the school's woes. The HDEC has entered into a 30-year contract with the sponsoring company.

Under the terms of its contract with HDEC, the school must take allocated students at the junior secondary (compulsory) level from the surrounding area. It also accepts fee-paying students who have failed at, or been expelled from,

other schools. Fees for fee-paying students are significantly higher than for compulsory students. Compulsory students tend to be from low-income families, while fee-paying students tend to be from middle- to upper-income families.

Academies programme and private management of public schools, United Kingdom

The United Kingdom has set up a number of Academies – schools that are established by sponsors working in partnership with central government and Local Education Authorities (LEAs). Sponsors can be individuals, public or private schools, businesses, faith-based or voluntary groups. Existing sponsors include individuals, the Church of England, the Roman Catholic Church, Toc H (an international charity) and private schools. Academies aim to challenge the culture of educational under-attainment and deliver improvements in education standards. All are located in areas of disadvantage.

Sponsors and the Department for Education and Skills (DfES) provide the capital for Academies, with the latter putting up the bulk of the funding. All school operating costs are met by the DfES. Sponsors hire the head teacher and select the school governors. Academies have more freedom than comprehensive schools to select pupils, alter timetables and vary teacher pay and conditions. However, Academies cannot charge fees. The programme aims to establish at least 53 Academies by 2007 and 200 by 2010. As at September 2005, 17 Academies were operating. A further 33 projects were at various stages of development. Little information is available on their academic performance given that the first ones opened only in 2002. They are popular among parents, with 64 percent more applicants than the system could accommodate.¹¹

The United Kingdom also has a small number of public schools of which the management has been contracted out to the private sector. In 2000, King's College in Guildford was established as a partnership between 3Es Enterprises (a not-for-profit company) and Surrey County Council.

In September 2002, the management of Abbeylands School in Surrey County was turned over to Nord Anglia, a private company. The management contract runs for seven years and was awarded following a competitive tendering process. The company's objective is to transform the school from a low achieving one to a highly successful, popular school during the term of the contract.

¹¹ Keller, Bess (2005) 'England's Teacher Unions Fight Blair's "Academies"', *Education Week*, 20 April, p 8.

GOVERNMENT CONTRACTING FOR THE DELIVERY OF EDUCATION SERVICES

A second form of contracting in education involves the government purchasing places at non-government schools for 'public' school students, rather than providing the places itself in a government-owned school. Three examples – from Côte d'Ivoire, New Zealand and the Philippines – are highlighted below.

Government sponsorship of students in private schools, Côte d'Ivoire

The number of places available in public schools and training institutions in Côte d'Ivoire is insufficient to meet student demand. In addition, gross and net school enrolment ratios in Côte d'Ivoire are low, even by Sub-Saharan Africa standards. To help bridge the gap in the supply of places, the government has introduced a programme whereby it sponsors 'public' students to attend private institutions. Under the programme, private schools receive a payment for each 'public' student they enrol. The government sponsors students in lower and upper secondary school and in professional and technical training. Students can be sponsored to attend either religious or secular schools.

The subsidy varies with the student's educational level: US\$200 per year for lower secondary students and US\$233 per year for upper secondary students. Only those schools that are 'chartered' are eligible to take on sponsored students. The placement of students depends in part on the educational performance of the school. The number of students in the private school sponsorship programme grew from 116,000 students in 1993 to 223,000 in 2001, an increase of 92 percent. In 1997, the government paid out approximately US\$10 million to sponsor over 160,000 students at the school level (approximately 40 percent of private school enrolments in that year).¹²

Alternative Education, New Zealand

The AE programme in New Zealand funds the delivery of education in non-school settings for students who have become alienated from the education system. The programme, which was introduced in 1997, aims to give students a learning pathway to prepare them to return to mainstream secondary education or to move on to tertiary education or employment once they reach

¹² Patrinos, Harry Anthony (2005) *Education Contracting: Scope of Future Research*, Program on Education Policy and Governance Report 05-23, Harvard University, Cambridge, MA, p 7.

16 years (or 15 years if they are granted an exemption from compulsory school attendance rules).

The management and delivery of AE can vary depending on local needs. Schools may contract for AE either individually or as part of a consortium. School consortia vary in size. Students must be enrolled at a school in order to participate in AE. The AE programme may be delivered on or off the school site and schools may deliver the programme themselves or contract providers to offer the AE programme. Schools are responsible for the quality of AE programmes delivered by providers and for the students' educational outcomes. Off-site programmes may be delivered by not-for-profit/community-based organisations or by for-profit educational providers. More than one managing school may engage the same provider to deliver AE.

Schools are funded for AE on a per-student basis through contracts with the Ministry of Education (MoE). Schools receive a subsidy of NZ\$11,100 per AE student. The subsidy is paid in two instalments. This funding covers costs for staffing, operations and property and may be adjusted annually depending on enrolments. Schools sign a Memorandum of Understanding with the MoE detailing each party's responsibilities. Schools must provide six-monthly reports to the MoE. When a school contracts an external AE provider, both parties sign an agreement specifying their respective responsibilities. Schools may retain no more than 10 percent of the subsidy for administration.

In 2003, over 3,100 students were enrolled in AE at some time. There were 200 AE providers in 2004 – up from approximately 120 in 2001–02.¹³

Educational Service Contracting, Philippines

The Educational Service Contracting (ESC) scheme in the Philippines is one of a number of programmes falling under the umbrella of the Government Assistance to Students and Teachers in Private Education (GASTPE) programme. Educational Service Contracting was introduced as a pilot in the early 1980s and made permanent in the late 1980s. Under ESC, the government contracts with private schools to enrol students in areas where there is a shortage of places in public high schools. The per-student payment to private schools can be up to PhP4,000 and cannot exceed the unit cost of delivery in public high schools.

Assistance under GASTPE is generally restricted to students at institutions that charge low fees, and preference is generally given to students from low-

¹³ Education Review Office (2004) *Alternative Education Report*, June, Education Review Office, Wellington, www.ero.govt.nz (last accessed March 2006).

income families. The GASTPE programme is administered by the Fund for Assistance to Private Education (FAPE), a private not-for-profit organisation. The Department of Education (DepEd) recently introduced a certification programme for schools participating in ESC, which aims to address concerns about the quality of education at some schools.

In 2005–06, 383,000 students in 1,800 participating private schools were subsidised under the ESC programme (see Figure 6). The number of grantees and participating schools are up from 4,300 and 158 respectively in 1986–87. In 2002–03, the ESC scheme assisted 22 percent of students in the private high school sector (equal to 13 percent of all private school enrolments). The 2005–06 budget for ESC was PhP1.5 billion – nearly double the 2003–04 level of PhP690 million.¹⁴

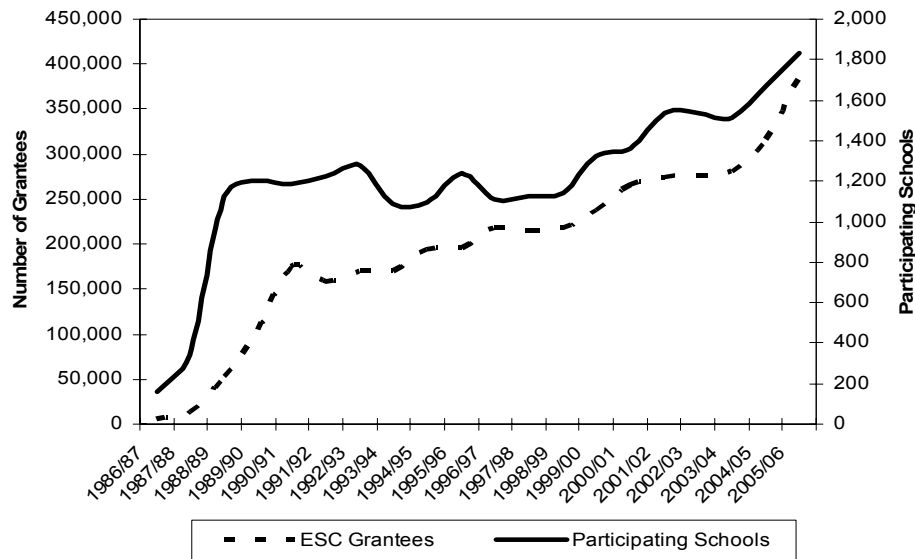
PUBLIC–PRIVATE PARTNERSHIPS FOR EDUCATIONAL INFRASTRUCTURE

Public–private partnerships (PPPs) are an increasingly common form of procurement for large infrastructure projects in the education sector. Infrastructure PPPs can be structured in a variety of ways. Under the most common type of PPP arrangement – Build-Operate-Transfer (BOT) – a private operator is granted a franchise (concession) to finance, build and operate an educational facility such as a public school, university building or hostel. The government, in effect, leases the facility from the private sector for a specified period, after which the facility is transferred to the government.

While arrangements can differ widely, infrastructural PPPs have a number of characteristics in common:

- private sector partners invest in school infrastructure and provide related non-core services (for example, building maintenance);
- the government retains responsibility for the delivery of core services such as teaching;
- arrangements between the government and its private sector partner are governed by a long-term contract – usually 25–30 years. Contracts specify the services to be delivered and the standards that must be met;
- service contracts are often bundled, with the private sector taking on several functions such as design, building, maintenance and employment of non-core staff; and

¹⁴ Fund for Assistance to Private Education and Department of Education data.

Figure 6: Number of ESC grantees and participating schools, 1986–87 to 2005–06

Source: Fund for Assistance to Private Education and Department of Education data.

- payments under the contract are contingent upon the private operator delivering services to an agreed performance standard.¹⁵

Infrastructure PPPs differ from traditional procurement methods in several ways. First, the private sector, rather than the government, provides the capital required to finance the project. Second, the government specifies the contract in terms of 'outputs' or service-level requirements, rather than in terms of 'inputs' such as the number and size of classrooms. Third, the newly constructed facility is not turned over to the government upon completion. As noted above, it is operated by the private sector until the end of the contract period.

Six examples – drawn from the United Kingdom, New South Wales (Australia), Washington DC, Germany, the Netherlands and the Province of Nova Scotia (Canada) – are described briefly below.

Private finance initiative, United Kingdom

The private financing of infrastructure has been used extensively in the United Kingdom. The PFI programme was introduced under the Conservative

¹⁵ Department of the Parliamentary Library (2002) *Public Private Partnerships: An Introduction*, Research Paper No. 1 2002–03, Commonwealth of Australia, Canberra, p i.

government in 1992 and has been strongly supported by the Labour Party since it took office in 1997. The government uses PFIs only where it is appropriate and where it expects them to deliver value for money.

Under the PFI, a capital project, such as a school, hospital or housing estate, is designed, built, financed and managed by a private sector consortium, under a contract that typically lasts for 30 years. Contracts can be structured differently. Under the most commonly used structure in the United Kingdom, a private sector partner (usually a consortium of companies) takes on the provision and long-term operation of a facility in line with the LEA and school or schools' specification. The private consortium is paid regularly from public money, based on its performance throughout the contract period. If the consortium misses performance targets, its payment is reduced. At the end of the contract period, the school is returned to the government.

Private finance initiative uptake in the education sector was slow in the early years, but grew considerably following the introduction of a number of programme improvements. By the end of 2004, the DfES had signed 121 education PFI deals, with a value of approximately £2.923 billion. This represented around 18 percent of signed PFI projects and 6.8 percent of the value of PFI projects. Among the largest education PFIs have been the Glasgow Schools Project (£225 million) and the recently signed Northamptonshire Schools Project (£192 million). One UK study has found that PFI projects are more likely to be delivered on time and within budget than traditionally procured projects.¹⁶

'New Schools' private finance project, Australia

The New Schools Project in New South Wales, consists of two main components. First, the private sector financed, designed and constructed nine new public schools in the state between 2002 and 2005. These new schools were built to standards that met or exceeded the New South Wales Department of Education and Training (DET) school design standards. Second, the private sector will provide cleaning, maintenance, repair, security, safety, utility and related services for the buildings, furniture, fittings, equipment and grounds of these schools until 31 December 2032. In return, the private sector will receive performance-related monthly payments from the DET during the operational phase of the project. At the end of the contract period, the buildings will be returned to the public sector.

¹⁶ HM Treasury (2003) *PFI: Meeting the Investment Challenge*, Her Majesty's Stationery Office, London, p 43.

The project is being undertaken by Axiom Education Pty, which includes investment banker ABN Amro, commercial construction company Hansen Yuncken, property group St Hilliers and facilities management firm Spotless. The Axiom Education consortium was chosen following a competitive tendering process.

The New Schools Project in New South Wales is part of a broader move toward public-private partnerships (PPPs) in Australia. Public-private partnerships have been used by various governments to procure infrastructure across a range of sectors, including transport, health and prisons. They have also been used in higher education, with the University of Southern Queensland and Swinburne University of Technology both using PPPs to construct educational infrastructure. The New South Wales government recently announced that the Axiom Education consortium will design, construct and maintain the state's AUD\$149 million New Schools Project 2 over a 30-year concession period. The project involves the construction of nine schools throughout regional and metropolitan New South Wales. A December 2005 New South Wales Treasury post-implementation review of the original New Schools Project found them to be positive and an improvement on traditional delivery.¹⁷

Public-private partnerships for educational infrastructure, Nova Scotia, Canada

The Province of Nova Scotia in Canada used a PPP model to build 39 schools in the late 1990s. The government pursued this model because its financial situation was such that it could not afford to build the large number of schools it required, especially given its desire to outfit them with state of the art technology. The first lease agreement between the government and private sector partner was signed in 1998.

Under this model, schools were designed, built, financed and maintained by the private sector. Contracts were allocated on the basis of a competitive bidding process. Schools were leased by the government for a period of 20 years. Most of these contracts expire between 2017 and 2020. Incentives were built into contracts to ensure quality construction and maintenance. Approximately 14 percent of the square footage in the province's schools is found in these schools.

¹⁷ New South Wales Treasury (2005) *New Schools Privately Financed Project: Post Implementation Review*, Office of Financial Management, Sydney, Australia, p 2.

The government had planned to build 55 schools, but the number was cut back when the project was beset by a variety of political and other problems, including cost overruns driven by project 'gold plating' (that is, increasing school standards, expensive site selection) and weak bureaucratic management.¹⁸

JF Oyster Bilingual Elementary School, Washington DC

The JF Oyster Bilingual Elementary School, which opened in September 2001, was the first public school to be built in Washington DC in 20 years. In 2002, the school had 350 students. The school was built at no cost to taxpayers through an innovative public-private partnership. Under that partnership, a local developer demolished the existing school and rebuilt a new one in exchange for the right to build a block of apartments on what had been a playing field. The school's construction was financed by an US\$11 million tax-exempt city bond issue, which, in lieu of property taxes, will be repaid by the developer over 35 years from revenue generated by the apartments.

Offenbach schools and Cologne schools projects, Germany

The Offenbach schools PPP project provides for the renovation, upkeep and facility management of over 90 schools within the County of Offenbach, which is located near Frankfurt, Germany. The project, which involves the government contracting for the financing, refurbishment and operation of government schools, is split into two parts, with a combined capital value of over EUR780 million. The first part of the PPP project involves 43 schools and was awarded to SKE, a subsidiary of the French Vinci group. The second part of the project involves 49 schools and was awarded to German company HOCHTIEF. The private sector partners will operate these PPP schools for a period of 15 years.¹⁹

The Cologne schools PPP project involves the refurbishment and operation of seven schools at five different locations in the City of Cologne, Germany. The value of the contract is EUR125 million. The contract was awarded to HOCHTIEF in April 2005 and work began in August 2005. The company will operate the schools for a period of 25 years.²⁰

¹⁸ Meek, Jim (2001) 'School's Out', *Summit Magazine*, Volume 4, Issue 1, March, www.summitconnects.com (last accessed March 2006).

¹⁹ Freshfields Bruckhaus Deringer (2004) 'Germany: Schools project sets benchmark', *Project Finance Monthly*, September, www.freshfields.com/practice/finance/publications/newsletters/pf-monthly/9366.pdf (last accessed March 2006).

²⁰ HOCHTIEF (2005) 'HOCHTIEF celebrates building kick-off for Cologne schools PPP project', Press Information, 8 September.

Montaigne Lyceum, The Hague, Netherlands

The first Dutch education PPP project, which commenced in 2005, involves the construction and operation of a new secondary school in the Ypenburg suburb of The Hague. The contractor is the Dutch-based TalentGroep consortium. The secondary school is expected to grow from 150 students at the beginning of the contract to 1,200 by 2009. The Design-Build-Finance-Maintenance contract is for 30 years (1.5 years for construction and 28.5 years of maintenance). Maintenance will include cleaning, furniture, information and communication technology (ICT) infrastructure and possibly catering. Construction is expected to be completed in July 2006 and the facility will be handed back to the government in 2034.

PRIVATE SECTOR ADMINISTRATIVE AND CURRICULUM SUPPORT

Contracting out of Local Education Authority functions, United Kingdom

Outsourcing, or contracting for the delivery of services by specialist providers (usually private companies) has grown dramatically in the UK public sector. While outsourcing was initially confined to 'non-core' areas such as cleaning services, in recent years there has been an expansion in the private sector's role in the delivery and management of the UK state education system.

The contracting out of education services to the private sector can result from intervention following an unfavourable report on the performance of an LEA by the UK agency responsible for reviewing schools – the Office for Standards in Education (OfSTED). The School Standards and Framework Act 1998 gives the central government the power to intervene where an LEA is found to be failing to carry out its duties in relation to education.

The decision to contract out services to the private sector can also be voluntary. A number of LEAs, including East Sussex and Lincolnshire, have chosen to outsource some or all of their services. Surrey County Council is currently preparing to transfer a host of LEA services to a private sector partner. The voluntary outsourcing of LEA functions to the private sector has been accelerated by the April 2002 passage of the Contracting Out (Local Education Authority Functions) (England) Order 2002 (which authorised the contracting out of 103 LEA functions) and The Contracting Out (Local Education Authority Functions) (England) Order 2003 (which added a further three LEA functions that could be contracted out). The effect of these government orders was to:

- allow LEAs to contract out functions to the private sector voluntarily (while others, such as the approval of key plans and budgets, cannot be outsourced); and
- significantly broaden the range of LEA functions that could be contracted out to the private sector to include such things as school improvement and intervention, as well as curriculum and assessment duties.

As shown in Table 4, a number of LEA functions have been contracted out to the private sector. These include core services (for example, schooling improvement, curriculum advisory services, literacy and numeracy strategies and inspection/advisory services) and support services (for example, budget and financial management, human resources and information technology services). Edison Schools, the largest for-profit education provider in the United States, recently won a contract to provide curriculum and other services to Colbayns High School in Essex County and is negotiating to provide services to other schools.

Local Education Authorities must select private sector partners from a list of consultants and providers approved by the DfES – the equivalent of a ministry of education in other countries. Local Education Authority outsourcing is expected to grow over the medium term and extend beyond failing LEAs, with an increasing number of top-performing LEAs moving to outsource services to the private sector.

Pitágoras Network of Schools

The Pitágoras Network of Schools (PNS) supports affiliated public and private schools through an improvement package that offers integrated curriculum, management and technical support. Schools enter into a yearly contract with PNS, in which they commit themselves to using Pitágoras textbooks at all grade levels. The Pitágoras Network of Schools has its own curriculum and provides schools in its network with textbooks, management training for principals, teacher training, cheap internet access, as well as management and pedagogical support. Five regional directors visit member schools between one and five times per year. There are currently approximately 350 schools, with over 150,000 students, affiliated to PNS. In 2001, Pitágoras charged schools anywhere from R\$160 to R\$370 per student for these services.²¹

²¹ Rodríguez et al, above n 8, p 20.

Table 4: Examples of contracting out of LEA functions in the United Kingdom

Local education authority	Private sector partner	Contract details	Services provided by private sector partner
<i>LEAs outsourcing as a result of weaknesses identified by OfSTED</i>			
Bradford	Serco/QAA	Estimated at £210M over seven years	Education improvement services
Hackney	Nord Anglia	N/A	School improvement service, ethnic minority achievement service
Haringey	Capita	Three-year contract	Building LEA capacity to make sustainable self-improvements, management support
Islington	Cambridge Education Associates	N/A	Responsible for all LEA functions
Leeds	Capita	Estimated at £3.7M over five years	Strategic management, change management and other capacity issues
Milton Keynes	Nord Anglia	N/A	School improvement with 100 schools
Rotherham	Windsor and Co	N/A	Brokerage contract
Southwark	WS Atkins	Estimated at £28M/year for five years	Majority of school education services, adult education, early years
Swindon	Tribal Group	N/A	External management support, temporary cover for management vacancies, senior management recruitment, brokerage service
Thurrock	Capita	N/A	Management support
Walsall	Serco/QAA	N/A	Initially provided school improvement/strategic management services, inspection/advisory services, literacy and numeracy, education welfare Later took on remaining LEA services
Waltham Forest	Education (Nord Anglia and Amey Construction)	Estimated at £200M over five years	90 percent of LEA functions Direct pupil services, school development/review, literacy and numeracy, financial management, HR and ICT
Westminster	Nord Anglia	N/A	Curriculum advisory services and brokerage service

Table 4: Examples of contracting out of LEA functions in the United Kingdom cont'd

Local education authority	Private sector partner	Contract details	Services provided by private sector partner
<i>Voluntary outsourcing by LEAs</i>			
Bedfordshire	Hyder Business Services	12-year contract	Education services
East Sussex	CfBT	N/A	School improvement services
Lincolnshire	CfBT Hyder Business Services	N/A 10 years	School improvement services Back office services
Surrey	Vosper Thornycroft	Estimated at £100M over seven years	Education support and advisory services
Colbayns High School	Edison Schools	Estimated at £60,000	Curriculum development, home school partnerships, teacher training

Source: Campaign for State Education (nd), *Privatised LEAs, Local Education Authorities, Outsourcing, EAZs and Excellence in Cities*, www.casenet.org.uk (last accessed May 2006).

Sabis network of schools

Sabis is a network of 31 schools located in 11 countries. It was founded in 1886 in the village of Choueifat, a suburb of Beirut, Lebanon. In 2004–05, there were over 28,000 students in the Sabis network of schools. The network consists of both member and associate member schools that operate in the public and private sectors.²²

Schools that form part of the Sabis network retain their financial and administrative independence, but implement the Sabis Educational System, an internationally focused curriculum. Sabis schools operate a longer school day than most schools and put considerable emphasis on testing.

²² www.sabis.net.

4

TENTATIVE LESSONS FOR POLICY DESIGN

Although contracting for education services is increasing, there is little rigorous evidence on its effectiveness. This is especially true in the case of programmes operating outside the United States.

Despite the absence of evidence on the impacts of contracting for education services, some tentative lessons can be drawn on the design and implementation of contracting programmes. Broad principles to guide the design and implementation are discussed below and summarised in Box 4.

Provide an enabling policy and regulatory environment and a strong legal framework

An important requirement for effective contracting for the delivery of education services is the provision of an enabling policy and regulatory environment, and a strong legal framework. The regulatory framework must create the conditions under which private firms can operate effectively and efficiently, while at the same time making certain that the wider public interest is protected. This includes ensuring that:

- entry requirements for new providers are: clear, objective and not onerous (beyond obvious regulations aimed at assuring safety);
- there are no restrictions on the organisational form of providers (that is, allow both for-profit and not-for-profit providers to operate);
- education and other relevant legislation (for example, labour market laws) do not unduly restrict the ability of schools to operate effectively and efficiently;
- parents are provided with good information on the performance of schools; and
- there is a range of interventions available to address situations where schools are not performing.

Active participation by the private sector in education is most likely to be encouraged if the government puts in place an appropriate legal framework to govern contract procurement and private sector investment more generally. This includes:

- putting in place mechanisms to minimise the likelihood or appearance of corruption;
- reducing red tape and unnecessary regulation;
- assuring judicial independence, and timely and effective enforcement of contracts; and
- introducing policies and incentives that encourage private investment.

The government must also ensure that, where relevant, the granting of authority over education policy to lower levels of government and the division of responsibilities between the different levels of government is clear. This will provide increased certainty to both parties involved in the contracting relationship. The more enabling is the policy and regulatory environment and the stronger the legal framework, the more likely it is that the government and potential private sector contractors will be able to arrive at terms and conditions that are mutually satisfactory and that make private investment in the education sector feasible and profitable.

The importance of an enabling regulatory system is one of the lessons from the UK experience with the contracting out of LEA functions. As noted above, the ability of LEAs to contract out services to the private sector was initially limited by legislation. This impediment was removed with the passage of the Contracting Out (Local Education Authority Functions) (England) Orders in 2002 and 2003.

Similarly, the US experience with charter schools indicates that 'strong' charter school laws (that is, those that are favourable to the establishment and operation of charter schools) are correlated with both the number and viability of charter schools in US states. Those states with stronger charter school laws also have higher and more comprehensive student achievement than states with weaker laws. Among the 26 states that had 'strong' charter school laws in 2004, 65 percent saw significant gains in student achievement (as measured by test scores and No Child Left Behind indicators). In contrast, only two of the 15 states with 'weak' laws demonstrated positive gains in student achievement.²³

The Center for Education Reform has identified a number of desirable properties for charter school laws, including that they provide for multiple authorising bodies, an automatic waiver from laws and regulations and legal/operational autonomy for charter schools (see Box 1).

²³ However, it should be noted that many of the states with 'weak' laws have yet to release reliable achievement data on charter schools. Center for Education Reform (2004b) *Charter School Laws Across the States: Ranking and Scorecard*, 8th Edition, Washington, DC, www.cer.org (last accessed March 2006), p 1.

Split the purchaser and provider roles within the relevant government department

An improved environment for education services contracting could be created if the purchaser and provider roles within the relevant education department or local school board were split. This would mean that the same business unit within the education department or local school board was not responsible for operating public schools and contracting with private schools. This would

Box 1: Criteria for strong charter school laws, United States

1. Number of schools. States that permit an unlimited or substantial number of autonomous charter schools encourage more activity than states that limit the number of autonomous schools.
2. Multiple chartering authorities/binding appeals process. States that permit a number of entities in addition to or instead of local school boards to authorise charter schools or that provide applicants with a binding appeals process, encourage more activity.
3. Variety of applicants. States that permit a variety of individuals and groups both inside and outside the existing public school system to start charter schools encourage more activity than states that limit eligible applicants to public schools or public school personnel.
4. New starts. States that permit new schools to start up encourage more activity than those that permit only public school conversions.
5. Formal evidence of local support. States that permit charter schools to form without proving specified levels of local support encourage more activity than states that have such a requirement.
6. Automatic waiver from laws and regulations. States that provide automatic blanket waivers from most or all state and district education laws, regulations and policies encourage more activity than states that provide no waivers or require charter schools to negotiate waivers on an issue-by-issue basis.
7. Legal and operational autonomy. States that allow charter schools to be independent legal entities that can own property, sue and be sued, incur debt, control budget and personnel, and contract for services, encourage more activity than states in which charter schools remain under district jurisdiction. In addition, legal autonomy refers to the ability of charter schools to control their own enrolment numbers.
8. Guaranteed full funding. States where 100 percent of per-pupil funding automatically follows students enrolled in charter schools encourage more activity than states where the amount is automatically lower or negotiated with the district.
9. Fiscal autonomy. States that give charter schools full control over their own budgets, without the district holding the funds, encourage more activity than states that do not.
10. Exemption from collective bargaining agreements and district work rules. States that give charter schools complete control over personnel decisions encourage more activity than states where charter school teachers must remain subject to the terms of district collective bargaining agreements or work rules.

Source: Center for Education Reform (2004b), p 8.

ensure that education purchase decisions were made in a more neutral manner as opposed to the public and private sectors. As Snell (2002) argues “splitting policy functions from service delivery creates incentives for governments to become more discriminating consumers, looking beyond government monopoly providers to a wide range of public and private providers”.²⁴

In the United States, some states go further in their effort to split the purchaser and provider functions in education by allowing multiple authorisers for charter schools. In cases where there are multiple paths to authorisation, a parent group wanting to establish a charter school could seek approval from either the local school district or a university or other body.

Ensure the capacity of the contracting agency

A key element to successful contracting is ensuring that the contracting agency has both the information and the skills required to develop and manage a rigorous contracting process. In effect, the contracting agency should undergo an evaluation to ensure its ‘fitness’ to undertake the complex task of contracting for education services.

First, it is important that the contracting agency has good financial and administrative information systems. Good price, output and quality benchmarks are essential for the contracting agency to be in a position to undertake an informed assessment of bids submitted by organisations seeking to deliver education services. For example, any assessment of whether the bidding process is generating value for money requires that the contracting agency has good information on the unit cost of existing or alternative sources of provision – in both the public and private sectors. It is also important that the contracting agency has good baseline information on education outcomes, both in general and in the schools to be contracted out, if it is to set appropriate performance benchmarks for private sector contractors.

Second, it is vital that the contracting agency employs people with the skills required to manage and oversee the complex task of contracting with private sector partners. While some people see the move away from public provision as government ‘withdrawal’ from education, it is nothing of the sort. Rather, it represents a shift in the role of government from provider of a service to facilitator and regulator. The use of contracting models and similar PPPs in education places new demands on the public sector and requires different skill

²⁴ Snell, Lisa (2002) *Charter Schools as School Privatization*, Reason Public Policy Institute, 4 September, www.rppi.org/charterschools.html (last accessed March 2006).

sets to implement than traditional methods of procurement. In particular, the move from input controls to output-based contracting means that government agencies must develop their capacity to:

- assess the various services to determine when and under what circumstances contracting, rather than direct public provision is to be used;
- design, negotiate, implement and monitor education service contracts;
- develop enabling legislation that supports a competitive and transparent system of contracting; and
- develop appropriate quality-assurance mechanisms.

Given the complex and multi-faceted nature of contracting, it is likely that a range of skill sets would be required in the contracting agency, including skills in education and pedagogy, contract management, economics and finance. A move to contracting for education services also requires that public officials adopt a different approach and a new administrative culture to what existed in the past. As Harding (2002) has noted, in relation to health contracting (but which is equally applicable to education):

Contracting requires a drastic mind shift for public officials, from thinking of themselves as administrators and managers of public employees and other inputs, to thinking of themselves as contract managers with ultimate responsibility for delivering services.²⁵

The contracting authority must also ensure that it has the necessary payment and fraud monitoring systems in place to track payments and ensure that claims for payment from participating schools are legitimate and accurate. The payments system should also ensure that payments to schools are delivered in a timely fashion. The experience in the Philippines with ESC is instructive in this regard because recent audits have discovered instances of fraud in the form of 'ghost schools' that were receiving funding under ESC, yet existed in name only. In addition, the payments system under ESC was not timely, so that payments to schools under the scheme were often delayed several months, a factor that discouraged many providers from participating in the ESC programme. An effective audit procedure is a necessary component of any payment and fraud monitoring system. Non-governmental organisations can often be successfully employed in such roles.

²⁵ Harding, April L (2002) 'Introduction to the Private Participation in Health Services Handbook', in April L Harding and Alexander S Preker (eds), *Private Participation in Health Services Handbook*, The World Bank, Washington DC, p 22.

Employ a transparent, competitive and staged process for the selection of preferred providers

Another key element of effective contracting is a transparent and competitive bidding process. Such a process is a characteristic of the most sophisticated contracting examples outlined above, including privately managed public schools in the United States, PFIs in several countries, Bogotá Concession Schools and the contracting out of LEA functions in the United Kingdom. Bidding for service delivery contracts should be open to all private organisations, including both for-profit and not-for-profit providers. Contracts should also be open to local, national and international organisations that may wish to bid to operate a public school. The bidding process should be competitive whenever possible.

Schools whose management will be contracted out should be identified well in advance and that list made publicly available, perhaps through an easily accessible public register. The bidding process should also be set out clearly and in advance. A request for proposal (RFP) should be sent out to all potential bidders and publicised widely to ensure as broad a market as possible. The result of the bidding process should be advertised to ensure that market participants are made aware of the successful provider.

A transparent and competitive bidding process is likely to have positive effects in both the short and long term. In the short term, it is most likely to result in bids that deliver value for money (that is, the lowest price for a given level of desired quality). It is also most likely to result in reduced corruption in contract awards. Over the longer term, a competitive process is most likely to build market confidence in both the bidding process and the contracting agency, thereby helping to grow the private education services market over time.

The Higher Education Funding Council for England has developed a useful 'how-to' guide for designing and operating PFI processes for higher education institutions. That document, entitled *Practical guide to PFI for higher education institutions* (revised February 2004), is available at www.hefce.ac.uk/pubs/hefce/2004/04_11/. Similarly, Savas (2000) outlines the key elements of a well-designed contracting process.²⁶

It is important that the contracting agency implement a staged process for the selection of the preferred provider of education services. The process should include a number of steps:

²⁶ Savas, above n 2, pp 174–210.

- clarify requirements, including development of contract objectives, as well as specification of desired services and expected outcomes;
- develop a procurement strategy and identify a procurement team;
- develop the RFP associated with the contract;
- invite expressions of interest through the promulgation of the RFP;
- carry out contract pre-qualification process in which bids are assessed against requirements, and select shortlist of bidders;
- interview shortlist of bidders, assess proposals in greater depth and negotiate contractual issues with shortlist of bidders;
- select preferred bidder and award contract;
- advertise result of selection process; and
- commence service.²⁷

Establish appropriate performance measures

The establishment of appropriate performance measures is a critical element in any contract design. Performance measures provide the basis for determining whether the service provider has met the agreed terms and conditions of the contract and may also play a role in determining the compensation to be paid to the contractor. The specification of performance measures becomes even more important in those cases where compensation is linked to the attainment of performance benchmarks.

The selected performance measures must be appropriate and in line with the desired outcomes being sought by the contracting authority. This is because the contractor's behaviour will largely be driven by what can be measured and what is rewarded under the terms of the contract. In other words, the contracting authority will 'get what it contracts for'. Performance indicators should be specified, to the extent possible, in terms of measurable outcomes (for example, learning gains, reading levels, test scores, reduced drop-out rates and reduced teacher/student absenteeism), rather than inputs (for example, hiring additional staff, increasing spending on particular activities).

The selection of performance measures and the standards to be attained must be approached carefully because they can introduce perverse incentives and lead to undesirable outcomes. For example:

- a strong focus on academic outcomes (for example, test scores) in contracts may 'crowd out' some of the focus on softer skills such as teamwork;

²⁷ International Financial Services London (2001) *Public Private Partnerships: UK Expertise for International Markets*, London, p 13.

- an overly rigid focus on measurable outcomes may lead to too little attention being paid to outcomes that are desirable but cannot be measured and hence cannot be compensated; and
- a strong focus on external test scores may provide schools with an incentive to ‘cream skim’ by refusing entry to students who are not likely to be ‘strong performers’.

This is not to argue that performance measures should not be used or backed up by financial incentives. Performance measures and financial incentives can help align the interests of the school with those of students and the government (that is, help overcome the ‘principal–agent’ problem). Appropriate incentives can also help to ensure that schools remain focused on the needs of students and keep abreast of changing demands in the marketplace. The contract specification phase can be crucial to the success of the exercise, so it needs to be carried out carefully and by a multi-disciplinary team.

Similarly, contract targets and expectations need to be realistic and achievable. The establishment of overly optimistic expectations in the UK Islington LEA has led to penalties for non-achievement of targets being imposed on the private contractor in each year of the contract. This has created an appearance of failure, even though educational performance has improved in the LEA.

The degree to which performance indicators can be specified will vary depending on the nature of the contract. Performance measures are far more likely to be specific in cases where the services being purchased are narrow in scope and easiest to measure (for example, remedial instruction, literacy programmes) than in situations where the services being purchased are broader in scope and harder to measure (for example, whole school management).

In support of this, Hannaway (1999) notes that contracts with Sylvan Learning, which provides narrowly focused remedial instruction in reading and mathematics, included more specific performance indicators than did contracts signed with Edison Schools, which manages whole schools.²⁸ Clearly, the ability of the contract to specify detailed performance indicators depends on the complexity of the tasks that are being contracted for.

Performance indicators can be specified in a variety of ways, measured both qualitatively and quantitatively and reported at different intervals.

²⁸ Hannaway, Jane (1999) *Contracting as a Mechanism for Managing Education Services*, Policy Brief RB-28, Consortium for Policy Research in Education, p 6.

Examples of performance measures include student performance on standardised tests, literacy rates, student attendance, suspensions, graduation rates and parental and staff satisfaction. Quantitative indicators can be supplemented by more qualitative methods of assessing performance such as surveys with parents and teachers, third-party review and alternative assessment methods for determining progress in 'softer' areas such as leadership and character development.

In many of the examples cited above, contracts for the delivery of education services included performance measures, and compensation was tied to performance. For example:

- PFIs in the United Kingdom, Nova Scotia and New South Wales included performance measures such as the proportion of time that the facility is available for use;
- monitoring of contracts with the private sector in LEAs involves a wide range of performance indicators, including examination data, school improvement measures, pupil exclusion rates, and trends in applications and acceptances at individual schools; and
- indicators such as standardised test scores and drop-out rates are used to monitor provider performance in the Bogotá Concession Schools model.

Include performance incentives and sanctions for non-performance in contracts

In addition to establishing appropriate performance measures, well-designed education service contracts should include performance incentives and sanctions for non-performance (that is, payment levels should be linked to attainment of performance standards). As shown above, most examples of contracting for education services, including PFI projects, contract schools and the contracting out of LEA functions, tie payments to contractor performance. Providers that deliver services on time, to the required quality and that meet specified outcomes are rewarded with higher payments, while those who fail to do so are penalised – either through reduced payments or, in some cases, by having the contract terminated.

The inclusion of performance incentives and sanctions in contracts is not enough. It is also vital that the contracting agency introduces an effective contract monitoring framework and effectively enforces the contracts that it enters into. Otherwise, there is a risk that providers will see the terms and conditions of contracts as non-binding. The non-enforcement of contracts with providers has been identified as a key weakness with the implementation of

Box 2: Trends and best practices for EMOs

Hentschke, Oschman and Snell (2003) have examined a number of aspects of EMOs, including market trends, barriers to and forces favouring growth, and best practices. They have identified a number of issues in public school contracting with EMOs:

- Encouragement of competition. The contract bidding process should be open and competitive where possible, and contract awards should be widely publicised.
- Ensuring contractor flexibility of means and methods. Government agencies should be focused on outcomes, and EMOs should be allowed to determine the best way to achieve those outcomes.
- There should be open and full disclosure of revenues, expenditures and business model details.
- Monitoring for performance. The contract should contain clear objectives and a mechanism for holding the contractor to account for those objectives, including penalties and rewards.

Source: Hentschke, Oschman and Snell (2003), pp 9–11.

PFI in the United Kingdom, where contracts include penalties for providers who do not meet performance standards.

As noted by the House of Commons Committee of Public Accounts (2003), in some instances, UK government departments have provided financial bailouts for contractors that experienced financial problems as a result of poor risk management and have been unwilling to cancel agreements when contractors have provided below-standard services.²⁹ The same has been true to a degree with charter schools in the United States, although this is beginning to change, and a number of charter schools are now being closed, either because they were found to be financially or pedagogically unfit to operate. As of January 2004, 311 charter schools have closed, representing 9 percent of all charters ever opened.³⁰ These closures occurred for a variety of reasons, including failure to meet charter requirements and the inability to find appropriate facilities.

In contrast, private companies involved in the operation of LEA functions have been penalised for failure to meet promised improvements in educational performance. Equally, a number of EMOs have seen their contracts cancelled, although these are not always due to a failure to meet targets. Indeed, in a number of cases, these cancellations have been because of anti-private-sector bias among school board representatives. If the contracting agency is to be in a

²⁹ House of Commons Committee of Public Accounts (2003) *Delivering Better Value for Money from the Private Finance Initiative*, <http://www.publications.parliament.uk/pa/cm200203/cmselect/cmpubacc/764/764.pdf> (last accessed March 2006), p 20.

³⁰ Center for Education Reform (2004c) *Charter Schools Today: Changing the Face of American Education; Statistics, Stories and Insights*, Press Release, Center for Education Reform, Washington, DC, www.cer.org (last accessed March 2006).

Box 3: Lessons from contracting with charter schools in the United States

- Split the government's policy and regulatory functions from its service delivery (provider) function.
- Ensure that the provider has full operational flexibility and is not restricted by unnecessary regulations.
- Create a competitive bidding process.
- Introduce an effective system to monitor contracts and hold providers accountable for failures.
- Ensure that contracts are long enough to encourage private investment in infrastructure.
- Ensure competitive neutrality between charter schools and public schools.

Source: Snell (2002), www.rppi.org/charterschools.html (last accessed May 2006).

position to impose sanctions or withdraw from contracts, it must ensure that there are good contract exit strategies. Effective exit strategies will depend in part on the breadth and depth of the private sector market, since this will determine the scope for finding suitable replacements.

Allow maximum operational flexibility for private sector operators

The government's role should be to spell out the desired outputs and performance standards, set penalties for failure to achieve and rewards for success, and then leave providers to decide the best way of organising themselves to deliver the required outputs to the specified standard. Providers must be given as much management freedom as is feasible. The need for flexibility is especially true in the area of staffing and employment, but it is also relevant in other areas such as curriculum, budget allocation and so on.

Forcing providers to operate within the same restrictive and inflexible regulatory framework that hobbles public schools would significantly reduce the potential gains from moving to a contracting model and limit the positive impact of competition in the sector. One recent study found that more than two-thirds of US school district superintendents surveyed believed that reducing bureaucracy and increasing flexibility was very important as a way to improve public education.³¹

This autonomy is most important in the area of employment and staffing. Operational contracts, under which private sector providers select and employ

³¹ Belfield, Clive R and Amy L Wooten (2003) *Education Privatization: The Attitudes and Experiences of Superintendents*, Occasional Paper No 70, National Center for the Study of Privatization in Education, Columbia University, New York, p 14.

their own staff, provide the flexibility needed to redesign work processes, select appropriately skilled staff, pay the salaries required to attract good staff and dismiss non-performing staff. Those contracts that require private sector providers to hire existing staff, maintain existing union contracts and limit the ability of private providers to fire non-performing staff, vary pay levels or provide performance-based pay all restrict their ability to make productivity gains and introduce changes aimed at improving the quality of education at a school.

The United Kingdom has adopted such an approach to reforming 'failing' schools through its Fresh Start programme. A Fresh Start school is designed to replace a failing school that is being closed. Fresh Start schools can be established only once a substantial review of staffing and governance has taken place to ensure that the school has the right people in posts to put in place and maintain that learning environment.

The Fresh Start approach adopted in the United Kingdom contrasts with that adopted in Philadelphia, where the state school reform commission contracted out the management of 45 of the district's worst performing schools to EMOs, including Edison Schools. In Philadelphia, authorities adopted a 'thin management' contracting model under which providers were given relatively little discretion in the area of personnel management. As a result, the Philadelphia model differs significantly from the 'ideal' contracting model – called the diverse providers strategy – outlined by advocates such as Paul T Hill.³² Table 5 compares the Philadelphia diverse provider model and the 'ideal' diverse providers strategy.

According to Bulkley et al (2004), a key weakness identified in the 'thin management' model is that it prevented providers from making hiring and other decisions that they felt were essential to their education approaches. Principals interviewed as part of that study also felt the model did not generally offer the clear division of responsibility, authority and accountability that was originally envisioned for privatisation.³³ Nonetheless, recent evidence suggests that contract schools in Philadelphia are raising test scores.³⁴

³² Hill, Paul T et al (2000) *It Takes a City: Getting Serious About Urban School Reform*, Brookings Institution Press, Washington, DC.

³³ Bulkley, Katrina et al (2004) *Contracting Out Schools: The First Year of the Philadelphia Diverse Provider Model*, Research Brief, Research for Action, Philadelphia, p 3.

³⁴ Edison Schools (2004) 'Edison Schools Applauds Philadelphia School District's Historic Leap in Student Achievement', Press Release, New York City, www.edisonschools.com (last accessed March 2006).

Introduce longer-term contracts with providers

Contracts with private managers should be long enough to encourage private sector investment and interest in the sector. In many instances (for example, charter and contract schools in the United States), contracts are relatively short – three to five years. This can potentially reduce investment and interest in the sector. It also provides little time for the company to improve the performance of the schools – which can often take five or more years. Contracting agencies could opt for longer contracts with the private firms managing public schools. This is already the case in some areas. For example, management contracts for Concession Schools in Bogotá are for 15 years.

An overly long contract period could blunt some of the impacts of competition and limit the gains from contracting. However, these costs need to be traded off against the benefits of increased interest among possible contractors and reduced uncertainty for providers. To offset some of these effects, provider contracts could include clauses that allow recontracting at intermediate points. For example, the UK House of Commons Education and Employment Committee, in its review of the role of private sector organisations in public education, argued that contracts relating to the contracting out of LEA functions should include a formal mid-term contract review. Such a review would focus on contractor performance, the need to renegotiate any aspects of the contract and end-of-contract strategies.³⁵

Employ an independent entity to evaluate the contractor's performance

Contracting performance could be enhanced if the government were to employ an independent third party to evaluate contractor performance. This would ensure independent, unbiased assessments of school performance. A number of companies provide testing services, as well as school evaluation and review services. For example, CfBT, a UK-based not-for-profit education company, carries out reviews of schools in Oman under contract to the Omani government – a similar role to that carried out by the Education Review Office in New Zealand and OfSTED in the United Kingdom. In the United States, Standard and Poor's provides school evaluation services to school districts. The service

³⁵ Education and Employment Committee (2000) *The Role of Private Sector Organisations in Public Education*, Education and Employment Seventh Report, Session 1999–2000, United Kingdom Parliament, www.publications.parliament.uk (last accessed March 2006).

Table 5: Philadelphia diverse provider model versus 'ideal' diverse providers strategy

Feature	Diverse providers strategy	Philadelphia diverse provider model
Performance and flexibility	<ul style="list-style-type: none"> • Providers have contracts with clear performance indicators. • Schools and providers choose and pay for instructional methods. • Schools are supervised via performance agreements versus codes of rules. 	<ul style="list-style-type: none"> • Providers report on performance indicators (such as test scores attendance, student transfers). • Providers choose and pay for instructional methods (including materials and most professional development). • Provider-linked schools must meet same requirements as other schools.
Budgets and resources	<ul style="list-style-type: none"> • Contractors receive a fixed amount per pupil, plus a management fee. • Providers spend money at their own discretion. 	<ul style="list-style-type: none"> • Contractors receive a set amount per pupil, plus a management fee. • Providers have considerable discretion in spending non-staffing money. • Thin management limits control over staffing.
Staffing	<ul style="list-style-type: none"> • Providers hire teachers. • Providers negotiate pay, benefits and responsibilities directly with staff. • Teachers pick schools. • Schools are organised/ unionised individually, not district wide. • Providers select principal. 	<ul style="list-style-type: none"> • Providers abide by union contracts affecting pay, working conditions and who they can hire. • Providers hire teachers through district process. • Some teachers choose schools through seniority. • Providers can recommend principals, who then go through district hiring process. • Some schools select their own new teachers, with providers' role in process unclear.
Selection of providers	<ul style="list-style-type: none"> • District-level staff assign providers to a school. 	<ul style="list-style-type: none"> • District selects providers and assigns them schools. • District develops own office of restructured schools to act as separate provider for a number of schools.
Assignment of students	<ul style="list-style-type: none"> • Students and parents choose schools, and schools admit students by random selection. 	<ul style="list-style-type: none"> • Students attend neighbourhood schools, magnet schools or schools designated for desegregation.
Oversight	<ul style="list-style-type: none"> • A set of independent institutions provide oversight, evaluation and support. • Civic oversight group mobilises support for reform and for sustaining effort. 	<ul style="list-style-type: none"> • District staff monitor providers' contract compliance and outcomes for all schools. • State/city-appointed school reform commission renews and approves provider contracts.

Source: Bulkley et al (2004), p 3.

Box 4: Summary of guiding principles in contracting for the delivery of education services

- Provide an enabling policy and regulatory environment and a strong legal framework.
- Split the purchaser and provider roles within the relevant government department.
- Ensure the capacity of the contracting agency.
- Employ a transparent, competitive and staged process for the selection of preferred providers.
- Establish appropriate performance measures.
- Include performance incentives and sanctions for non-performance in contracts.
- Introduce an effective contract monitoring framework.
- Allow maximum operational flexibility for private sector operators.
- Introduce longer-term contracts with providers.
- Employ an independent entity to evaluate the contractor's performance.

analyses academic, financial and demographic indicators and trends, provides benchmarks and presents its findings on the performance of schools.

Private sector organisations, such as the Educational Testing Service, Pearson Educational and Kaplan in the United States and the Center for Educational Measurement in the Philippines, provide testing and assessment services that help track educational performance for schools and governments.

5 CONCLUSION

This report has reviewed international examples of contracting in education and some tentative lessons for the design of a contracting scheme. Historically, contracting for the delivery of services in education has been limited to non-core functions such as school transport and food services. In recent years, however, governments have begun to contract with the private sector for the delivery of core education services and school facilities.

As a phenomenon, contracting in education remains in its infancy. There has been limited research on the effectiveness of contract schools in the United States, with much of the research carried out to date being descriptive in nature. While there is more – and more sophisticated – research on charter schools in the United States, less is known about other examples around the world. Isolating the influence of contracting on educational outcomes is not an easy task, in part because it is difficult to disentangle the effects of contracting from the effects of private delivery and the additional flexibility that providers typically enjoy under such contracting arrangements. As Patrinos (2005) has noted:

Information on school contracting is mixed, according to the type of option. Namely, we know a lot about voucher programs in the United States, as well as the charter school experiments. We know much less about other contracting forms in other countries. Therefore, impact evaluations are needed to increase the information base so that policymakers can make informed decisions.³⁶

Experience to date suggests some tentative lessons for the design and implementation of contracting models in education and the conditions under which contracting will work best. Increased reliance on contracting, especially in areas such as infrastructure provision, represents a significant challenge for government departments. It requires a redefinition of the role of public agencies and, often, a different set of skills on the part of the civil servants responsible for regulating the education sector.

³⁶ Patrinos, above n 12, p 14.

Contracting for the provision of education services is no panacea, but it does provide governments with an additional means of meeting educational objectives. To be successful, it requires good policy design, careful implementation and effective political management.

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Annex 1: Summary of international examples of contracting for educational services

Programme	Jurisdiction	Programme size	Key elements
<i>Private management of public schools</i>			
Contract schools	United States	<ul style="list-style-type: none"> 535 contract schools (with 239,766 students) being operated by EMOs in 2004–05. 	<ul style="list-style-type: none"> School districts or charter school boards contract with private providers to manage public schools. Providers are paid a management fee to operate the schools, and schools remain free to students. Focus on low-performing schools and school districts.
Charter schools	United States	<ul style="list-style-type: none"> 3,343 schools with approximately 1 million students in April 2005. 40 US states with charter school laws. 	<ul style="list-style-type: none"> Charter schools operate with fewer regulations than standard state schools but must meet increased accountability requirements. Schools remain free to students. Schools may be community managed, or management may be contracted out to for-profit or not-for-profit school managers.
Bogotá Concession Schools	Colombia	<ul style="list-style-type: none"> 25 schools with 26,000 students. 10 organisations managing schools. Plans were for 51 schools/45,000 students, but this is now on hold as a result of a change in the Bogotá mayoralty. 	<ul style="list-style-type: none"> Private schools and/or education organisations bid in competitive process for management contracts of newly built schools in poor neighbourhoods. Contractors may manage a single school or a group of schools. Management contracts are for 15 years and are subject to satisfactory performance. Schools receive Col\$1.2 million per full-time student per year. Schools operate with the flexibility and autonomy of private providers.
Private management of public schools	United Kingdom	<ul style="list-style-type: none"> Small number of privately managed public schools. 	<ul style="list-style-type: none"> Small number of contracts with public and private organisations for the management of public schools. Recent UK government White Paper on schools has signalled increased role for private sector in this area.
<i>Purchase of educational services from private schools</i>			
Government sponsorship of students in private schools	Côte d'Ivoire	<ul style="list-style-type: none"> 162,000 students in mid-1990s. Budget of US\$10.3 million in 1997–98. 	<ul style="list-style-type: none"> Government purchases secondary school places in private schools. Schools must maintain academic standards in order to retain contracts with government. In 1995–96, 40 percent of private school students were state sponsored.

Annex I cont'd

Programme	Jurisdiction	Programme size	Key elements
Educational service contracting	Philippines	<ul style="list-style-type: none"> • 383,000 students in 1,800 schools in 2005–06. 	<ul style="list-style-type: none"> • Government purchases places for students in private schools where public schools cannot meet demand. • Schools are paid up to PhP4,000 per student.
Alternative Education (AE)	New Zealand	<ul style="list-style-type: none"> • Over 3,100 students and 200 providers participated in AE in 2004. 	<ul style="list-style-type: none"> • Instituted in 1997. • Programme aimed at students aged 13 to 15 who have become alienated from the regular school system. • Government subsidises schools on a per-student basis. Schools may contract with community organisations or private training providers to deliver tuition.
Fe y Alegría	Latin America/ Spain	<ul style="list-style-type: none"> • Over 1.2 million students in FyA programmes in 2003 and 450,000 students in formal education in 2002. 	<ul style="list-style-type: none"> • Non-governmental organisation that operates in poorest communities in Latin America. • Community provides land, construction and maintenance of schools, while Ministry of Education typically pays teacher salaries. • FyA trains and supervises teachers, manages the school and offers other assistance. • A majority of schools in the FyA network are public.
<i>Public-private partnerships for educational infrastructure</i>			
Private Finance Initiative	United Kingdom	<ul style="list-style-type: none"> • By the end of 2004, 121 education PFI deals had been signed, with a value of £2.923 billion. 	<ul style="list-style-type: none"> • Introduced in 1992, but grew significantly post-1997. • Educational infrastructure designed, built, financed and managed by a private sector consortium, under a contract that typically lasts for 30 years. Design, build, finance and operate is most common structure. • Payments to private sector are performance related. • Most new educational facilities are now built using PFIs.
'New Schools' private finance project	New South Wales, Australia	<ul style="list-style-type: none"> • Nine new public schools built between 2002 and 2005. 	<ul style="list-style-type: none"> • Private sector financing, design and construction of nine new public schools by January 2005. • Private sector cleaning, maintenance, repair, security, safety, utility and related services for school buildings, furniture, fittings, equipment and grounds until 31 December 2032. • Buildings handed over to public sector on 31 December 2032.
Public-private partnerships for new schools	New South Wales, Australia	<ul style="list-style-type: none"> • Nine new public schools to be built beginning in March 2006. 	<ul style="list-style-type: none"> • Private sector financing, design, construction and maintenance of nine new public schools beginning in March 2006. • 30-year contract.

Annex I cont'd

Programme	Jurisdiction	Programme size	Key elements
Public-Private Partnerships for Educational Infrastructure	Nova Scotia	<ul style="list-style-type: none"> • 39 schools built in late 1990s. 	<ul style="list-style-type: none"> • Competitive bidding process. • Schools are financed, built and operated by the private sector. • Government leases schools for 20 years. • Incentives built in to contract to ensure quality construction and maintenance.
JF Oyster Bilingual Elementary School	Washington, DC	<ul style="list-style-type: none"> • Individual school. 	<ul style="list-style-type: none"> • Opened 2001, in 2002 had 350 students. • School built at no cost to taxpayers using PPP with local developer. • School financed with US\$11 million tax-exempt bond issue that is to be repaid by the developer.
Offenbach Schools Project and Cologne Schools Project	Germany	<ul style="list-style-type: none"> • 92 schools in Offenbach County with capital value of over EUR780 million. • 7 schools in Cologne with value of EUR125 million. 	<ul style="list-style-type: none"> • Government contracting for the finance, renovation and operation of public schools in Offenbach County. Private sector partners will operate schools for 15 years. • Refurbishment and operation of schools in Cologne. Private sector will operate the schools for 25 years.
Montaigne Lyceum	The Hague, Netherlands	<ul style="list-style-type: none"> • Single secondary school. 	<ul style="list-style-type: none"> • Design, build, finance, maintenance, 30-year contract beginning in 2006.
<i>Private sector curriculum and administrative support</i>			
Contracting out of Local Education Authority (LEA) Functions	United Kingdom	<ul style="list-style-type: none"> • Wide range of functions contracted out to the private sector. 	<ul style="list-style-type: none"> • Government contracts with private sector for the delivery of LEA functions (eg. school improvement and financial management). • Recent UK government White Paper on schools has signalled increased role for private sector in this area.
Pitágoras Network of Schools	Brazil	<ul style="list-style-type: none"> • 350 schools belong to the Pitágoras network. • More than 150,000 students. 	<ul style="list-style-type: none"> • Network of primarily private schools. • Network provides member schools with textbooks, management and teacher training, cheap internet access, management and pedagogical support. • Cost to school ranged from R\$160 to R\$370 per student in 2001.
Sabis Schools	11 countries	<ul style="list-style-type: none"> • 31 schools in 11 countries with over 28,000 students in 2004–05. 	<ul style="list-style-type: none"> • Founded in 1886. • Schools implement the Sabis Educational System curriculum, but are financially and administratively independent. • Public and private schools can be part of network.

