

# INNOVATIVE STRATEGIES FOR ACCELERATED HUMAN RESOURCE DEVELOPMENT IN SOUTH ASIA

PUBLIC-PRIVATE PARTNERSHIPS  
FOR EDUCATION AND TRAINING

Special Focus on Bangladesh, Nepal, and Sri Lanka

# INNOVATIVE STRATEGIES FOR ACCELERATED HUMAN RESOURCE DEVELOPMENT IN SOUTH ASIA

PUBLIC-PRIVATE PARTNERSHIPS  
FOR EDUCATION AND TRAINING

Special Focus on Bangladesh, Nepal, and Sri Lanka



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2017 Asian Development Bank  
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 632 4444; Fax +63 2 636 2444  
[www.adb.org](http://www.adb.org)

Some rights reserved. Published in 2017.

ISBN 978-92-9261-034-0 (print), 978-92-9261-035-7 (electronic)  
Publication Stock No. TCS179081  
DOI: <http://dx.doi.org/10.22617/TCS179081>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution, translations, adaptations, and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact [pubsmarketing@adb.org](mailto:pubsmarketing@adb.org) if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Notes:

In this publication, “\$” refers to US dollars.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

# CONTENTS

Tables, Figures, and Boxes	v
Foreword	ix
Preface	x
Abbreviations	xi
Key Messages for Forging Public–Private Partnerships in Education and Training in South Asia	xii
Executive Summary	xiii
<b>I. Introduction and Background</b>	<b>1</b>
A. ADB Support to Public–Private Partnerships	1
B. Limitations	3
C. Definition of Private Provision	4
D. Brief Overview of Education and Training in South Asia	6
<b>II. Public–Private Partnerships in Education and Training</b>	<b>21</b>
A. Trends in Private Participation in Education	22
B. Types of Public–Private Partnership Arrangements	23
C. Advantages and Challenges of Public–Private Partnerships in Education	24
D. Stages of Public–Private Partnership Maturity	26
<b>III. Challenges and Possible Use of Public–Private Partnerships as An Innovative Solution</b>	<b>27</b>
A. Challenges and Possible Solutions in Basic Education	27
B. Challenges and Possible Public–Private Partnership Solutions in Post–Basic Education and Training	36
<b>IV. Establishing a Framework for Reform Using Public–Private Partnerships</b>	<b>49</b>
A. Policy Options, Level of Private Participation, and the Political Economy Sector Reform	49
B. Public Financial Management—Fiscal Risks and Value for Money	51
C. Access to Long–Term Finance	52
D. Enabling Environment	54
E. Institutional Capacity to Design, Deliver, Monitor, and Evaluate	54

<b>V. Public–Private Partnerships for Education in Bangladesh</b>	<b>57</b>
A. Public–Private Partnerships in Bangladesh	57
B. Education Sector Analysis	63
C. Education Challenges	68
D. Opportunities	71
E. Conclusion and Recommendations	77
<b>VI. Public–Private Partnership for Education in Nepal</b>	<b>81</b>
A. Public–Private Partnerships in Nepal	81
B. Education Sector Analysis	83
C. Education Challenges	90
D. Opportunities	95
E. Conclusion and Recommendations	100
<b>VII. Public–Private Partnership for Education in Sri Lanka</b>	<b>105</b>
A. Public–Private Partnerships in Sri Lanka	105
B. Education Sector Analysis	109
C. Education Challenges	115
D. Opportunities	121
E. Conclusion and Recommendations	128
<b>VIII. Summary, Conclusion, and Recommendations</b>	<b>131</b>
A. Why Invest in Education and Training in South Asian Countries?	131
B. Growth of Public–Private Partnerships in Education and Training	134
C. Findings and Recommendations	138
<b>References</b>	<b>145</b>
<b>Appendix: PERFECT—A Summary of Public–Private Partnership Framework Requirements</b>	<b>153</b>

# TABLES, FIGURES, AND BOXES

## Tables

1	ADB Documentation on the Need for Public–Private Partnerships	2
2	General Background Information on Five South Asian Countries, 2014	3
3	Public and Private Financing and Provision	5
4	General Status of Education and Training in Asia and the Pacific	6
5	Gross Enrollment Rate in Five South Asian Countries from Preprimary to Secondary Level, 2014	7
6	Numbers of Technical and Vocational Education and Training Institutions, Enrollment, and Market Share in Bangladesh, Nepal, and Sri Lanka	9
7	Institutional Differentiation in Higher Education: Bangladesh, Nepal, and Sri Lanka	10
8	Resources for Education in South Asian Countries, 2014	13
9	Financial Indicators for Higher Education in Selected South Asian Countries	14
10	Number of Qualified Teachers and Pupil–Teacher Ratios by Region, Primary and Secondary Education, 1999 and 2012	15
11	Grade 1 Intake and Primary Cycle Completion Rates by Year, 2010–2012	16
12	Secondary and Tertiary Enrollment Rates in Selected South Asian Countries, 2011	18
13	Labor Participation Rates in Selected South Asian Countries by Gender, 2016	19
14	Factors to Support the Creation of Successful Education-to-Employment System	19
15	Private Enrollment Numbers and Market Share by Region, 2012	22
16	Classifying Types of Education Partnership	24
17	Arguments for and against Public–Private Partnership	24
18	Issues and Challenges in the Basic Education Sector in South Asian Countries	27
19	Examples of Public–Private Partnership Infrastructure Arrangements	35
20	Issues and Challenges in Post-Basic Education in South Asian Countries	36
21	Assessing the Scope for Public–Private Partnerships in Education and Training	50
22	Selected South and Southeast Asian Countries’ Rankings on the World Bank’s Ease of Doing Business Survey	51
23	Summary of Activities and Requirement for Establishing and Operating Public–Private Partnerships	55
24	Examples of Public–Private Partnerships in Basic Education	60

25	Trends in National and Education Budget as Percentage of Gross Domestic Product in Bangladesh, FY2010–FY2013	64
26	Number of Institutions, Enrollment, and Teachers in Primary and Post-Primary Institutions, Bangladesh, 2010	65
27	Summary of Challenges in Basic Education in Bangladesh	69
28	Summary of Challenges in Technical and Vocational Education in Bangladesh	69
29	Main Challenges in Higher Education in Bangladesh	71
30	Examples of Possible Public–Private Partnerships in Basic Education in Bangladesh	72
31	Challenges in Technical and Vocational Education and Training and Possible Responses Using Public–Private Partnerships in Bangladesh	74
32	Examples of Possible Public–Private Partnerships in Higher Education in Bangladesh	75
33	A Summary of Challenges to Public–Private Partnership Formulation and Implementation	78
34	Examples of Public–Private Partnerships in Education in Nepal	82
35	Level of Education by Age, Nepal	84
36	Number of Early Childhood Development Centers, Nepal	85
37	Number of Schools and Student Enrollment, Nepal	86
38	Enrollment Shares of Private and Community Schools in Basic Education in Nepal, 2008–2012	87
39	Data on Grades 11 and 12 Student Entry and Pass Rates, Nepal, 2008–2012	87
40	Universities and Academies in Nepal, School Year 2010/2011	89
41	Enrollment Trends in Basic Education, Nepal, 2008–2012	91
42	Internal Efficiency Indicators and Achievement, Nepal, School Year 2012	92
43	Pass Rates by University and Level (Bachelor’s and Master’s), Nepal, 2008–2011	95
44	Possible Areas and Activities for Public–Private Partnerships in Basic Education in Nepal	96
45	Possible Areas and Activities for Public–Private Partnerships in Technical and Vocational Education and Training in Nepal	98
46	Components of a Public–Private Partnership Framework in Education and Training in Nepal	101
47	Public–Private Partnership Recommendations with Time Frame, Nepal	102
48	Focal Agencies with Responsibility for Public–Private Partnerships, Sri Lanka	107
49	Examples of Sri Lanka Public–Private Partnerships in Education, 2000–2013	108
50	Total Government Expenditure and Education Expenditure, Sri Lanka, 2006–2012	109
51	Early Childhood Care and Development Centers by Type of Management, Sri Lanka, 2010	110
52	Number of Accredited Technical and Vocational Education and Training Courses in Sri Lanka, 2012	113
53	Actual Enrollment, Sri Lanka	116
54	Summary of Key Higher Education Issues and Challenges in Sri Lanka	119

55	Higher Education Actual and Projected Enrollments in Sri Lanka	121
56	Summary of Sri Lanka Basic Education Targets	122
57	Key Targets for Technical and Vocational Education and Training in Sri Lanka	123
58	Issues and Possible Public–Private Partnership Responses in Technical and Vocational Education and Training in Sri Lanka	124
59	Examples of Higher Education Partnership Objectives in Sri Lanka	127
60	Understanding the Changing Context in Education and Training	131
61	South Asia Country Poverty, Education, and Gender Indicators	133
62	Questions on Flexibility, Skills Preparation, and Employability	133
63	Summary of Public–Private Partnership Constraints and Some Means of Mitigation	136
64	Possible Public–Private Partnership Reform Initiatives	140
65	Constraints and Initiatives to Access Information and Build Trust	141

## Figures

1	Allocation of Categories by Ownership, Management, and Funding in Bangladesh	4
2	Aid to Basic Education, 2002–2015	12
3	Private Enrollment as a Percentage of Total Primary Enrollments, by Country Income Level, 2010	23
4	Public–Private Partnership Framework in Bangladesh	58
5	Institutional Setting as per Public–Private Partnership Guidelines, Bangladesh, 2010	59
6	Private Providers’ Market Share of Students by Subsector, Bangladesh, 2010	66
7	Distribution of Campuses by Region and by Type in Nepal, Fiscal Year 2012	90
8	Number of Nepali Students Studying Abroad, 2011–2014	94
9	Higher Education Enrollment in Sri Lanka, 2005–2011	115

## Boxes

1	Classification of Private Schools in India	5
2	Types of Risks under a Public–Private Partnership	26
3	Case Study of the Foundation Assisted Schools Program in Pakistan	30
4	Case Study of the Gyan Shala Program in India	31
5	Case Study of the Education Service Contracting Scheme in the Philippines	33
6	The Government of India’s Model Secondary School Program	35
7	Example of Private Sector Provision of Training in Bangladesh	39
8	Example of Private Sector Provision of Training in Nepal	40
9	Example of Private Sector Accreditation of Private Providers in Sri Lanka	41
10	Example of Private Sector Provision to Support the “Hard-to-Reach” in Bangladesh	41
11	Example of a Center of Excellence in Sri Lanka	43



12	Example of Public–Private Partnership Governance and Management Reform in India	46
13	Example of Viability Gap Financing in Bangladesh	52
14	Example of a Skills Development Levy System in Singapore	53
15	Equity of Budgetary Allocation in Bangladesh	65
16	Examples of Public–Private Partnerships in Nepal	81
17	Example of Community School Assessment in India	97
18	Examples of Challenges to Public–Private Partnerships in Higher Education in Sri Lanka	120
19	Examples of Public–Private Partnerships in Service and Infrastructure Contractual Arrangements in Technical and Vocational Education and Training	125
20	Examples of Public–Private Partnerships in Higher Education in Sri Lanka	127

# FOREWORD

South Asian countries have increased domestic financing for education, but such increase has not yet effectively resulted in desired education outcomes. This is because inequality in access to quality education services persists amidst increasing pressure to meet the growing demand for appropriately skilled human resources necessary for greater productivity and higher economic growth. Even with higher investments from public resources, there is a need for mobilizing resources from households and the private sector to improve access to equity and quality of education. Equally important is to enhance the efficiency of financing to ensure better outcomes and effective use of available resources. Against this backdrop, the governments in South Asia are increasingly seeking innovative means of using public–private partnership (PPP) to strengthen the education system’s ability to develop human resources needed to enhance productivity of economies.

This report aims to help enhance the capacity of policy makers in the South Asia region to integrate innovative approaches in policies and strategic plans in the education sector. As part of a series of four reports, this study complements and cuts across the other crucial themes in education and training today: teacher professional development, information and communication technology, and assessment of student learning outcome. It identifies specific priorities that would enable interventions to concentrate on the most efficient and effective strategies for PPPs in education. Among these recommendations are improving regulation and oversight; ensuring that social safeguards are embedded in the PPP goals, designs, and specifications; and framing PPPs so that they support and stimulate the quality and relevance of education services provided.

South Asia’s huge opportunities arising from its demographic dividend could be harnessed fully only if it is able to skill a large number of new entrants to the labor market every year, and upskill the expanding labor force that is still undereducated and inadequately trained compared with their counterparts in other regions. South Asia must capitalize on innovations, knowledge, and skills by building a strong base for foundational skills in school education and reinforced by high-quality technical and vocational education and training, and higher education. This can only be facilitated and made more effective by optimizing the benefits from effective and efficient mechanisms in the aforementioned four focus areas. South Asian countries are poised to transition from low-skilled labor to higher productivity and globally competitive labor, and they are all ready to build up investments in human capital development.

**Hun Kim**  
Director General  
South Asia Department, Asian Development Bank

# PREFACE

While the number of public–private partnerships (PPPs) has increased in recent years in developing countries, including those in South Asia, major challenges have been identified such as ensuring the existence of enabling regulatory and legal frameworks; establishing reliable institutional arrangements; and enhancing institutional capacity. Despite these challenges, developing countries will continue to seek further innovations and more effective strategies to implement PPP programs and projects. This report provides analyses of existing policy environment, current practices, and present reform initiatives in PPP for education in Bangladesh, Nepal, and Sri Lanka and, to a limited extent, Bhutan, and Maldives.

The regional synthesis report was prepared by Michael Latham, and the country reports were prepared by Zahidur Rahman for Bangladesh, Krishna Hari Thapa for Nepal, and Pauline Matthias for Sri Lanka. The country reports have been shared with government officials, particularly from education ministries; individual experts including practitioners and researchers from academe; and pertinent institutions in the respective countries. The reports benefited from the insights of Abul Basher in Bangladesh, Ganesh Bahadur Singh in Nepal, and Rasika Perera in Sri Lanka.

Colleagues from the Human and Social Development Division, South Asia Department of the Asian Development Bank and resident missions in focus countries also reviewed the reports. The country reports, as well as the consolidated version, were also cross-referenced among the four national consultants in each country to complement the findings from different reports. Brajesh Panth, then lead education specialist from Human and Social Development Division, managed and coordinated the studies with support from Rhona Caoli-Rodriguez, the national program coordinator. Excellent administrative assistance was provided by Erwin Salaveria and Rosalia Baeza.

**Sungsup Ra**

Director, Human and Social Development Division  
South Asia Department, Asian Development Bank

# ABBREVIATIONS

ADB	Asian Development Bank
ATPA	Accredited Training Providers' Association
COEL	Centre of Excellence for Leather Skill
CSDC	Chittagong Skills Development Centre
CTEVT	Council for Technical Education and Vocational Training (Nepal)
ECCE	early childhood care and education
FAPE	Fund for Assistance to Private Education
FY	fiscal year
GDP	gross domestic product
GER	gross enrollment rate
LFPS	low fee private school
MOE	Ministry of Education
NGO	nongovernment organization
PPP	public-private partnership
SDF	Skills Development Fund
SLIP	school-level learning improvement plan
SY	school year
TSLC	Technical School Leaving Certificate
TVEC	Tertiary and Vocational Education Commission (Sri Lanka)
TVET	technical and vocational education and training
UCEP	Underprivileged Children's Educational Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UOM	University of Moratuwa
VGf	Viability Gap Fund

# KEY MESSAGES FOR FORGING PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION AND TRAINING IN SOUTH ASIA

“Publicness” and “privateness” are in most cases not innate properties of a public good but social constructs. As such, they represent a policy choice. National governments can step in when there is under provision at the national level. But when global challenges arise, international cooperation is necessary and can happen only by voluntary action of many governments. Given the many pressing challenges, progress in determining what is public and what is private will require strong, committed, personal, and institutional leadership.”

*United Nations Development Programme  
Human Development Report 2013, p. 116*

- Ensure that there is **institutional capacity** to assess sector reform policy options, fiscal risk, and value for money.
- Review and revise the **regulatory and legal frameworks** to place their overarching focus on enabling access and inclusiveness, efficiency, quality of service delivery, and sustainability.
- Establish reliable **standards of quality** within public and private education and training institutions so that credible quality assurance mechanisms can be used to monitor performance.
- Invest in **enhancing the skills** that are necessary to prioritize and execute public-private partnership (PPP) transactions.
- Support **the establishment of PPP units** and coordination across institutional and interministerial units and departments.
- Establish an **investment climate** that is conducive to PPPs in education, including the possibility of long-term finance facilities.
- Address **economic sustainability considerations** throughout the lifetime of a PPP and assess this with reference to value for money, private partner viability, investor returns, and broader economic impacts such as employment and taxation.
- Address **social sustainability considerations** throughout the lifetime of a PPP and assess this with reference to ethical working conditions and wages, impact on local communities, and maximization of social returns.

# EXECUTIVE SUMMARY

**E**ducation and training systems in the lower-income and middle-income countries in Asia and the Pacific face enormous problems. In many of the lower-income countries, there are significant deficits in affordable access and considerable variations in attainment between students from poor and rich households. Indeed, even in many middle-income countries where coverage is almost universal across the basic education sector, the quality of instruction and learning is low and options for post-secondary vocational training or further academic studies are limited, particularly for the poor. Government spending on education is often inadequate, and is inefficiently and disproportionately allocated among educational inputs and across all levels, from early childhood to post-secondary education and training. And, even if there is adequate funding, education and training systems are dominated by a business-as-usual approach and, therefore, can be unresponsive to families' concerns and emerging labor market needs. In these settings, high rates of teacher absenteeism and low enrollment rates for disadvantaged groups are symptomatic of systems in which incentives are inadequately aligned.

**What is the design of an educational and training system best able to address these problems?** Speaking in the broadest terms, there are two models for education systems. In the **public** model, the government finances education and manages all aspects of basic education schooling and post-secondary vocational training or higher education, including hiring of staff and construction of facilities. The public model is useful for building a system where one has not existed and for ensuring uniformity among education and training institutions. This model, however, is typically less effective at motivating staff and the institutions to respond to the concerns of the clients (the families) or the beneficiaries (the students). In the **private** model, the education and training institutions (be they schools, vocational training colleges, or universities) are privately owned, and the users pay the entire cost of tuition—this was the standard design of school systems in the 19th century. The private model gives parents choices among these institutions, and these institutions have a strong pecuniary motivation to keep their clients happy. But, in the private model, many prospective students are unable to participate due to lack of funds or for other nonfinancial reasons. It should be noted that quality may vary significantly among private providers.

The number of public-private partnerships (PPPs) has been rising in developing countries over the last 2 decades. More than 134 developing countries apply PPPs, contributing an average of about 15%–20% of total infrastructure investment.<sup>1</sup> As budgets are squeezed

<sup>1</sup> World Bank. Private Participation in Infrastructure Project Database. <http://ppi.worldbank.org/> (accessed 15 June 2014).

and exchequers become increasingly stretched, enthusiasm from governments and development banks has grown for adopting greater cooperation with the private sector. Bringing in both the capital investment and management efficiencies associated with the private sector through agreements known as PPPs is indeed interesting. PPPs refer quite generally to private sector investment in public projects, whereby investors receive a return on their investment within a specific legal framework.

There are numerous arrangements that enable this partnership, but all involve some degree of risk transfer to a private firm or consortium of firms and away from the government. Such risks may be associated with the investment, design, construction, or operation of an asset, such as a public building or civil engineering works, or the provision of services. While PPPs were initially responding to address issues within public infrastructure, they have increasingly moved into the social sector and the provision of education and health services.

Widely utilized because of their professed advantages in off-budget funding, anticipated efficiency gains, and improved service quality, PPPs are a mechanism that governments regularly turn to in the fulfillment of their responsibilities for public infrastructure and services—a phenomenon increasingly taking hold in developing countries.<sup>2</sup> In parallel, in its initiatives to stimulate growth and fight poverty, the Asian Development Bank has expanded its assistance to lower- and middle-income countries in using PPPs to improve access to infrastructure and basic services.

This volume covers eight chapters. Chapter 1 describes some of the main access, quality, equity, and efficiency issues that are pushing the drive for greater partnership. Chapter 2 introduces the use of some different types of partnership models. Chapter 3 takes the identified issues and challenges—equity and access, quality and relevance, governance and management, and internal efficiencies and mobilization of resources—and considers how PPPs can assist in providing possible solutions. Some regional and global examples of these PPP solutions are provided, including the Punjab Education Foundation, the Gyan Shala program, and the Philippines Education Services Contracting Scheme in the basic education sector, as well as the centers of excellence in Bangladesh and Sri Lanka for the post-basic education sector. Chapter 4 looks at the five critical aspects of establishing a PPP framework—sector reform policy options; the level of private participation and the political economy; public financial management; access to finance, the legal and regulatory environment; and the institutional capacity of the different partners to design, deliver, monitor, and evaluate PPPs—and provides different country examples of how these aspects are being addressed successfully. Chapters 5, 6, and 7 consider Bangladesh, Nepal, and Sri Lanka through the following common aspects: an introduction to the PPP framework in country, a brief analysis of the education and training sectors with a focus on the specific challenges and possible reform initiatives, and specific opportunities for PPPs in the different subsectors. Chapter 8 concludes the report by stressing that governments in the region are increasingly seeking innovative means of using PPPs to strengthen the education system's ability to develop human resources needed for productive economies and in meeting other important development goals. There are three key aspects to enabling this partnership: (i) ensuring that social safeguards are embedded in the PPP goals, designs, and

---

<sup>2</sup> S. Colverson and O. Perera. 2011. *Is There a Role for Public–Private Partnerships? Policy Brief*. Winnipeg: International Institute for Sustainable Development.

specifications; (ii) accountability safeguards for the tender evaluation, supplier selection, and monitoring and contracting functions; and (iii) framing of PPPs so that they support and stimulate the quality and relevance of the education services provided. In much the same way as infrastructure PPPs have been driven by public policies and practice in regard to increasing the education and training “estate” in order to address access constraints, similar action through PPPs can be sourced to drive improvements in the quality and relevance of the education and training that is provided.

The main findings are that, while regional developing member countries have increased domestic financing for education, this increase in spending has yet to be effectively translated into better education outcomes since inequality in access to quality education services persists, which in turn continues to contribute to income inequality and widening disparities in the region. Although education is improving in general, performance varies. School dropout rates are still high and completion rates are low in some countries. Inefficiencies, particularly responsiveness in education and training, are becoming more acute as more countries in the region progress out of lower-income status and the pressure mounts to meet the growing demand for appropriately skilled human resources necessary for greater productivity, higher economic growth, and regional integration. Governments appreciate the importance of improving equitable access to education and the need to make it more inclusive from initial basic education through to higher education and skills development. Efforts are being made to boost quality and the relevance of education to the labor market. Innovative education strategies and approaches are being sought to help increase the impact of education services.





# I. INTRODUCTION AND BACKGROUND

Private expenditures are significant across all subsectors of the education and training systems. Private expenditures come in two forms. One, the expansion of access to private education is leading to higher household expenditures for these institutions; and, two, the public system, which is supposed to be either free and/or subsidized, incurs other costs (an especially difficult burden for the poor). In addition, the variable quality of education often forces many to seek private tuition that increases the overall costs of education and training across the whole continuum, from preprimary school, to technical and vocational training, to higher education. To optimize the increased public spending on education and the concurrent rise in household expenditures, there is a growing need to forge public–private partnerships (PPPs) in education and training in order to reduce rising inequity between public and private provisions, increase overall funding to education subsectors, and target quality improvement.

Different types of PPPs are evolving around the world. Large companies are also investing in skills training and higher education, including through their corporate social responsibility contributions. With the use of information and communication technology, PPPs also have the potential for enhancing innovations in teaching and learning. The aim of this report is to explore all these areas for strategic development of PPPs in education in South Asia. The report characterizes the current structure of the education system and its subsectors in the selected countries, considers some of the key constraints, and explores innovative ways in which PPPs in education and training can assist in tackling the challenges. It reviews the role of governments and introduces some innovative policy options for improving inclusive access, quality, and financing of education to accelerate human resource development in South Asian developing member countries of the Asian Development Bank (ADB).

## A. ADB Support to Public–Private Partnerships

The rationale for ADB’s support for PPPs is based on the claim that PPPs have the potential to close the infrastructure gap by leveraging scarce public funding and introducing private sector technology and innovation to provide better-quality public education services through improved operational efficiency. Subsequently, improving the provision of infrastructure and social services through higher levels of efficiency and quality contributes directly to growth and poverty reduction. This rationale for PPPs is highlighted in the extracts from three key ADB documents provided in Table 1.

Table 1: ADB Documentation on the Need for Public–Private Partnerships

ADB Report	Context	Specific Extract
Education Sector Policy (2002)	Increased support for private provision at most levels of education	ADB will actively support private sector education institutions and education-related industries and services ... when this is clearly the more cost-effective alternative (p. 20)
Strategy 2020 (2008)	Long-term strategic framework Explore opportunities for new approaches and instruments involving PPPs Private sector share of operations = 50% by 2020	Across all these (education) areas, ADB will explore opportunities for new approaches and instruments involving PPPs (p. 40)
Education and Skills (2008)	Three main challenges for the education sector in ADB's developing member countries: (i) better access to quality education for all, (ii) resurgent need for technical and vocational education and training to support sustained economic growth and industrial and services sector development, and (iii) development of higher education	One of the themes cutting across these challenges is the need to develop new and innovative approaches to education financing, including the development of PPPs (p. 4)

ADB = Asian Development Bank, PPP = public–private partnership.

Source: Asian Development Bank.

These extracts also broadly reflect the reasoning expressed in individual ADB projects that make use of PPPs. Of a sample of ADB projects reviewed for the *Public–Private Partnerships in ADB Education Lending, 2000–2009* report, improving efficiency, access, and quality, along with attracting private sector funds, were noted as the prevailing motivations for pursuing PPPs as an instrument in project implementation.<sup>3</sup>

This review covers five countries in ADB's South Asia Department: Bangladesh, Nepal, Sri Lanka, and, to a very limited extent, Bhutan and Maldives. The main focus, however, is on Bangladesh, Nepal, and Sri Lanka. India was excluded to keep the review within a manageable size, but some examples of innovations in India and Pakistan are provided. Table 2 highlights a significant feature of the report, namely the tremendous variation among these five South Asian countries, most particularly with regard to their population size and gross domestic product (GDP) growth.<sup>4</sup>

<sup>3</sup> ADB. 2010. *Public–Private Partnerships in ADB Education Lending, 2000–2009*. Manila.

<sup>4</sup> In this report, many of the figures illustrating progress on the Millennium Development Goals refer to the “earliest” and “latest” years for which data are available. These figures may thus differ to a degree from the selected countries statistics provided in Chapters 5, 6, and 7. Lack of data from economies reflects the difficulty in collecting and disseminating the data.

Table 2: General Background Information on Five South Asian Countries, 2014

Categories	Bangladesh	Bhutan	Maldives	Nepal	Sri Lanka
Total population ('000)	159,078	765	375	28,175	20,619
Annual population growth rate (%)	1.2	1.4	2.0	1.2	0.8
Population 0–14 years (%)	30	27	28	34	25
Rural population (%)	66	66	56	82	82
Infant mortality rate (per 1,000 live births)	31	27	7	29	8
Life expectancy at birth (years)	71	69	77	69	74
Poverty (% of population living on less than \$2 a day)	77.6	13.5	17.9	48.4	14
GDP per capita (purchasing power parity) \$	3,123	7,816	12,530	2,374	11,181
GDP growth rate (%)	6.1	5.5	6.5	5.4	4.5

GDP = gross domestic product.

Source: UNESCO Institute for Statistics. <http://www.uis.unesco.org/datacentre>.

Besides considerable differences across these countries with respect to size and poverty rates, there is a major difference in the state and size of their economies. While Bangladesh and Nepal operate at a factor-driven stage, Sri Lanka is transitioning from a factor-driven stage to an efficiency- and investment-driven stage of economic development. Competitiveness indicators are low for Bangladesh and Nepal, and enterprise-based training is lowest in South Asia, particularly in Bangladesh and Nepal, compared with the rest of the developing world.<sup>5</sup>

## B. Limitations

Given the vast scope (across the education and training sector, from early childhood education through to higher education, in a number of countries), this is not a comprehensive review. It is limited on a number of fronts: not all important topics could be covered; topics that are covered are not analyzed in considerable depth; there are limitations on account of weak statistical data; and there is the risk of overgeneralization based on incomplete data. Despite these limitations, this review

- (i) identifies good practices in PPP application in education and training in each of the participating countries, South Asia, and other regions of the world that are relevant to South Asia;
- (ii) identifies some of the main issues and challenges faced in enabling PPPs in the education and training sector;
- (iii) explores possible options to address these issues and challenges;

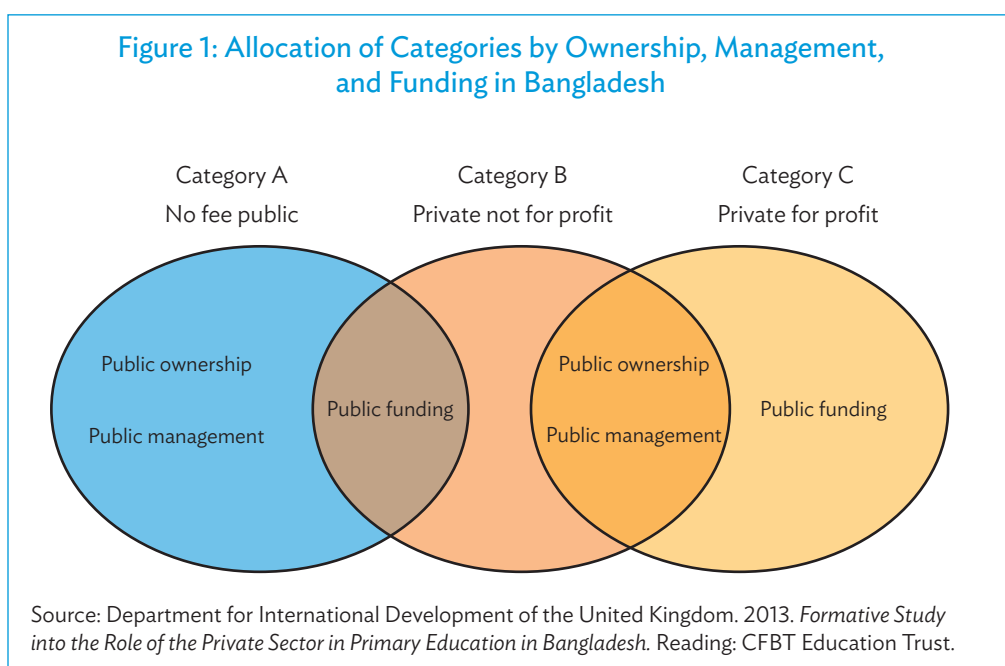
<sup>5</sup> ADB. 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.

- (iv) provides some analysis and explanation as to how PPPs are operating in different countries and regions, lessons learned, and implications for broadening and expanding PPP experiences; and
- (v) identifies areas in education and training where PPPs in education are feasible and advantageous.

## C. Definition of Private Provision

The education and training markets are characterized by a diversity of providers across different subsectors, ranging from for-profits (that operate as commercial enterprises), religious entities, nonprofits run by nongovernment organizations (NGOs), publicly funded establishments such as government-aided schools that are operated by private boards, and community-owned operations. The United Nations Educational, Scientific and Cultural Organization (UNESCO) regards as “private” any educational institute that is controlled and managed by an NGO (e.g., religious group, association, enterprise) or whose governing body consists mainly of members not selected by a public agency (UNESCO 2005). There are many types of private schools: some are solely dependent on the financial support of a development partner or charitable organization, while others are run by for-profit companies; some are associated with religious organizations and offer a religious-based curriculum, while others are secular.<sup>6</sup>

Figure 1 illustrates the three main categories (public, private for-profit, and private nonprofit) according to three criteria: ownership, management, and provision or funding. The differences between nonprofit and for-profit education in an alternative financing and provision arrangement are also shown in the figure.



<sup>6</sup> UNESCO. 2005. *Reaching the Marginalized: Education for All Global Monitoring Report*. Paris.

### Box 1: Classification of Private Schools in India

- **Government schools** are wholly state-financed, often including the provision of free uniforms, school meals, and textbooks. Government schools follow the state curriculum (aligned with the national curriculum) to a set timetable and school hours. Teachers are hired and assigned by state department of education.
- **Government-aided schools** are privately managed and follow government regulations on curriculum, timetable, school hours, textbooks, and eligibility criteria for teacher recruitment. Up to 95% of funding can come through state “grants-in-aid” including for teacher salaries and recurrent nonteacher spending.
- **Private unaided (recognized) schools** are self-financing; however, they have registered with government after having fulfilled a minimum set of standards. The schools in this category are diverse, ranging from India’s elite schools, to English medium schools catering to the emerging middle class.
- **Private unaided (unrecognized) schools** are self-financing schools not registered with any government agency. They include the burgeoning low-fee private school sector.

Source: C. Bangay and M. Latham. 2013. Are We Asking the Right Questions? Moving beyond the State vs. Non-State Providers Debate: Reflections and a Case Study from India. *International Journal of Educational Development*. 33 (3). pp. 244–252. May.

However, the complexity of typology is illustrated in Box 1 through examples of four different types of private schools in India.

Funding can be broadly divided into two types: private operations with public funding and public operations with private funding. While private funding for public operations includes supply-side schemes (such as school adoptions involving the contribution of funds or resources) and demand-side schemes (such as allocation of scholarships for students), the level of intervention and scalability of these programs is limited and, thus, difficult to replicate on a larger scale. There is more scope for private operations with public funding. Table 3 provides a summary of the differences based on financing and provision.

**Table 3: Public and Private Financing and Provision**

Provision	Public Financing	Private Financing
Public provision (where provision encompasses ownership and management)	<ul style="list-style-type: none"> <li>• Traditional public schools, institutions, or colleges</li> <li>• Student loans</li> </ul>	<ul style="list-style-type: none"> <li>• User fees</li> <li>• Student loans</li> </ul>
Private provision	<ul style="list-style-type: none"> <li>• National voucher schemes</li> <li>• Charter schools</li> <li>• Contracting out</li> <li>• Student loans</li> </ul>	<ul style="list-style-type: none"> <li>• Home schooling</li> <li>• Pure private schools, institutions, or colleges</li> <li>• Community schools</li> </ul>

Source: H. A. Patrinos and S. Sosale. 2007. Mobilizing the Private Sector for Public Education: A View from the Trenches. *Directions in Development: Human Development*. Washington, DC: World Bank.

## D. Brief Overview of Education and Training in South Asia

This section commences with a brief look at some of the main issues and challenges in providing equitable access to quality education and training and public spending on education services, since it is in response to these public service delivery deficits that the role of private education and the continuing growth of PPPs need to be considered. Three overarching issues (enrollment, completion, and transition; resources for education; and efficiency and effectiveness) impact upon the four education subsectors (preprimary or early childhood education, primary and secondary, technical and vocational education and training [TVET], and higher education) and are where the biggest challenges are faced. Table 4 provides a summary of some of the challenges for countries in Asia and the Pacific.

**Table 4: General Status of Education and Training in Asia and the Pacific**

Goal	Current Data
Gender parity	<ul style="list-style-type: none"> <li>The world average male–female ratio is 101.7; in East Asia, it is 106.2, and in South Asia, it is 105.7.</li> <li>Steady progress in basic education is narrowing the gender gap. In East Asia, girls outnumber boys in basic education with female enrollment of 108.8%. In South Asia, the ratio is only 72.2%.</li> </ul>
Education	<ul style="list-style-type: none"> <li>Only 60% of children of secondary school age are attending school in South Asia and Southeast Asia.</li> <li>The world average for public expenditure on education as a proportion of gross domestic product is 4.8%, whereas in South Asia and West Asia, it is 4.4%.</li> </ul>
Youth and adult skills	<ul style="list-style-type: none"> <li>In fiscal year 2010, while average annual gross domestic product growth was 7.6%, formal employment grew by only 1%.</li> <li>In Bangladesh, India, and Nepal, about 90% of female workers that are not in agricultural employment are in the informal economy.</li> </ul>
Health	<ul style="list-style-type: none"> <li>Between 1992 and 2012, the population of undernourished in Asia and the Pacific fell from 24% to 14%, but this still equates to 62% of the world’s hungry and 543 million persons.</li> <li>This situation is worse in South Asia, where 18% of the population is undernourished.</li> </ul>

Source: Data drawn from an ADB, ESCAP, and UNDP regional partnership program on achieving the Millennium Development Goals in Asia and the Pacific. *Asia–Pacific Aspirations: Perspectives for a Post-2015 Development Agenda Asia-Pacific Regional MDGs Report 2012/15*. [www.adb.org/publications/asia-pacific-aspirations-perspectives-post-2015-development-agenda](http://www.adb.org/publications/asia-pacific-aspirations-perspectives-post-2015-development-agenda).

# 1. Enrollment, Completion, and Transition

## a. Basic Education

South Asia is no exception to other regions where—under the Education for All Millennium Development Goals (MDGs) drive—significant gains toward universal primary education have been made. Yet, this primary improvement needs to be maintained for a considerable period in order to realize similar increases in the secondary subsector, in which three of the five countries still exhibit secondary school enrollments of under 60% (Table 5). Table 5 also provides two interesting details regarding enrollment and gender: the level of attendance by girls exceeds that of boys in four out of the five countries at the secondary cycle, but this enrollment ratio was reversed at the tertiary level in all four cases except Sri Lanka.

**Table 5: Gross Enrollment Rate in Five South Asian Countries from Preprimary to Secondary Level, 2014**

Country	Preprimary			Primary			Secondary		
	M	F	T	M	F	T	M	F	T
Bangladesh	31.81 <sup>a</sup>	31.82 <sup>a</sup>	31.81 <sup>a</sup>	111.88 <sup>b</sup>	115.14 <sup>b</sup>	111.88 <sup>b</sup>	56.06 <sup>a</sup>	60.65 <sup>a</sup>	58.31 <sup>a</sup>
Bhutan	16.42	17.69	17.05	101.41	102.87	102.13	81.42	87.06	84.20
Maldives	81.95 <sup>c</sup>	85.30 <sup>c</sup>	83.59 <sup>c</sup>	103.97 <sup>d</sup>	100.81 <sup>d</sup>	102.43 <sup>d</sup>	–	–	–
Nepal	87.77	83.67	85.76	130.11	140.63	135.43	64.92	68.90	66.87
Sri Lanka	95.40 <sup>a</sup>	94.51 <sup>a</sup>	94.99 <sup>a</sup>	102.42	100.11	101.27	97.50 <sup>a</sup>	101.97 <sup>a</sup>	99.72 <sup>a</sup>

– = data not available, F = female, M = male, T = total.

<sup>a</sup> Values are for 2013.

<sup>b</sup> Values are for 2011.

<sup>c</sup> Values are for 2007.

<sup>d</sup> Values are for 2009.

Source: UNESCO Institute for Statistics. <http://www.uis.unesco.org/datacentre>.

Progression and completion rates are critical factors determining how efficient and cost-effective the education system is in achieving an increase in post-primary enrollment numbers. At the primary school level, gender parity has been achieved in Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka. Progress is being made in Afghanistan and Pakistan. In Bangladesh, Maldives, and Sri Lanka, gender parity has also been achieved at the secondary level. However, there are stark differences in completion rates globally between urban and rural boys and girls. The rich boys from urban areas will attain 100% primary completion in 2021, and 100% secondary completion by 2041—over 65 years earlier than the poorest girls from rural areas for primary, and 90 years earlier than the poorest girls from rural areas.<sup>7</sup>

There are some 1.2 billion adolescents (10–19 years of age) today that make up 16% of the world's population—and more than half of these adolescents live in Asia. In South Asia,

<sup>7</sup> UNESCO. 2013a. *Education for All Global Monitoring Report*. Paris.



they comprise 19% of the total regional population.<sup>8</sup> According to the UNESCO Institute for Education Statistics data in 2015, there were approximately 62 million out-of-school adolescents of lower secondary school age and 141 million of upper secondary age excluded from any level of education.<sup>9</sup> The majority were found in Central Asia and South Asia (44%) and Sub-Saharan Africa (30%).

### Technical and Vocational Education and Training

Classification in this subsector varies considerably. In this report, “skills development” refers to technical–vocational skills below the level of a university first degree, whereas “TVET” means technical and vocational education and training, with “formal TVET” provided as part of the school system at the secondary and post-secondary levels, and “nonformal TVET” provided as organized training outside the formal school system. “Informal training” means the acquisition of skills through unorganized means, such as learning on the job or from a parent. In Sri Lanka, TVET is not a separate stream in secondary education. TVET programs comprised just 2.4% of total secondary enrollment in Bangladesh and 0.7% in Nepal—much lower than prevailing rates in other more advanced countries in Asia, which range from about 6% in Malaysia and Viet Nam to 16% in Thailand and 19% in the People’s Republic of China. Formal TVET tends to be lengthy (2–4 years per level) with relatively high educational entrance requirements, typically completion of 8–10 years of basic education.<sup>10</sup>

Private institutions and their enrollments are significant. In Bangladesh, private for-profit and nonprofit providers make up about 95% of total formal TVET institutions and accommodate about three-fourths of total enrollments.<sup>11</sup> In Nepal, private training provision has grown substantially: the number of accredited private institutions grew from three in 1991 to 110 in 2000, and stood at more than 450 in 2014. By the end of 2010, the number of registered TVET providers in Sri Lanka totaled 2,077, which comprised some 291 government institutions, 648 statutory institutions, and 1,138 nongovernment providers. Thus, nonstate providers accounted for about 55% of institutions. Unofficial estimates, however, indicate the number of nonstate providers to be in excess of 2,000 institutes, which implies caution when interpreting the total student enrollment since an additional 80,000 individuals could be enrolled in TVET each year. Hence, there should be caution in interpreting the total student enrollment.<sup>12</sup>

Table 6 highlights this difference in the ratio of public to private provision, and the difference between the types of private provision in the three countries.

<sup>8</sup> Computed based on data from United Nations, Department of Economic and Social Affairs, Population Division (2017). *World Population Prospects: The 2017 Revision, DVD Edition*. (<https://esa.un.org/unpd/wpp/Download/Standard/Population/>).

<sup>9</sup> Based on Table 1, page 2 of Policy Paper 32 / Fact sheet 44 (Reducing global poverty through universal primary and secondary education) June 2017. UNESCO Institute of Statistics (<http://uis.unesco.org/sites/default/files/documents/reducing-global-poverty-through-universal-primary-secondary-education.pdf>).

<sup>10</sup> Footnote 5 (ADB. 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.)

<sup>11</sup> D. Dohmen. 2009. *Financing of Technical and Vocational Education and Training (TVET) in Bangladesh*. Dhaka: International Labour Organization.

<sup>12</sup> ADB. 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.

**Table 6: Numbers of Technical and Vocational Education and Training Institutions, Enrollment, and Market Share in Bangladesh, Nepal, and Sri Lanka**

Country	Year	Total TVET Institutions	Total TVET Enrollment	Type of Provider		
				Public	Private Nonprofit	Private for Profit
Bangladesh	2011	3,248	387,554		21	69
Nepal	2009	981	83,770		12	88
Sri Lanka	2009	672	123,869	64		36

TVET = technical and vocational education and training.

Source: ADB. 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.

## b. Higher Education

Countries across the region have experienced explosive growth in undergraduate enrollment. To accommodate this increase, higher education systems have expanded as countries have built more universities and hired more instructional staff. While extending access, this expansion has put new financial pressure on many governments. In responding to these financial pressures, governments have sought ways to lower the cost of instruction in public universities and shift more of the cost of higher education to students and their families. Among other things, this has led many governments to allow and encourage the growth of private higher education.

Overall enrollment growth for higher education has generally been high for South Asia, averaging 14% a year between 2000 and 2008. At the country level, yearly enrollment growth has ranged from 6% in Bangladesh to 11% in Nepal. Despite this expansion, access remains relatively limited. The average gross enrollment ratio (GER) for higher education is just 12% in South Asia, in the same range as Nepal (10%) and Bangladesh (14%).<sup>13</sup>

The dynamics of enrollment expansion has been different in the three focus countries. In Bangladesh, private higher education has played a leading role. It expanded at roughly 28% annually between 2001 and 2009, compared with public higher education growth of just over 2% a year. In Nepal, enrollment growth has been steadily increasing by a robust average of 12% yearly since 2001, whereas, in Sri Lanka, enrollment increases have averaged a very reasonable 4.7% per year since 2000. This demand pressure is highlighted when a comparison is made between the prevailing GERs for upper secondary education (i.e., the impending candidates for university admission) and higher education. In South Asia, the ratio between the two is more than 3:1. Pressures appear particularly strong in Bangladesh (more than 4:1) and Nepal (almost 6:1) and, not surprisingly, in 2011, private providers in Bangladesh were estimated to enroll 45% of the total tertiary student catchment, while those in Nepal were estimated to enroll 62%.<sup>14</sup>

<sup>13</sup> Footnote 5. (ADB. 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.)

<sup>14</sup> ADB. 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.

Private higher education, a comparatively recent phenomenon, is growing rapidly and now accounts for 28% of enrollments in South Asia and 35% in East Asia.<sup>15</sup> Table 7 highlights how institutional differentiation appears to vary considerably, as indicated by the enrollment shares found in nonuniversity higher education (i.e., International Standard Classification of Education [ISCED] level 5B), which is often more technical in substance and more applied in orientation. In contrast, Nepal possesses relatively few post-secondary technical training institutions, and Bangladesh enrolls less than 5% of higher education students (ISCED 5B) in institutions of this type.

**Table 7: Institutional Differentiation in Higher Education: Bangladesh, Nepal, and Sri Lanka**

Country	Public Universities	Private Universities	Public Colleges	Private Colleges	Polytechnic/ Technical Colleges	Cross-Border Universities	Discipline-Specific Universities	Open University
Bangladesh	33	56	153	1,941	628	4	1	1
Nepal	7	1	296	515	316	0	1	0
Sri Lanka	15	0	–	–	18	26	1	1

– = data not available.

Source: ADB. 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.

The increase in undergraduate enrollment in public and private higher education institutions has led to an enormous demand for additional instructional staff. It has also created a demand for upgrading the training of existing instructors, in cases where underqualified personnel had been hired in a quick response to fast-growing enrollment. To meet this demand for additional and better-prepared instructional staff, countries are being pressured to provide graduate education. Postgraduate education seems less well-developed in South Asia than elsewhere, and this may impose a significant constraint on efforts to maintain or upgrade academic staff qualifications in the midst of enrollment expansion. Notably, around the world, the inability to generate sufficient numbers of qualified academic staff has been the single biggest constraint to safeguarding educational quality during periods of rapid growth.

Despite the recent massification of higher education in Asia, students from lower-income groups are still less likely to enter and complete higher education, and these income disparities appear even before the university admission process, with less than 20% of the children from the lowest-income quintile in Bangladesh enrolling in grade 9, while close to 100% from the top income quintile do so.<sup>16</sup> Public mechanisms for redressing this imbalance, such as need-based scholarships and student loan programs, are required to break this cycle.

<sup>15</sup> Footnote 12. (ADB. 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.)

<sup>16</sup> World Bank. 2008. *Whispers to Voices: Gender and Social Transformation in Bangladesh*. *Bangladesh Development Series*. Dhaka (pp. 43–51).

Women's access to higher education in South Asia has improved with a regional female participation rate of 41%, but these achievements started from a lower base and proceeded at a slow rate. Within the region, Bangladesh, Nepal, and Sri Lanka all recorded impressive gender gains, but only Sri Lanka's female enrollment, at 57%, can be considered on a par with that of East Asia. Female enrollment rates in Bangladesh still rate alongside Pakistan at a little above one-third. This gender inequity is generally attributed to cultural and religious values, especially in rural areas, which favor boys over girls when it comes to supporting their education. Unsurprisingly, girls born in poor households and living in rural communities are least likely to be enrolled in school.<sup>17</sup>

A growing number of studies are consistent in suggesting that private schools and colleges are, on average, more internally efficient than their public counterparts. They are more cost-efficient on average and also more technically efficient, producing higher achievement levels (after controlling student intake) and making more efficient use of inputs; for example, larger class sizes and lower teacher absenteeism.<sup>18</sup> Given such findings, is it not, therefore, sensible to utilize the advantages of private provision in the quest for access to a quality education and training for all and to place greater emphasis on the notion of competition based upon choice?

There is, however, a number of counterclaims, including the ability of private providers to be economically viable especially in areas with low population density; the ability of the poorest quintile to afford any form of private education, particularly for those households with large families; and the evidence of gender bias toward boys for selection to the private option. In summary, much of the available evidence on private provision looks at issues such as cost, relative student performance, or efficiency. Much less has been written on how the dynamics between state and nonstate education and training might impact within and across education systems.<sup>19</sup>

## 2. Resources for Education

It is not a simple task to define or measure what "quality" is in education and training. The simplest answer is to conclude that, if there is an efficient good provision of quality inputs such as qualified teachers and the delivery of a minimum set of service standards, then there will be a high-quality output (i.e., graduates and research). In recent years, however, new thinking has been highlighting how the mere provision of quality inputs does not necessarily assure quality outputs.

### a. Expenditure on Education

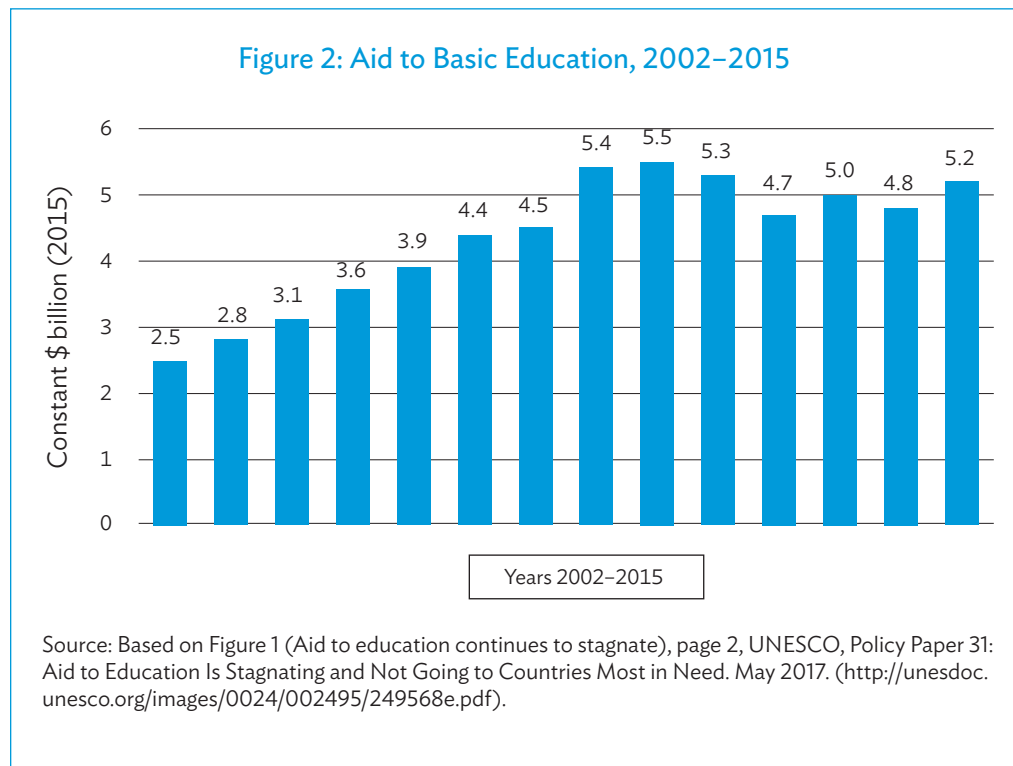
Since 2000, low- and lower middle-income countries have increased spending on education. However, even if such a trend continued, it is still estimated that these countries

<sup>17</sup> M. Aslam, G. Kingdon, and M. Söderbom. 2008. Is Female Education a Pathway to Gender Equality in the Labor Market? Some Evidence from Pakistan. In M. Tembon and L. Fort, eds. *Girls' Education in the 21st Century: Gender Equality*. Washington, DC: World Bank.

<sup>18</sup> R. French and G. Kingdon. 2010. The Relative Effectiveness of Private and Government Schools in Rural India: Evidence from ASER data. p. 6.

<sup>19</sup> C. Bangay and M. Latham. 2013. Are We Asking the Right Questions? Moving beyond the State vs. Non-State Providers Debate: Reflections and a Case Study from India. *International Journal of Educational Development*. 33(3): 244–252. May.

will be facing an annual financing gap of around \$39 billion in 2015–2030.<sup>20</sup> Figure 2 shows the aid to basic education for the period 2002–2015.



There is a growing opinion that, after 2015, financing targets should be set for countries to allocate at least 6% of gross national product on education (only 41 countries had reached this level by 2011) and at least 20% of their budget on education (only 25 had reached this level by 2011). Table 8 shows the percentages of GDP that the selected Asian governments are placing on providing funding to improve the quality of education. Yet it is difficult to assess robustly whether this expenditure has translated into more effective, efficient, and inclusive education systems.

Public spending on education in the five focus countries currently averages about 3.6% of GDP—one of the lowest levels in any region. A large share of this very limited spending is earmarked for teachers' salaries, leaving few resources for learning materials or other expenditures. Similar data for other Asian countries can be used to put this public financing effort into perspective. Of the 11 Asian countries for which data are available, five devote at least 4.0% of national income to financing education. Nepal aligns well with this group; in fact, in 2010, it boosted its education spending to 4.5% of GDP. This compares with the more modest South Asia regional average of 2.9%, where Bangladesh and Sri Lanka find themselves below this mean. In East Asia (developing countries only), the average is 4.1% of GDP. Five of these countries also invest 0.5% or more of GDP in higher education, as does

<sup>20</sup> UNESCO, Policy Paper 31: Aid to Education Is Stagnating and Not Going to Countries Most in Need. May 2017. (<http://unesdoc.unesco.org/images/0024/002495/249568e.pdf>).

Table 8: Resources for Education in South Asian Countries, 2014

Country	Public Expenditure on Education		Distribution of Public Expenditure on Education, per Level (%)			
	As % of Gross Domestic Product	As % of Total Government Expenditure	Preprimary	Primary	Secondary	Tertiary
Bangladesh	1.96 (2013)	13.82 (2013)	n/a	44.60 (2012)	39.10 (2012)	14.73 (2012)
Bhutan	5.92	17.03	n/a	31.96	55.68	10.33
Maldives	4.15	10.14	11.85	39.78	23.89	12.85
Nepal	3.98	18.28	2.06	53.47	33.05	11.41
Sri Lanka	1.93	10.78	n	28.67	47.11	20.17

n = magnitude nil or negligible, n/a = not applicable.

Source: UNESCO Institute for Statistics, Education Finance (<http://uis.unesco.org/en/topic/education-finance>).

Nepal. By spending only 0.3% of GDP on higher education, Bangladesh and Sri Lanka are at the low end of the Asian spectrum.<sup>21</sup>

In post-basic education, estimates vary about the proportion of government or Ministry of Education (MOE) spending on TVET. But, in all cases, little is spent on TVET as a percentage of MOE budgets or of total government spending. Best estimates include the following:

- (i) In Bangladesh, about one-third of the more than 3,000 affiliated private training institutions receive “monthly payment orders” covering 100% of basic salaries of teacher. TVET gets about 1.7% of the MOE budget. Adding Bureau of Manpower, Employment and Training and subsidies to private providers, it is estimated that TVET accounts for a total of about 2.6% of the education budget.<sup>22</sup>
- (ii) In Nepal, although the education budget takes up about 16%–17% of total government spending, the TVET budget represented just 0.8%–1.4% of the MOE budget, and less than 0.2% of the national budget.<sup>23</sup>
- (iii) Sri Lanka spends proportionately more on TVET than Bangladesh and Nepal. Public expenditure on TVET by the supervising ministry has been around SLRs2,204 million (\$53 million) per year. Still, TVET expenditures amounted to only 0.4% of total government spending in 2011 and about 14% of total spending on education and training, up from 11% in 2009.<sup>24</sup>

<sup>21</sup> UNESCO Institute for Statistics. 2012. <http://www.uis.unesco.org> (accessed 20 June 2014).

<sup>22</sup> Footnote 9 (D. Dohmen. 2009. *Financing of Technical and Vocational Education and Training (TVET) in Bangladesh*. Dhaka: International Labour Organization.)

<sup>23</sup> In fact, both Bangladesh and Sri Lanka spend over twice as much on skills development as does Nepal.

<sup>24</sup> ADB. 2015c. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.

Quality, access, and competitiveness in higher education are also intimately linked to the financial resources available and the financing strategies pursued. Table 9 shows how East Asia makes a greater financial effort on behalf of education than South Asia and how, within the focus countries, there is a considerable difference in budgetary allocations.

**Table 9: Financial Indicators for Higher Education in Selected South Asian Countries**

Country	Higher Education Budget as % of Education Budget	Education Budget as % of Government Budget 2006–2008	Public Education Expenditure as % of GDP	Public Expenditure per Higher Education Student (\$)	Research and Development Expenditure as % of GDP
South Asia	10	15	2.9	–	0.48
Bangladesh	13	14	2.4	300	0.03
Nepal	13	19	3.8	233	–
Sri Lanka	12	8	2.8	993	0.11
East Asia	19	16	3.5	–	1.44

– = data not available, GDP = gross domestic product.

Sources: United Nations Development Programme. *Human Development Report 2010*. New York; and UNESCO. 2009. *Global Education Digest*. Paris.

Determining the appropriate allocation for higher education is more complex since it can indicate both (i) the importance that the government attaches to the development of higher education; and (ii) the extent to which inequality in access to higher education is skewed in favor of advanced education for the elite, at the expense of broadening educational access for the masses. In the end, the question is primarily one of sequencing and allocation. Where the primary gross enrollment ratio is low and the illiteracy rates are high, then it is advisable for the public investments to support the development of basic education in circumstances, but over the longer term, it is also vital to place importance on the tertiary sector since it plays a critical strategic role in enhancing information technology, teacher quality, and driving innovation. Because innovation is so vital in determining national competitiveness in the global knowledge economy, countries must make some investment, even if narrowly and strategically targeted, in strengthening their capacities for research and development.

Expenditure per student is another frequently used indicator of higher education quality based on the assumption that quality is related to the amount of resources spent on each student. However, this is not very accurate since it does not factor in the variation in institutional management efficiencies. There is a level when annual per student expenditures fall below a minimum threshold in which staff salaries and benefits consume the major share of the operating budget, leaving very little for other inputs such as instructional materials, laboratory consumables, and equipment maintenance.

## b. Supply of Staff

Two indicators used for assessing quality are teacher qualifications and pupil–teacher ratio. Table 10 shows this information for primary and secondary education across South Asia and West Asia, other regions in Asia, and the world. While there has been a dramatic increase in the percentage of qualified staff in secondary education, the South Asia and West Asia regions still have the highest pupil–teacher ratios at both levels.

**Table 10: Number of Qualified Teachers and Pupil–Teacher Ratios by Region, Primary and Secondary Education, 1999 and 2012**

Region	Teaching Staff		Pupil–Teacher Ratio	
	2012 ('000)	% Change since 1999	1999	2012
<b>Primary education</b>				
Central Asia	340	4	21	16
East Asia and the Pacific	9,635	4	24	19
South Asia and West Asia	5,470	26	36	35
World	29,091	17	26	24
<b>Secondary education</b>				
Central Asia	838	6	12	12
East Asia and the Pacific	10,029	31	17	16
South Asia and West Asia	6,017	100	32	25
World	32,296	32	18	17

Notes: The indicator on class size is difficult to define and compare as levels become higher since students often attend several different classes depending on the subject area. In the Organisation for Economic Co-operation and Development countries, the average class size corresponding to the grade attended by most of the countries' 15-year-olds is 25 students. For more on class size, [www.oecd.org/edu/skills-beyond-school/48631144.pdf](http://www.oecd.org/edu/skills-beyond-school/48631144.pdf).

Source: UNESCO. 2015. Education for All Global Monitoring Report, *Education for All 2000-2015: Achievements and Challenges*. Paris. (Table 0.6: Key indicators for goal 6, page 18)

In 2009, one-third of academic staff in Bangladesh held doctorate degrees. In Nepal, an estimated 12% of lecturers hold a doctorate. Sri Lanka finds itself in a better position, with 40% of academic staff having doctorate degrees, but still one out of every four lecturers has only an undergraduate qualification. Development of academic staff faces three constraints: a low standard in the level for the local postgraduate program offerings, overseas programs that are extremely expensive, and the possibility of a brain drain given the existence of attractive international employment possibilities.<sup>25</sup>

One specific PPP higher education strategy could be for local universities to establish partnerships with overseas universities. Twinning programs have been around for a while now, with Malaysia in particular being a popular destination for students wanting to get an international degree at a modest price. Private universities and colleges in Malaysia

<sup>25</sup> Footnote 12 (ADB. 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.)



collaborate with leading universities in Australia, New Zealand, the United Kingdom, and the United States to offer students 2-year courses in Malaysia, and then require students to travel abroad to complete the final year and earn the overseas partner university's degree qualification.

### 3. Efficiency and Effectiveness

#### a. Efficiency in Basic Education

Across South Asia and West Asia, about 9.1 million pupils in primary school repeated a grade in 2009. The situation is improving slightly. Between 2000 and 2010, the regional percentage of repeaters remained the same at about 5%, even though the number of students enrolled in primary education rose considerably. This modest progress is largely the result of improvements in three South Asian countries: Nepal, which reduced its repetition rate from 26% to 12% (between 1999 and 2009); Bhutan, where the rate fell from 14% to 6%; and India, where a slight drop in the rate (from 4.3% to 3.5%) led to a significant reduction in the absolute number of pupils repeating a grade.<sup>26</sup> Table 11 shows the primary cycle intake and completion rates by different years.

**Table 11: Grade 1 Intake and Primary Cycle Completion Rates by Year, 2010–2012**

Country	Gross Intake Ratio in First Grade of Primary (% of relevant age group)			Persistence to Last Grade of Primary (% of cohort)		
	Year	Female	Male	Year	Female	Male
Bangladesh	–	–	–	2009	71	62
Bhutan	2012	87	90	2011	99	91
Maldives	2011	100	105	–	–	–
Sri Lanka	2011	93	94	2011	95	100
India	2010	120	121	–	–	–
Pakistan	2011	102	120	2010	51	53

Notes: Gross intake ratio in the first grade of primary education is the number of new entrants in the first grade of primary education regardless of age, expressed as a percentage of the population of the official primary entrance age. Persistence to last grade of primary is survival rate to last grade of primary. The estimate is calculated on the basis of the reconstructed cohort method, which uses data on enrollment and repeaters for 2 consecutive years. Female is the share of female children enrolled in the first grade of primary school who eventually reach the last grade of primary.

Source: UNESCO Institute for Statistics. 2012. <http://www.uis.unesco.org> (accessed 17 July 2014).

As the rates of primary school enrollment have risen over the past decade in the region, growth in the age of the primary school population has considerably slowed. This deceleration provides a dual opportunity to improve equity of access for all to basic education and increase the completion rates. There is still a large difference between regions in the number of years spent by children in basic education and a vast divide in learning achievement: 96% of children stay in school until grade 4 and achieve the

<sup>26</sup> UNESCO. 2012. *Education for All Global Monitoring Report*. Paris.

minimum reading standards in North America and Western Europe compared with only one-third of their counterparts in South Asia and West Asia and two-fifths in Sub-Saharan Africa. In 21 out of the 85 countries with full data, less than half of children are learning the basics. Of these, 17 are in Sub-Saharan Africa. If children fail to learn the basics while in school, this increases their dropout risk and means that disadvantages will remain and even become larger over time.

### b. Efficiency in Post-basic Education

There is a number of efficiency issues that apply in the central administration and in the management of training delivery. In Nepal, the Council for Technical Education and Vocational Training (CTEVT) suffers from a lack of authority and the ability to coordinate the fragmented public provision across diverse government departments. In Sri Lanka, the Tertiary and Vocational Education Commission (TVEC) is working to effectively integrate the four main government providers, and thus avoid duplication at the provincial level. In Bangladesh, national coordination of skills development has started, and further work is under way to develop action plans to implement the National Skills Policy approved in 2012. There is a number of commonalities across the three countries: quality assurance of private provision occurs more as an exception than the rule; at the level of public training institutions, there is insufficient delegation of authority to institutional boards or managers; and, finally, there is a failure to systematically collect information on either public or private TVET or to conduct research to identify issues except where this research has been externally instigated and/or financed.<sup>27</sup> However, all three countries have recently approved national policies on skills development, and are at a stage of enhancing coordination and catalyzing the private sector.

### c. Effectiveness

Assessing effectiveness in an education system requires addressing a number of questions such as: How well is it preparing young people for the changing demands of the labor market? Does the system provide young people with sufficient opportunities to learn relevant skills? More broadly, is the system flexible and responsive to individual, social, and economic needs? Levels of literacy, let alone ability to join the job market, are still incredibly low across the lower-income countries and even middle-income countries. The poor quality of education is leaving a legacy of illiteracy. Around 175 million young people in low- and lower middle-income countries cannot read all or part of a sentence.<sup>28</sup>

**Enrollment rates.** Better quality and relevance in education is required to drive knowledge-based economies and to meet labor market pressures. Critical benchmarks for determining "readiness" include such indicators as adult literacy rate, secondary and tertiary education enrollment rates, and the quality of mathematics and science education. Private benefits also accrue, given the correlation between better and more education with an improvement in an individual's opportunity for employment.<sup>29</sup> Unfortunately, it is precisely at this level that some of the South Asian countries are struggling, as shown in Table 12.

<sup>27</sup> Footnote 5 (ADB. 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila: Asian Development Bank.) See Chapter 6, pp. 30–34 for more in-depth discussion on staffing.

<sup>28</sup> Footnote 6 (UNESCO. 2013b. *Education for All Global Monitoring Report*. Paris.)

<sup>29</sup> A South Asia survey shows that groups that have attained education levels beyond primary education find employment much faster. M. Riboud, Y. Savchenko, and H. Tan. 2007. *The Knowledge Economy and Education and Training in South Asia*. Washington, DC: World Bank.

**Table 12: Secondary and Tertiary Enrollment Rates in Selected South Asian Countries, 2011 (%)**

Country	Secondary	Tertiary
Bangladesh	54	14
Bhutan	74	9
Maldives	64	–
Nepal	66	14
Sri Lanka	102	14
South Asia and West Asia average	60	18

– = data not available.

Source: World Bank. 2012. <http://datatopics.worldbank.org/Education/wDataQuery/QFull.aspx> (accessed 15 January 2014).

This problem of low post-primary enrollment is not necessarily purely attributable to the lack of funds. It is also due to the inefficiency of the education systems, which are selective rather than inclusive in terms of their provision of learning opportunities at the post-primary levels, have separate tracking for general and technical education, and lack alternative remedial and “second chance” opportunities.

**Employment rates.** The youth unemployment rate runs from a high of over 20% in Sri Lanka and Maldives to 13.0% in Bangladesh, and less than 10% in Bhutan and Nepal. However, the informal sector accounts for 90% of the labor force in Nepal and 80% in Bangladesh, including two-thirds of nonfarm employment, whereas in Sri Lanka the informal economy makes up slightly more than 60% of employment, including half of nonagricultural employment. In Bangladesh, Nepal, and Sri Lanka, this challenge of job generation domestically is offset partly by a focus of remittances from a large overseas employment market.<sup>30</sup>

Regarding the education systems’ effectiveness in preparing students to enter the labor force—for example, the 1.5 million–2.0 million new labor entrants annually in Bangladesh and 450,000 entrants in Nepal—Table 13 compares 2011 labor participation and unemployment rates for the South Asian country case studies, along with similar rates for India and Pakistan.

**Supply and demand.** A third measure of effectiveness is found in the system’s ability to match the supply and demand for skills. There is often a mismatch between the demand for high-level skills and the oversupply of low-level skills.<sup>31</sup> Table 14 summarizes the findings from a 2013 McKinsey report, *Education to Employment: Designing a System That Works*, which outlined the three factors that can assist in enabling the creation of successful education-to-employment systems.

<sup>30</sup> United Nations Development Programme. 2009. *Human Development Report*. New York.

<sup>31</sup> McKinsey estimated that, globally, there were 75 million youth (ages 15–24) unable to find a job, yet 34% of the employers were reporting difficulty in finding talent. McKinsey Center for Government. 2013. *Education to Employment: Designing a System that Works*. New York.

**Table 13: Labor Participation Rates in Selected South Asian Countries by Gender, 2016**

Country	Labor Participation Rate <sup>a</sup> (% of population aged 15+)	
	Female	Male
Bangladesh	43	81
Bhutan	59	73
Maldives	58	79
Nepal	80	87
Sri Lanka	30	75
India	27	79
Pakistan	25	82

<sup>a</sup> Labor force participation rate is the proportion of the population aged 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period.

Source: World Bank Data- Labor Force Participation Rate (<http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>).

**Table 14: Factors to Support the Creation of Successful Education-to-Employment Systems**

Success Factors	Components
Employers and education providers actively stepping into each others' worlds	Employers pre-hiring before enrollment or providers with off-take agreements Co-developing curricula to ensure industry relevance Providers bring the workplace to the classroom through apprenticeships and simulations Regular feedback from industry on graduates
Innovation in delivery of education and training	Digital test preparation with preloaded tablets Tech-enabled remote teaching centers Tech-enabled instruments to support community participation
Designing a system that works	Better data collection and dissemination (to educate stakeholders, build transparency, and manage performance) More sector-wide collaborations (to build industry consensus and share costs of improving education) Creation of an education-to-employment "system integrator" (that coordinates, catalyzes, and monitors activity)

Source: McKinsey Center for Government. 2013. *Education to Employment: Designing a System That Works*. New York.



## II. PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION AND TRAINING

Public-private partnerships (PPPs) in education have been receiving widespread attention in recent years. Ever-increasing and competing demands on the state's constrained resource environment and an increasing differentiation of demands upon the provision of educational services are together combining to put greater pressure on the need for the private sector to share a greater role in the financing and/or the provision of education. Historically, private participation in education is not a new phenomenon since the private sector has been catering to the education needs in many developing countries often emerging spontaneously and in discrete pockets in response to excess demand. Partnerships that pull together the public sector, business, and civil society are increasingly viewed as an effective mechanism to increase enrollment, improve efficiency, and enhance education and training outcomes from early childhood through to higher education. Governments are increasingly contracting private organizations to provide support services or offer demand-side financing (e.g., through voucher programs) to enable greater choice by parents and students.

This education and training market is characterized by a diversity of providers, including for-profit institutions (that operate as enterprises), nonprofit entities run by nongovernment organizations (NGOs), publicly funded institutions operated by private boards, and community-owned institutions. Even with the expansion of PPPs, as well as the increased attention they have received recently, difficulty remains in reaching agreement about what constitutes a PPP because, while they can be defined narrowly to include only formal arrangements such as sophisticated infrastructural initiatives, they can also be defined more broadly to include all manner of partnership between the public and private sectors.

The rationale for embarking on the PPP rather than using the traditional procurement approach is based on the following elements: PPPs provide access to additional capital, and they are deemed to provide better management and implementation through a greater focus on accountability and concern for the quality of provision. By providing more added value and through allocating risks more efficiently, PPPs are thus presumed to be improving the identification of needs and the optimal use of resources over the whole life of a project. PPPs share a number of characteristics, including that they (i) are formal in nature, (ii) involve the development of a long-term relationship between partners, (iii) are outcome-focused, (iv) include an element of risk-sharing among partners, and (v) can involve both the voluntary and commercial sectors as private sector partners. In all PPPs, the public sector's role is threefold: to define the scope of the business, specify the proposed results and targets, and set the performance framework under which the PPP is expected to be delivered. While the essential private sector's role and responsibility is to deliver the business objectives of the PPP on terms offering "value for money" to the public sector.

## A. Trends in Private Participation in Education

Private education providers exhibit a significant variation in quality in developing countries. The basic education market comprises a continuum of providers ranging from fully fledged for-profit schools to religious schools to nonprofit schools that are run by NGOs to publicly funded schools that are operated by private boards to community-owned schools. Much of the recent growth in this private provision of basic education in developing countries has emerged to serve poor populations in schools that are often established in non-purpose buildings and which suffer from a paucity of qualified teachers and teaching and learning resources. A similar situation exists in the post-basic education space where, in some countries, there is a core of private universities that are of regional or world standard, while many others are of lesser quality with poorly qualified teaching staff. Only a few of these private higher education institutions have the financial resources to be research-intensive and knowledge-producing institutions.

Globally, enrollment in private institutions has grown to embrace both high-income and low-income families. Between 1991 and 2004, enrollment in private primary schools worldwide grew by 58%, compared with only 10% growth in public primary schools. Approximately 113 million students were enrolled in nongovernment schools in 2009, 51 million of whom were studying at the secondary level.<sup>32</sup> Table 15 shows numbers and percentages of enrollment in private primary and secondary education institutions in 2012 for various UNESCO regions.

**Table 15: Private Enrollment Numbers and Market Share by Region, 2012**

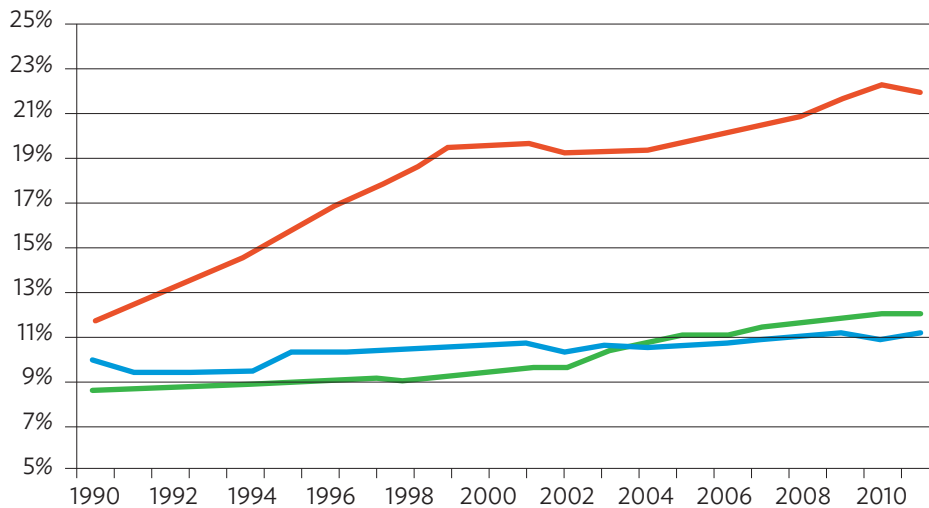
Region	Primary		Secondary	
	Enrollment in Private Institutions	Private Enrollment (% share of total enrollment)	Enrollment in Private Institutions	Private Enrollment (% share of total enrollment)
World	89,670,237	12.7	123,902,872	22.4
Africa	17,465,750	10.3	10,135,520	15.1
Asia	54,465,554	13.5	91,720,101	27.1
Europe	3,137,641	8.4	7,130,577	12.7
North America	5,945,412	11.3	5,484,643	12.0
South America	7,842,571	20.2	8,465,188	20.3
Oceania	813,309	19.3	966,843	27.7

Source: UNESCO Institute of Statistics. <http://www.uis.unesco.org> (accessed 27 January 2015).

Figure 3 shows private enrollment as a percentage of total primary enrollments by country income level. It highlights dramatically how the lower-income countries have seen a considerable expansion in the provision of private education, witnessing just under 10% increase in total enrollments over a decade.

<sup>32</sup> H. Patrinos, F. Barrera-Osorio, and J. Guaqueta. 2009. *The Role and Impact of Public-Private Partnerships in Education*. Washington, DC: World Bank.

**Figure 3: Private Enrollment as a Percentage of Total Primary Enrollments, by Country Income Level, 2010**



Source: L. Lewis and H. Patrinos. 2011. *Framework for Engaging the Private Sector in Education*. Reading, UK: CfBT Education Trust / World Bank.

It is becoming increasingly hard to differentiate between funding and provision across the public and private education sectors as the state provides subsidies to the private sector ranging from payment of costs incurred in curriculum development, inspection, and teacher training to subsidizing the training of the private education sector's workforce. Conversely, in some countries, education institutions—be they school, TVET, or higher education institutions—that are nominally owned and controlled by the government receive substantial nongovernment funds and are subject to nongovernment direction.

## B. Types of Public-Private Partnership Arrangements

There are some essential differences between a conventional procurement contract for education goods and services and a PPP in education contract. The PPP modality entails a long-term contractual arrangement and involves private capital being put at risk and the allocation of transactional risk to the private party as well as payment based on achievement of prescribed performance-based elements. There are different ways of classifying the PPP types. Table 16 shows 18 potential arrangements categorized under four particular types: education service delivery initiatives; infrastructure PPPs; demand-side financing programs; and policy, strategy, and support initiatives.



Table 16: Classifying Types of Education Partnership

Education Service Delivery Initiatives	Infrastructure Public–Private Partnerships	Demand-Side Financing Programs	Policy, Strategy, and Support Initiatives
<ul style="list-style-type: none"> <li>• Private management of public schools</li> <li>• Contracting with private schools for delivery of education services</li> <li>• Contracting with the private sector for delivery of specialist curricula</li> <li>• Tutoring services</li> <li>• Outsourcing of ancillary functions at schools</li> <li>• Public sector affiliation and franchising of program delivery to the private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Private finance initiatives: finance, design, construction, and operation of educational infrastructure</li> <li>• Private leasing of public school</li> <li>• Equipment and maintenance of information technology laboratories and workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Publicly and privately financed voucher or scholarship programs</li> <li>• Payment of subsidies to students at private schools</li> <li>• Tax credits and tax exemptions</li> </ul>	<ul style="list-style-type: none"> <li>• Private involvement in curriculum and program development</li> <li>• Private involvement in policy and strategy development</li> <li>• Private sector quality assurance</li> <li>• Private information, testing, and certification</li> <li>• Private sector standard-setting</li> <li>• Private sector school review</li> </ul>

Source: Authors' representation.

## C. Advantages and Challenges of Public–Private Partnerships in Education

Table 17 provides a summary of the perceived advantages and disadvantages of PPPs based on the focus areas of access, quality, equity, and costing.

Table 17: Arguments for and against Public–Private Partnership

Focus	Arguments in Favor of Partnership	Arguments against Partnership
Access and scale	The public sector cannot keep pace with the demand for education. Philanthropic finances and private financing of infrastructure can bring in more resources. Nonstate actors can also help provide much-needed capacity to deliver education.	<p>The public sector is responsible for providing and financing education. Financing gaps need to be closed by raising domestic tax revenue and international donor finance. This is justified because of externalities.</p> <p>Only the public sector can reach the scale required. For-profit private provision can cause inequities to access, and scale is often difficult in nonurban areas.</p>

*continued on next page*

Table 17 continued

Focus	Arguments in Favor of Partnership	Arguments against Partnership
Quality	<p><b>Competition.</b> The nonstate actors can compete with the state for students. This provides incentives to increase the quality of education.</p> <p><b>Results focus.</b> Contracts with private providers can include measurable outcomes and requirements for the quality of education. This can raise the quality of education.</p>	<p><b>Competition.</b> Poor households do not have enough information to judge the quality of schooling and benefit from competition.</p> <p><b>Results focus.</b> Higher learning outcomes are achieved because the nonstate actors attract more advantaged children. Legal frameworks and accountability mechanisms are too weak to enforce results-based contracts.</p>
Equity	<p><b>Targeted support can guarantee equitable access to nonstate schools.</b> Government can support publicly funded students in nonstate (for-profit) schools (e.g., using vouchers), often at lower per student cost than in the public sector.</p> <p><b>New class of impact investors are focused on social outcomes and reaching lower-income brackets.</b></p>	<p><b>Nonstate schools are too expensive or cannot reach the poor without state subsidy, making them a public responsibility.</b></p> <ul style="list-style-type: none"> <li>- For-profit nonstate actors have no essential interest in delivering education to the poor.</li> <li>- Nonprofit actors cannot deliver services on a national scale without relying on a public subsidy.</li> </ul> <p><b>State subsidy schemes (e.g., vouchers) lead to inequalities even in countries with strong regulation.</b></p> <p><b>Burden on the poor and poor communities.</b></p> <ul style="list-style-type: none"> <li>- Nonsubsidized providers depend on revenue from the community for tuition and other costs.</li> </ul>
Cost-effectiveness and efficiency	<p><b>Flexibility (e.g., in teacher contracting and innovation).</b> Nonstate actors have more autonomy in hiring teachers, organizing schools, and introducing program innovations. Public-private contracts can be created to match the supply of and demand for education.</p> <p><b>Risk-sharing.</b> Engaging nonstate actors can increase risk-sharing between the state and nonstate sector. This can increase efficiency and channel additional resources to education.</p>	<p><b>Effects on the wider education system.</b> Reliance on nonstate schools can undermine the effectiveness of the public education system, residualizing public schools to cater to the poorest and most educationally disadvantaged.</p> <p><b>Perverse incentives.</b> The cost-effectiveness and efficiency of nonstate actors may rest on the inappropriate and unsustainable treatment of teachers, particularly women with few other job opportunities. Cost savings also come at the expense of quality.</p>

Source: Adapted from L. Steer, J. Gillard, E. Gustafsson-Wright, and M. Latham. 2015. *Non-state Actors in Education in Developing Countries*. Center for Universal Education at Brookings (p. 22).

## D. Stages of Public–Private Partnership Maturity

Countries exhibit very different levels of market maturity for employing the PPP approach. These levels of maturity can be referenced across different degrees of policy, operational, and financial sophistication ranging from the ability to develop sector reform policies, assess fiscal risks associated with PPPs, conduct comprehensive value-for-money assessments, and have impartial transaction advisory at hand to make PPP deals bankable and sustainable whether the markets have sufficient liquidity and the potential investors have adequate long-term capital available.

Essentially, a mature market for PPPs is exhibited by an established private sector that can ensure sufficient competition for tenders, specifications, and outputs that make commercial sense, a level of risk that does not limit the private sector's interest in large projects in which the returns may only accrue after some time and where the political economy is stable.

The distribution of risks is the key differentiating characteristic between standard public procurement procedures and the different types of PPPs. The kind of risk-sharing used determines the type of contractual agreement. The type of partnership between a public partner and a private partner depends on the distribution of responsibilities for several kinds of risks (Box 2).

### Box 2: Types of Risks under a Public–Private Partnership

- **Construction risk**, related to the design and the construction phase
- **Performance and availability risk**, related to the (mis)match between the contractual specifications and the final product
- **Residual value risk**, where the market price of an asset at the end of the contractual agreement is lower than expected; for example, the value of a public infrastructure asset when it reverts to the public sector after the end of the concession to a private entity
- **Financial risk**, linked to the interest rate and exchange rate fluctuations
- **Demand risk**, related to the risk that actual use of the asset after completion is lower than expected, with the project perhaps becoming nonviable if service charges are supposed to cover construction and/or maintenance costs
- **Governance risk**, where public authorities are unwilling or unable to adhere to the contractual obligations and stipulated terms and conditions.

Source: World Bank Institute Advisory Toolkit. <http://info.worldbank.org/etools/docs/library/152401/about.htm> (accessed 15 February 2016).

# III. CHALLENGES AND POSSIBLE USE OF PUBLIC-PRIVATE PARTNERSHIPS AS AN INNOVATIVE SOLUTION

Chapter III takes the issues and challenges identified in Chapter I—equity and access, quality and relevance, governance and management, and internal efficiencies and mobilization of resources—and considers how the public-private partnership (PPP) arrangements described in Chapter II can be used to provide possible solutions at different education levels. In addition, some regional and global examples are provided, including the Foundation Assisted Schools managed by the Punjab Education Foundation from Pakistan, the Gyan Shala program in India, the Philippines Education Services Contracting Scheme in the basic education sector, and the centers of excellence in Bangladesh and Sri Lanka for the post-basic education sector.

## A. Challenges and Possible Solutions in Basic Education

### 1. Issues and Challenges in Basic Education

Table 18 summarizes five generic sets of issues and challenges that are prevalent to differing degrees in basic education within the selected countries.

**Table 18: Issues and Challenges in the Basic Education Sector in South Asian Countries**

Type	Details of the Issue or Challenge
Equity and access	<ul style="list-style-type: none"> <li>• Inadequate coverage of ECCE (e.g., only 15% attendance in Bangladesh and 10% in Bhutan)</li> <li>• Inadequate secondary school enrollments (e.g., lower secondary GER of 71% in Bangladesh and 88% in Nepal, dropping to upper secondary GER of 41% in Bangladesh and 47% in Nepal)</li> <li>• Targeting increased provision of ECCE services so that they are more widely available for those in urban areas and for poor households</li> <li>• Enrollment disparities that remain between geographical areas and across the urban-rural divide, evidenced by differences in net primary school attendance</li> </ul>

*continued on next page*

Table 18 *continued*

Type	Details of the Issue or Challenge
Relevance and quality	<ul style="list-style-type: none"> <li>• Shortage of technically qualified teachers and instructors</li> <li>• Low salaries and conditions of service (vacancies and turnover)</li> <li>• Inadequate output from preservice training stressing academics</li> <li>• Lack of opportunities for in-service training to upgrade qualifications</li> <li>• Lack of practical facilities, equipment, and consumables</li> <li>• Funding mainly for salaries; little for equipment and consumables</li> <li>• Examinations emphasize theory over practical skills</li> <li>• Skills not properly taught—ineffective skills acquisition</li> <li>• Lack of capability to deliver effective STEM-related courses</li> <li>• Effective use of information technology to enhance quality and learning</li> </ul>
Governance and management	<ul style="list-style-type: none"> <li>• Ineffective organization and management</li> <li>• Low primary completion rates, some of which are among the lowest in the world due to high dropout and repetition rates</li> <li>• Low proportion of children who can master basic numeric and literacy skills by the time they complete primary education</li> </ul>
Internal efficiency and financing	<ul style="list-style-type: none"> <li>• Inadequate financing for skills and inefficient use of funds</li> <li>• Overreliance on public financing</li> <li>• Low levels of public financing</li> <li>• Excessively long programs delivered in often underutilized facilities</li> <li>• Poor incentives to attract more qualified teachers and teachers in STEM and English</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>• Inadequate funding for non-salary recurrent expenditure and low allocation</li> <li>• Low-cost provision of acceptable quality</li> <li>• Delivery of complementary services</li> </ul>

ECCE = early childhood care and education; GER = gross enrollment rate; STEM = science, technology, engineering, and mathematics.

Source: United Nations Children's Fund. 2014. *State of the World's Children Report*. New York.

## 2. Good Practices: Possible Public–Private Partnership Solutions in Basic Education

The possible solutions to these challenges are illustrated through examples of four types of PPP in education: management initiatives, the purchase of educational services from private providers, voucher programs, and the provision of infrastructure—in which provision, ownership, and funding are allocated across the public and private sectors. Innovative cases are used to illustrate these types. In all these examples, the government is responsible for the funding of the students (through either a voucher or subsidy) and for the regulation and monitoring and evaluation, while the private operator is responsible for the management.

Besides the commonality across these case studies in that they all highlight alternative means of funding by the public sector for provision of services by private operators, three other reasons underpin their selection: (i) they provide examples of PPPs that address equity, quality, and access challenges in the basic education sector; (ii) they show how alternative funding can be provided by a range of private providers, from for-profits in the case of Foundation Assisted Schools in Pakistan and the Education Services Contracting

Scheme in the Philippines, to nongovernment and faith-based organizations in India with Gyan Shala; (iii) they are prevalent across middle- to lower-income countries; and (iv) each has been able to scale up and replicate itself across large and diverse locales.

#### **a. Management Initiatives (Type 1)**

Private management of public education and training institutions. This form is primarily used for addressing quality issues, and is exemplified by public education authorities contracting directly with private providers to operate public education and training institutions or to operate certain aspects of public school operations. Critically though, while these education and training institutions are privately managed, they remain publicly owned and publicly funded. Contract education and training institutions can be run by a variety of bodies, including private firms, neighboring education and training institutions, nongovernment organizations, universities, etc.

These contracted education and training institutions have a number of specific features: they are individual legal entities capable of negotiating contracts; they have the authority to spend public funds; they can hire and fire staff; and they have the legal authority to defend their interests in court against the funding authority. They operate under contracts that contain basic input standards that apply to private education and training institutions, and that contain specifications as to the curriculum, the expected student outcomes, assessment methods for evaluating attainment of these outcomes, the goals of the school, and its program of instruction. Under the agreement, the management company or organization is contracted to meet specific benchmarks in areas such as school attendance, student performance, and community involvement.

The “charter” education and training institutions in the United States are perhaps the best known form of this PPP type. These institutions are funded by public money, but are self-governing and operate outside the traditional system of public school governance under a quasi contract or charter that is issued by a state education authority. Charter schools are unique in that they have the freedom to be more innovative while remaining as public schools that are open to all children for free, have no special entrance requirements, and are being held accountable for advancing student achievement.

#### **b. Purchase of Services from Private Education and Training Institutions (Type 2)**

The second form of PPP involves an arrangement whereby governments pay for “public” students to attend private institutions. This PPP type is most commonly employed to assist a government in addressing constraints to access. There are two common elements that overarch this type, including that (i) the government pays a subsidy for each student enrolled in eligible private secondary education and training institutions usually at a comparable or lower cost to the amount paid for delivery of a similar program in a public institution, (ii) participating providers are operating in areas that are unserved or underserved by government-aided or public institutions, (iii) only institutions charging the same or less than the government’s per student cost can participate, and (iv) participating institutions are chosen by the government. Two case studies—one from Pakistan (Box 3) and one from India (Box 4)—highlight successful examples of this second type of PPP in the basic education sector.

### Box 3: Case Study of the Foundation Assisted Schools Program in Pakistan

The Punjab Education Foundation (PEF) was established in 1991 and was restructured in 2004 into an autonomous and independent institution with the overall objective of promoting quality education for the poor through partnerships with the private sector. It is funded by the Government of the Punjab Province of Pakistan, and a majority of its directors, including the chair, are drawn from the private sector. Since 2004, the PEF has introduced two innovative funding-based private–public partnership (PPP) programs aimed at increasing access to quality education for the poor—the Foundation Assisted Schools (FAS) program, which pays low-fee private schools a monthly subsidy per student enrolled, and the Continuous Professional Development Program, which provides cluster-based training for teachers in these low-fee private schools.

These two programs use a rich data set for monitoring and evaluating their implementation including quarterly assessment tests of partner schools every 6 months for which 66.6% of the students must attain 50% marks (this threshold is raised by the board of directors); schools are ranked and the financial allocation varies on the basis of the quarterly assessment tests results; there is an honorarium for students who score above 90%; and rewards are given to the best-performing schools in districts. The FAS and Continuous Professional Development Program, albeit from a lower-income country, exhibit seven key features of successful funding-based PPPs: (i) combining the strengths of public funding, such as increased access to education, with those of private delivery, such as new skills, increased innovation, and increased efficiency in delivery; (ii) a subsidy-based partnership that recognizes that there is a significant network of potential providers in the private sector that can provide a ready means of expanding enrollments; (iii) a redefinition of the role of the government from that of “funder and provider” to “funder”; (iv) mainstreaming the private sector’s role into the national education policy; (v) a means of overcoming the constraint of families’ inability to pay fees for private provision; (vi) an effective means—in a resource-scarce environment—for harnessing the full range of resources available, including infrastructure, a more flexible operating environment, management skills, and teaching staff; and (vii) a catalyst for improving and monitoring the provision of education in the burgeoning private low-fee schools network.

According to the *State of the World’s Children Report 2015 Statistical Tables*, Pakistan’s 2013 primary net enrollment ratio was 72%, while the gross enrollment ratio was only 49% for lower secondary and 27% for upper secondary.<sup>a</sup> Given the enormity of this challenge, what are some policy and program design and implementation lessons that can be gained from the PEF’s experience under its FAS and Continuous Professional Development programs? Through these two interventions, the PEF has demonstrated five key facts:

- Whereas it is the government’s responsibility both to ensure that all school-going children get free education and to fund it, the government should not necessarily provide the service (i.e., there is a need to separate the financing of the service from its provision).
- Through PPP, better quality education can be provided at a cost significantly less than that incurred by the Government of Punjab to educate a child in the public schooling system.
- Provision of public funding is a viable option for incentivizing private educational institutions that deliver quality education to operate in less-privileged urban, suburban, and remote rural areas.
- Introduction of quality assurance tests that are tied to accessing initial or ongoing funding play a critical role in ensuring that the private providers constantly improve the learning outcomes of their wards.
- Use of performance-based financial incentives, such as the award of cash prizes to the teachers of the best-performing schools, ensure their integrity of performance and enhance quality service delivery.

<sup>a</sup> See more at [www.data.unicef.org/resources/the-state-of-the-world-s-children-report-2015-statistical-tables#sthash.celikiA3.dpuf](http://www.data.unicef.org/resources/the-state-of-the-world-s-children-report-2015-statistical-tables#sthash.celikiA3.dpuf).

<sup>b</sup> F. Barrera-Osorio. 2009. Evaluating Public Per-Student Subsidies Low-Cost Private Schools Regression-Discontinuity Evidence from Pakistan. *World Bank Policy Research Paper*. No. 5638. Washington, DC.

Source: A. Malik. 2010. *Public-Private Partnerships in Education: Lessons Learned from the Punjab Education Foundation*. Manila: Asian Development Bank.

#### Box 4: Case Study of the Gyan Shala Program in India

The Gyan Shala Program was established in fiscal year (FY) 2006 to deliver a replicable and scalable model that can provide good quality basic school education to children from poor rural and urban families that is on a par with what is available to urban upper-income classes.

Gyan Shala centers pursue their vision of low cost and high quality through a number of innovations. First, reflecting the realities of the high-density urban environment in which they operate, there are no conventional school buildings. Rather, Gyan Shala centers operate from available rented space, thus the school program operates from classrooms dispersed across the slums. Employing local staff at going market rates enables operation at a lower cost and a greater proportion of funding devoted to learning inputs. Recognizing the limited formal qualifications of its teachers, Gyan Shala compensates by having a strong “back office” design, teacher development, and management team that supports its teachers with materials and regular “in situ” mentoring. In summary, there are four key features to the Gyan Shala approach to education provision that mirror the recommendations of the “poor to fair” journey of school improvement detailed within a report by McKinsey (2010):<sup>a</sup>

- (i) **Distributed classes model.** A distribution system whereby the design team and the field supervisors ensure that there is standardization of the curriculum across all the centers. They also ensure minimal, uniform standards of performance in a geographically distributed class set that is located close to the homes of the students and their teachers.
- (ii) **Reengineered teacher role.** Education delivery that is built on elements that are highly standardized, broken down into units, and divided into daily lesson plans; these are delivered within the classroom by less-qualified personnel who are supported in an integrated manner by a design and management team.
- (iii) **Continuous curriculum design adaptation.** A design pedagogy in which the design team constantly creates and/or modifies a curriculum that responds to the local context in conformity with state and national curriculum norms. The team incorporates elements of curriculum design from the best-in-class global curricula. The classwork is divided into three subject streams centered on the children’s first language, math, and project work or creative expression, with no module exceeding 20 minutes of class. Children are provided a considerable amount of learning material that includes learning aids for individual and group activities, and a daily worksheet for each stream.
- (iv) **Learning–development culture.** A culture that is structured to support the strategy of using relatively less-educated staff to deliver quality education outcomes through an ongoing support system based on high-caliber, highly qualified staff elsewhere. In the elementary program up to grade 3, the top tier comprises the core team and senior supervisors who hold doctorate or master’s degrees; the second tier comprises the supervisors–cum–senior teachers, who typically hold an undergraduate degree; and the third tier constitutes the class teachers who handle all subject streams, and transact the curriculum in the classes. A majority of class teachers have studied only up to grade 12, though some could be high school graduates and some undergraduates.

There have been three different assessments of learning outcomes from which impact evidence can be drawn. In FY2004, the Massachusetts Institute of Technology and Pratham assessed the achievement of the Gyan Shala grade 3 students compared with control groups of grade 4 Vadodara municipal school students in language and math.<sup>b</sup> The Gyan Shala students outperformed their counterparts across both components by more than 100%. In 2006, the Government of Gujarat asked Gyan Shala to run a pilot program for improving the quality of learning in grades 1–3 in the Ahmedabad Municipal I Government schools.

*continued on next page*



Box 4 continued

Gyan Shala does not currently retain specific details regarding the socioeconomic status of its students. Therefore, any conclusions about this can only be inferred from the location of the Gyan Shala centers in pockets of extreme poverty within urban slums. Gyan Shala has designed its program to accommodate students from the lowest wealth quintiles with regard to the timetable, the location, and the price point in the following ways: (i) A Gyan Shala school day does not exceed 4 hours and is delivered either in the morning or in the afternoon. This is intended to reduce potential opportunity cost while also matching the attention span of small children. (ii) Gyan Shala centers serve high-density slum areas. Close proximity enables young children to come to school unescorted. (iii) Costs are kept low primarily because classrooms are rented single rooms and there are no playgrounds or other amenities. The teachers are also hired from the informal sector at a fifth or a sixth of the salaries of tenured government teachers.<sup>c</sup>

<sup>a</sup> M. Mourshed, C. Chijioko, and M. Barber. 2010. *How the World's Most Improved School Systems Keep Getting Better*. <http://mckinseyonsociety.com/how-the-worlds-most-improved-school-systems-keep-getting-better/#sthash.Hp65Qpxo.dpuf>.

<sup>b</sup> L. Linden. 2004. *Testing of Third Standard Gyan Shayla Students*. <http://gyanshala.org/Reports/PAL-MIT%20Prelim%20Rep%202004.pdf>.

<sup>c</sup> Department for International Development of the United Kingdom. 2013. *Preliminary Study into Low Fee Private Schools and Education*. <http://r4d.dfid.gov.uk/Project/61152/Default.aspx>.

Source: Department for International Development of the United Kingdom. 2013. *Study of the Impact and Potential for Scaling Up the Gyan Shala Model of Low Cost Fee-Paying Schools for Urban Slum Children in India*. London.

### c. Voucher Programs (Type 3)

A voucher is a certificate or entitlement that clients (students or trainees) can use to pay for the education and training at a public or private training institution of their choice. Vouchers are paid by a public entity to the client or directly to the institution on the client's behalf. There are many examples around the world—in both developed and developing countries—of voucher programs that provide funding to students attending either public or private education and training institutions. These programs may have different objectives; for example, improving quality and/or increasing educational access either generally or for specific groups. Voucher programs may also have radically different design features and associated rules and regulations relating to eligibility, fees, school registration, and student admissions.<sup>33</sup> Proponents argue that, under such programs, (i) students are enabled to attend more effective education and training institutions; (ii) the opportunity for choice promotes parental liberty; (iii) if properly designed, they benefit the poor and minorities; and (iv) the competitive threat they pose induces better performance from public providers.

The third case study—that of the Education Service Contracting Scheme—provides an example of a long-running and substantial voucher program from the Philippines (Box 5).

<sup>33</sup> N. LaRocque. 2008. *Public-Private Partnerships in Basic Education: An International Review*. Reading, UK: CfBT Education Trust (p. 19).

### Box 5: Case Study of the Education Service Contracting Scheme in the Philippines

For decades, the Philippines could boast of being one of the most highly educated developing countries. Up to the late 1990s, it had high enrollment rates at all levels of education and had achieved nearly universal access to primary education. Despite these successes, repetition and dropout in basic education are high at about 7%–10%, and a large number of children who enter school do not reach the last grade in the cycle. Filipino second-year high school students perform well below average on international student achievement assessments. Despite a high economic growth rate of about 6%, 30% of the population lives under the national poverty line. Most of the children who do not receive an education are living in poverty and/or hard-to-reach localities. This further contributes to growing inequalities in the country.

The Philippines has one of the largest public–private partnership programs in basic education in the world—the Education Service Contracting (ESC) program. Over the years, the coverage of the ESC program has increased significantly. By school year (SY) 2011–2012, there were nearly 725,000 ESC grantees (an increase of 500,000 students since 1996–1997, and 2,812 private ESC participating schools (compared with 1,113 in SY1996–1997)—equivalent to 39.2% of the estimated 5,110 public high schools and 46.3% of the estimated 4,392 private high schools.<sup>a</sup>

Republic Act 8545 passed in 1998 (amending RA 6728 passed in 1989), otherwise known as the Expanded Government Assistance to Students and Teachers in Private Education Act, shows that the state recognizes the complementary roles of public and private schools. The ESC program was expanded in 1989 under the Expanded Government Assistance to Students and Teachers in Private Education Act, after initial piloting in 1982 under the management of the Fund for Assistance to Private Education (FAPE) managing the program. The ESC aims to improve access to quality basic education at the secondary level through government extension of financial assistance to “poor but deserving” elementary school graduates.

A World Bank study (2010) revealed that the ESC program has evolved over its years of operation into a useful mechanism that enables students to enroll in private schools, with a growing number of beneficiaries, from 210,000 in SY1996–1997 to 477,000 in SY2008–2009, and an average annual increase of 12% between SY2003–2004 and SY2008–2009. Analysis of international student assessment data suggests that private schools have an academic advantage over public schools, and that attending a private school may lead to more opportunities for low achievers than for high achievers.<sup>b</sup>

The ESC program generates considerable cost savings for the government. The public direct per student cost of public secondary schools is estimated at \$185, or \$96.93 million for 5,241,806 students. At the same time, ESC cost per grantee is P5,233 (\$107) per year. Thus, the government can enroll a student in a private school at only 58% of the unit cost of attending a public high school. Also, the ESC program promotes private household investment in education. On average, the families of ESC grantees pay \$88 to cover their share of private school tuition. Estimates show that further cost savings could be realized.

In the Philippine context, service contracting comes in two forms: the Department of Education (DepEd) contracts with selected private schools for the delivery of educational services to “would-have-been” public school students; and DepEd contracts to a private agency (e.g., FAPE) the day-to-day administration of the program. The ESC is a publicly funded program administered by a private agency (FAPE), and it has been cost-effective. Estimates show that it could cost DepEd more than \$2.4 million a year to administer the ESC and the Education Voucher System on its own. In comparison, the cost of continuing to contract FAPE to administer the program is only \$1.27 million. In the second year of high school, in international tests, private schools significantly

*continued on next page*

## Box 5 continued

outperform public schools. Controlling for a series of characteristics does not erase the sizable private school advantage. In math, as measured by the Trends in International Mathematics and Science Study, there is a difference of 39 points (0.39 of a standard deviation), more than a full year of schooling, in favor of private school students. The private school advantage is slightly higher in science, at 46–48 points (almost half of a standard deviation).<sup>c</sup> The current institutional setup of the ESC program is as follows:

- DepEd as principal contracts FAPE as the implementing agency of the program through a memorandum of agreement that is negotiated on an annual basis.
- In return for its services, FAPE receives a fixed administrative services fee of P100 (\$2.30) per grantee plus \$817,996 for managing and conducting training programs for teachers and administrators of ESC-participating schools and \$613,497 for research activities (the values are based on the memorandum of agreement for SY2008/2009).
- FAPE administers the program on the basis of guidelines and procedures for participating schools that DepEd issues in the form of an annual order.
- Private schools participating in the ESC program go through a FAPE certification process, and any participating school found to be below standard in a recertification process is not allocated first-year slots in the next school year, although it is allowed to keep grantees until these students either drop out or graduate.
- Private schools compile billing statements that list the names of all grantees enrolled in the school.

Source: World Bank. 2010. *Private Provision, Public Purpose — A Review of the Philippines Government's Education Service Contracting Program*. Washington, DC.

#### d. Provision of Infrastructure (Type 4)

Infrastructure PPPs can be structured in a variety of ways. Under the most common type of PPP arrangement—build–operate–transfer—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, infrastructure PPPs have a number of characteristics in common: (i) private sector partners invest in school infrastructure and provide related noncore services (for example, building maintenance); (ii) the government retains responsibility for the delivery of core services such as teaching; (iii) arrangements between the government and its private sector partner are governed by long-term contracts (usually 25–30 years) and these contracts specify the services the private sector has to deliver and the standards that must be met; (iv) service contracts are often bundled, with the private sector taking on several functions such as design, building, maintenance, and employment of noncore staff; and (v) payments under contract are contingent upon the private operator delivering services to an agreed performance standard.<sup>34</sup>

The different roles and responsibilities under infrastructure PPPs in which the public sector contributes are summarized in Table 19.

<sup>34</sup> Department of the Parliamentary Library. 2002. *Public Private Partnerships: An Introduction. Research Paper*. No. 1 2002–03, Commonwealth of Australia, Canberra (p i).

Table 19: Examples of Public–Private Partnership Infrastructure Arrangements

Options	Asset Ownership	Operations and Management	Capital Investment	Commercial Risk	Duration (no. of years)
Management contract	Public	Private	Public	Public	3–15
Lease	Public	Private	Public	Shared	8–15
Concession (build–operate–transfer)	Public	Private	Private	Private	25–30
Build–own–operate–transfer	Private	Private	Private	Private	20–30

Source: Authors' representation.

The Government of India has decided to set up 6,000 model schools at the block level, at the rate of one school per block, as benchmarks of excellence (Box 6).

#### Box 6: The Government of India's Model Secondary School Program

Under the public–private partnership arrangement, the school infrastructure will be provided by a private entity that is legally competent to run an educational institution. This private entity could be a trust, a society, or a not-for-profit company. The government will contribute to recurring cost on per capita basis for government-sponsored students. Additional 25% support will also be provided in respect to sponsored students. The government would sponsor 140 students in each class, totaling 980 for the school. If any private partner is unable to get an adequate number of sponsored students in a particular class, the ceiling per class may be relaxed within the overall limit of 980 sponsored students. The school management may also take fee-paying students, provided that the total number of students in the school does not exceed 2,500.

Financial support is provided to each school for every student under government quota on a half-yearly basis. The amount due every year is equivalent to the comparable average recurring cost incurred by Kendriya Vidyalaya Sangathan (KVS) for a student in the corresponding year. The KVS caters to the educational needs of children of the central government, including defense and paramilitary personnel by providing a common program of education. They provide education in collaboration with bodies such as the Central Board of Secondary Education and the National Council of Educational Research and Training. The minister of human resource development is in charge of the KVS scheme. A model school will have infrastructure and facilities at least of the same standard as in a KVS and meet stipulations on pupil–teacher ratio, use of information and communication technology, holistic educational environment, appropriate curriculum, and emphasis on output and outcome. The standards of a model school will be on a par with KVS, and the target for performance in board examinations should be on a par with the average performance of KVS.

Source: <http://kvsangathan.nic.in> (accessed 30 August 2015).

## B. Challenges and Possible Public–Private Partnership Solutions in Post–Basic Education and Training

This section sets out some ways and means to achieve key policy goals in TVET and higher education. When addressing the diverse causes of poor quality and relevance, low rates of access, or diminishing sources of funds, integrated and complementary responses are required since there is no one single issue or challenge that corresponds to a single solution. Thus, to be successful, a reform initiative needs to be proceeding simultaneously on many fronts within a time frame that has specific benchmarks for achievement.

### 1. Issues and Challenges in Post–Basic Education

Table 20 provides a summary of generic issues and challenges in post–basic education. If these five sets of issues are not addressed, there is the risk of a shortage of practical skills for the labor market and for income generation. This, in turn, causes a loss of economic productivity and competitiveness, a lack of productive employment and high youth unemployment, and an insufficient reduction in levels of income poverty.

**Table 20: Issues and Challenges in Post–Basic Education in South Asian Countries**

Issue	Components
Relevance and quality: Lack of economic relevance with insufficient skills produced	<ul style="list-style-type: none"> <li>• Insufficient industry participation in policy, planning, needs identification</li> <li>• Lack of labor market information about demand and trainee employment rates</li> <li>• Rigid supply response—lengthy programs, improper targeting</li> <li>• Inadequate attention to skills development for the informal sector</li> <li>• Insufficient enterprise training, lack of awareness, and inadequate use of incentives</li> <li>• Inadequate use of technology-based materials to demonstrate simulations of actual workplace</li> </ul>
Access and equity: Inequitable access to skills provision	<ul style="list-style-type: none"> <li>• Technical and vocational education and training focuses mainly on male grade 8 passes, and not on adults, out-of-school youth, and the disadvantaged</li> <li>• Relatively low percentage of school graduates have access to technical and vocational education and training and higher education</li> <li>• Females are under-enrolled, and gender bias exists in public provision</li> <li>• Barriers to access for low-income households, e.g., unaffordable fees or minimum grade 8 pass</li> <li>• Few programs to raise skills and income of those in the informal economy</li> </ul>

*continued on next page*

Table 20 *continued*

Issue	Components
Teaching quality: Skills not properly taught—ineffective skills acquisition	<ul style="list-style-type: none"> <li>• Shortage of qualified teachers and instructors</li> <li>• Central personnel management =&gt; long unfilled vacancies; cannot hire locally</li> <li>• Low salaries and conditions of service =&gt; vacancies and turnover</li> <li>• Inadequate output from preservice training stressing academics</li> <li>• Lack of opportunities for in-service training to upgrade qualifications</li> <li>• Predominance of time-based versus competency-based programs</li> <li>• Practical skills not well-taught</li> <li>• Examinations emphasize theory over practical skills</li> <li>• Funding mainly for salaries; little for equipment, consumables</li> <li>• Lack of practical facilities, equipment, and consumables</li> <li>• Inadequate involvement of industry-experienced trainers and limited opportunities for continuous upgrading of practical skills</li> </ul>
Governance and management: Ineffective organization and management	<ul style="list-style-type: none"> <li>• Administrations that are often unwieldy in size, lack authority, and rely on management units that are not integrated</li> <li>• Plans and policies mutually inconsistent and lack costing for feasibility</li> <li>• Lack of authority to act by public institutions</li> <li>• Weak quality screening and monitoring of private providers</li> <li>• Weak information base for research, policy, and monitoring</li> </ul>
Mobilization of resources: Inadequate financing for skills and inefficient use of funds	<ul style="list-style-type: none"> <li>• Overreliance on public financing</li> <li>• Low levels of public financing</li> <li>• Lack of enterprise contributions and income generation at training institutions</li> <li>• Excessively long programs; underuse of some facilities</li> <li>• Inadequate use of budgets to raise performance; funding continues regardless</li> </ul>

Source: Authors' representation.

## 2. Possible Public–Private Partnership Solutions in Post-Basic Education

Each of the issues or challenges in the preceding section is now addressed with a brief discussion of the possible strategies that can be employed, followed by examples of solutions that highlight a PPP arrangement in this response.

### a. Strategies to Raise Relevance and Quality

In the past, post-secondary education and training were primarily delivered through intellectual inquiry and research that was transmitted to the next generation through the teacher–student relationship. Nowadays, rapid technological change and the rapid diffusion of technology are painting a new landscape that is characterized by ubiquity, immediacy, and rapidly declining costs. The new workforce is faced by three new issues: a jobless future where technology substitutes for labor and bricks and mortar; a scenario in which technology complements economic activities – the same job but there is considerable change in the content and skill requirements of the existing job to a situation where there are new jobs or new markets which have never been previously experienced and are as yet unknown. This new skills development landscape now exhibits some of the following critical features:

- (i) The purpose of skills development is to produce trainees or graduates who are able to engage in problem-solving research, and partner with industry and government in productivity-enhancing undertakings.

- (ii) Science and technology are increasingly significant economic assets within a society.
- (iii) Professional retraining and lifelong learning are required as the useful life of knowledge and technology is constantly shrinking.
- (iv) The definition of “student” is expanding to embrace much of the adult population.
- (v) Information and communication technologies are more accessible so that knowledge, in turn, can be secured and delivered anywhere, and would no longer require face-to-face learning.
- (vi) New providers, both private and international, are appearing on the TVET and higher education stages, and are competing to capture these emerging new niche markets.
- (vii) The labor market data has the ability to signal both the immediate and medium-term demand for graduate skills, which is supported, in turn, by the national economic development strategy that is shaping the longer-term requirements for skilled worker and graduate competencies.

**Strengthening economic relevance.** The main objective is to match supply and economic demand, i.e., increase the congruence between the composition of graduates from TVET and higher education systems and the demands of the labor market. Five possible strategies for strengthening economic relevance (external efficiency) are:

- (i) Make higher education and TVET dual instruments for economic development.
  - (a) Explicitly link economic development strategies with the subsector and institutional development plans.
  - (b) Analyze the skill implications of economic trends and investments.
- (ii) Deepen employer involvement.
  - (a) Recognize employer time constraints.
  - (b) Increase the level of private participation in systems of governance.
  - (c) Work through higher education and enterprise associations to establish PPPs.
- (iii) Make training supply more flexible and responsive.
  - (a) Design and deliver short-term programs that are modular in content and are delivered through a continuous and lifelong approach to training.
  - (b) Support private training provision by expanding private service provision at satisfactory levels of quality.
- (iv) Introduce training for the informal sector.
  - (a) Review existing scope and practices of traditional apprenticeship in various economic sectors such as manufacturing.
  - (b) Finance upgrading of skills of master craftspersons.
- (v) Build high-level technical skills needed for higher value-added production.
  - (a) Raise the quality of diploma programs in technical fields.

- (b) Update and raise the qualifications of teaching staff in higher education and TVET institutions.<sup>35</sup>

Building effective relationships between training supply and market demands is absolutely vital. Besides the need to deliver relevant and current information about demands, the nature of the relationship between trainee and employer should also be considered. The employer is required to fully participate in directing and evaluating the training system and to have the ability to be flexible and responsive within the training system. Since the employers know better and sooner what skills are needed in the labor market, it is imperative that they are closely involved and integrated into the provision of direction and evaluation of the training system. Boxes 7 and 8 provide examples from South Asia where countries are strengthening economic relevance (external efficiency) and matching their post-basic education sectors' supply and economic demand by deepening employer involvement through the expansion of enterprise-based training.

While Boxes 7 and 8 provide PPP examples of private provision of training for publicly funded students, Box 9 highlights an innovation in Sri Lanka that is helping to promote quality private provision through the establishment of an accredited association of training providers who are qualified to deliver programs under the National Vocational Qualifications System. Provision of financing enables associations to provide a variety of services such as in-service staff development, dissemination of training programs, and development of a management information system.

#### Box 7: Example of Private Sector Provision of Training in Bangladesh

Three industry associations in the garment and textile sector have established their own training institutions to meet the demand for higher-level technical skills. The Bangladesh Garment Manufacturers and Exporters Association Institute of Fashion Design offers graduate, diploma, and certificate courses in such subjects as apparel merchandising, manufacturing and technology, and fashion design. The Bangladesh Knitwear Manufacturers and Exporters Association provides short courses from 1 month to 6 months in textile merchandising, industrial engineering and lean manufacturing, production planning, knitting and linking, industrial sewing, and quality assurance. The Bangladesh Textile Manufacturers Association runs a center of excellence in textile training—the National Institute of Textile Training, Research and Design. Programs include yarn and fabric manufacturing, dyeing and finishing, garment technology, textile testing and quality control, and computer application in textiles. The target people for the courses are fresh graduates of textile programs, and working professionals in the textile industries such as entry-level supervisors. All these initiatives are self-financed through fees from trainees and contributions by the associations.

Source: Authors' representation.

<sup>35</sup> For more insight on this topic, see Chapter 3 in ADB. 2014. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.



### Box 8: Example of Private Sector Provision of Training in Nepal

The Federation of Nepalese Chambers of Commerce and Industry in 2005 established trade schools in nine districts. The trade schools reportedly train about 600 youth per year. The structure and lessons are:

#### Structure

- A board comprised of 5–7 persons was created in each location, chaired by the local chamber of commerce president, and including the local development officer.
- Token money was provided by the government to establish the trade schools.
- Each school had one or two permanent employees and hired part-time outside trainers.
- The schools were to be self-supporting through fees charged, plus contributions from the local government.

#### Lessons

- A proper ownership structure is needed.
- Continuous dialogue is required with the local government.
- Schools should be located where employment opportunities and industrial activities take place.
- Continuous assessment of industry's training needs is required.
- Sufficient budget is needed to finance capital expenditure or training activity.
- Proliferation of nongovernment organizations providing free training of indifferent quality has reduced the demand for fee-paying, good quality training.
- Success depends on a career-focused manager with expertise in marketing.

Note: This case study is summarized from ADB. 2014. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila (p. 108).

Source: Interview with director general of Federation of Nepalese Chambers of Commerce and Industry, October 2012; Kathmandu.

Although the informal sector accounts for the majority of the labor force, even outside agriculture, there is a tendency for the sector to be overlooked by the training systems. Yet this informal sector produces goods and services in a manner similar to the formal sector and, thus, needs access to training programs and skills improvement. Box 10 presents an example of a successful nongovernment organization that provides accelerated schooling programs to complete grades 1–8 in 4.5 years followed by 1 year of skills training, leading to over 90% job placement.

### Box 9: Example of Private Sector Accreditation of Private Providers in Sri Lanka

The Accredited Training Providers' Association (ATPA) was formed in 2007 under the Companies Act, and has more than 50 members out of a total of more than 1,100 registered private providers, enrolling about 2,500 trainees. ATPA membership requires accreditation by the Tertiary and Vocational Education Commission (TVEC) to offer courses under the national vocational qualifications framework (NVQF). ATPA's purpose, besides representation of common interests to the government, is to help members raise the standards and quality of technical and vocational education and training. The membership falls into two broad categories, as does private provision as a whole: private business operations and community benefit organizations (e.g., nongovernment organizations). The different goals of the two categories dictate course offerings. Private businesses predominantly offer programs in hairdressing and beauty culture, textiles and garments, and information technology. Community-benefit trainers deliver a broader range of programs at NVQF levels 2–4, including trade training in air-conditioning and refrigeration, auto mechanics, carpentry, house wiring, plumbing, and welding. ATPA also intends to establish, maintain, and administer a fund to support the training institutions. The association is sustained through external support, TVEC subsidy, and member fees. TVEC has disbursed SLRs2.7 million to 16 private institutions to enable them to deliver 28 NVQF courses, particularly in construction, automotive, electricity, and electronics. ATPA advocates that benefits enjoyed by government training institutions should be extended to its membership, including concessions on student transport and electricity rates and exemption from value-added tax.

Note: See Appendix 5: Good Practices and Innovations in South Asia (ADB. 2014. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.) for additional details on case studies presented in Boxes 8, 9, and 10.

Sources: P. Brady and R. Perera. TVET Sri Lanka Addressing the Knowledge Age. Draft report. v1.2, January. Unpublished. Colombo. (TA 7746-SRI). p. 43; and interview with the vice-president of Accredited Training Providers' Association ATPA, October 2011.

### Box 10: Example of Private Sector Provision to Support the “Hard-to-Reach” in Bangladesh

The Underprivileged Children's Educational Program (UCEP) is among the leading nongovernment organizations engaged in innovative and quality vocational education and training. UCEP has been directly involved in providing alternative basic education and skills training to underprivileged youth for 4 decades. UCEP targets urban working and distressed children (ages 11 and over) who have little to no opportunity for normal schooling and are working full-time, often in hazardous jobs. The number of technical schools operated by UCEP increased from three in 2002 to 10 in 2010. Enrollment likewise increased from 1,700 to 4,800 (including vocational secondary school certificate) during the same period. This accelerated program allows students to complete grades 1–8 in 4.5 years followed by 1 year of skills training, leading to over 90% job placement.

*continued on next page*

Box 10 *continued*

The main characteristics of UCEP's operations that lead to the success of its model include flexible schooling hours; learning while working; emphasis on practical training (80%); on-the-job training; curriculum review in consultation with employers; trades as per market needs; and linkages with other technical schools, employers, and the community. Skills training lasts from 6 to 12 months in 17 marketable trades. UCEP updates its curricula annually based on feedback from regional employers' committees. It also maintains an employment and field support group: more than 50 staff members maintain linkages with employers and arrange job placement for UCEP graduates. Staff members also conduct regular market surveys to identify the skills or trades that employers need.

Source: Underprivileged Children's Educational Program website. [www.ucepbd.org](http://www.ucepbd.org) (accessed 30 August 2015).

Raising quality. Six key strategies for raising the levels of quality in the post-basic education sector include (i) ensuring that greater proportions of the age group complete basic education; (ii) introducing competency-based training based on occupational standards; (iii) increasing the supply of qualified instructors; (iv) reforming the examination systems so that they not only measure learning achievement, but also provide incentives for improvement; (v) establishing a strong system of quality assessment that forms the basis of quality control; and (vi) developing centers of excellence.

The principal means for achieving higher skill standards and more effective skills acquisition includes higher educational attainment for entering trainees, competency-based training based on occupational standards, expanded supply of qualified instructors, better use of examination systems and regulations, concentration of resources, and use of competitive funds. A minimum critical mass is necessary for quality. This includes adequate supplies of teaching and physical inputs: qualified staff, workshops, equipment, and consumable supplies. Often, the higher education and TVET systems have expanded beyond the financial capabilities of government sponsoring agencies. Resources are spread too thinly for effective skills acquisition. One solution may be to concentrate resources in centers of excellence, as exemplified by the Sri Lanka Institute of Tourism and Hotel Management (Box 11).

#### **b. Strategies to Increase Access and Equity**

- (i) **Expanding access.** Possible strategies to increase access in post-basic education include increasing public funding for TVET and higher education; providing greater flexibility in the system through articulation within and between levels; increasing provision of short, incremental, and modular courses; supporting access to private provision for those able to afford it; and introducing uncapped enrollment-based funding formulas. A major argument in support of PPPs is the assertion that it is more cost-effective and efficient to enroll public trainees or students into private institutions than it is to purchase highly subsidized costs for new places in public institutions. Financing of this arrangement can

### Box 11: Example of a Center of Excellence in Sri Lanka

The Sri Lanka Institute of Tourism and Hotel Management (SLITHM) is the main provider of training in tourism and hotel management in the country. It has a main institution and five other centers. SLITHM has a governing board of five people from the industry. All six centers enroll about 4,000 students yearly in two intakes taught by 40 instructors. Only about 10% of the students are female, largely due to cultural barriers to women working in the restaurant and hospitality sector. The institute provides training on four levels: craft programs of 3 months; certificate programs of 5 months; intermediate courses of 6 months, with 5 years of industry experience required for entry; and diploma level training of 3–4 years. About 45% of the annual budget comes from fees and other income. In line with the type of training, consumables account for about 40% of the budget. Staff members are well-qualified and experienced: the norm is 3 years of industry experience. However, staff retention is a problem: in 2010, seven of 40 staff left for better-paying opportunities. Moreover, staff members need to be kept abreast of the latest technology. Substantial demand for workers is projected in the tourism and hotel sector, well beyond current supply capacity. SLITHM plans to address the supply deficit by enhancing the capacity of the 40 existing private colleges through franchising arrangements. For a fee, SLITHM will inspect a college, provide curricula, and audit the establishment. In return, the private college will be able to market itself as a franchisee of SLITHM.

Note: For further information, see ADB. 2014. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila (p. 115).

Source: P. Brady and R. Perera. TVET: Sri Lanka Addressing the Knowledge Age. Draft Report (v1.2, January). Unpublished. Colombo (TA 7746-SRI).

be supply- or demand-driven. It can be initiated through indirect financing that follows the trainees through loans and grants, and it can be further supported through nonfinancial means by reducing barriers to entry or expansion for private operators. This support, in turn, can range from reducing requirements for registration and certification, removing bureaucratic red tape in changing or expanding programs to offering tax exemptions on equipment and materials.

The Centre of Excellence for Leather Skill Bangladesh, which aims to increase and improve the overall skill level of the workforce of the leather sector, is a good example of a national center of excellence that serves as a one-stop solution center providing all-out technical support for skills development, product design, product development, production, and other services. In addition to its main training center, the Centre of Excellence for Leather Skill Bangladesh collaborates with an increasing number of interested factories to establish subcenters and, thus, increase productivity. This is an industry-led PPP focused on enhancing workplace learning and increasing productivity through improved employee skills. Training is delivered by a not-for-profit organization that focuses on skills development of the workforce, while building its own capacity through international accreditation.

- (ii) **Promoting equity.** Four possible strategies to increase equity in the post-basic education sector are intervening to promote equity at earlier stages, establishing financial aid systems such as needs-based grants, allocating funds directly to students rather than institutions, and raising levels of gender equity through a variety of initiatives. The main equity policy objective involves reducing disparities in student participation and completion rates by income, gender, ethnic group, and place of residence (urban or rural). For many countries though, ensuring equitable access and completion for all remains a huge struggle.

Early interventions to prevent school dropout and the provision of direct financial aid to lower direct costs (through allocation of support through vouchers) are means for addressing overall equity constraints, while specific sources of ethnic or gender equity require initiatives such as preferential admissions, new programs for new occupations, and the preparation of instructors.

Less effective in addressing equity gaps are initiatives that allocate resources to the institutions rather than to the individual. Examples of such mechanisms are negotiated budgets and funding formulas that are based on inputs. One example of direct support for students and their families involves vouchers that are delivered to disadvantaged individuals, who then pay for their expenses in the training institution of their choice. An alternative "performance-based" funding modality to this might be where the government paid additional premiums to training institutions for enrolling and graduating disadvantaged students.

### c. Strategies for Reforming Governance and Management

- (i) **Strengthening integration and coordination.** One of the main challenges in implementing a labor market-oriented post-secondary education and training system involves developing a system of coordinated governance whereby both the central government and decentralized stakeholders have a voice. TVET is arguably the most difficult—and potentially the most expensive—education subsector to govern and manage since this sector exhibits a vast complexity in the number and types of organizational clients and sponsors, diversity in the levels of ability and the requirements from its beneficiaries, multiple forms of delivery, and ever-changing labor market demands. Yet this TVET sector also exhibits similar issues and challenges across different countries in its government structures and management approaches, such as unclear, inappropriate, and duplication of roles across the different administrative tiers; a lack of clarity in the allocation of responsibilities between the different organizations that have supervisory roles; provision of fragmented and uncoordinated training that limits maximum utilization of scarce resources; a paucity of data and research on TVET; and an operational structure in which managers from the systemic to the institutional levels lack the authority and incentives necessary to improve performance. Three possible strategies for improving governance and management are:

First, assist the government to focus primarily on these four priorities:

- (a) fostering partnerships and facilitating the growth and development of nonstate providers; (b) promoting social equity in training markets; (c) filling training gaps where nongovernment providers fail to respond, e.g., reaching the

informal sector or promoting strategic technological skills; and (d) performing functions not ordinarily done by nongovernment bodies, including policy development, standards-setting and examinations, regulation, instructor training, information, and evaluation.

Second, reform government authorities to enable better integration of different providers and promote better coordination over the education and training systems.

And third, devolve greater authority to public training institutions in combination with greater accountability for their results. Allow institutional heads greater authority to recruit trainees, and hire and dismiss staff. Allow institutional heads greater flexibility to reallocate their budgets, carry over unallocated funds, and engage in contracting with outside agencies.

- (ii) **Devolving authority with better accountability.** An interesting example of performance-based disbursement of funding is ADB's approach linking its financing to the government's achievement of annual disbursement-linked indicators, output-level results, implementation steps to policy, and the institutional changes that are deemed essential to meet the project's objectives. The rationale is that the use of disbursement-linked indicators helps move the focus of project interventions from input-level activities to a broader, results-oriented approach. It also helps strengthen the monitoring and evaluation system and the government's capacity in results monitoring and reporting. Two recent projects in South Asia exemplify this approach.

First, under the Education Sector Development Program in Sri Lanka, a results-based lending program is supporting the government in equitably developing its human capital base to meet the objectives of the Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016, the National Human Resources and Employment Policy, and the Sri Lanka Skills Sector Enhancement Program.

Second, the proposed Secondary Education Sector Investment Program in Bangladesh links disbursement to the achievement of key results. This program is supporting advanced teaching and learning programs that use information and communication technology, teacher development, examination reforms, and the provision of gender-equitable and pro-poor stipends for students.

Box 12 outlines some governance and management reforms in the National Skill Development Corporation in India, which is a PPP between the private sector and the Department of Economic Affairs, Ministry of Finance.

#### **d. Strategies to Mobilize Resources for Skills Development and Use Them Efficiently**

There are two means to overcome financial obstacles in skills development efforts:

- (i) by utilizing existing resources more effectively and efficiently through such means as increasing output for the same costs, or achieving the same output for less cost; or  
(ii) through accessing additional funding resources. However, cost-side solutions and more

### Box 12: Example of Public–Private Partnership Governance and Management Reform in India

The National Skill Development Corporation (NSDC) is a not-for-profit organization established in 2009 that has the mandate to fund skill training initiatives by providing viability gap funding to private skill development institutes. It controls the National Skill Development Fund, created with funds sourced from donors, private entities, central and state governments, statutory bodies, and financial institutions, and offers soft loans with a repayment moratorium to private skill development institutes at interest rates of 6%–7%. It provides flexible funding modes—loan, equity, and grant—after receipt of proposals to set up skill institutes. The Asian Development Bank also provides funds and technical assistance to the skill institutes. In addition to providing financial assistance for private skill initiatives, NSDC plans to set up sector skills councils, which will be autonomous bodies registered as Section 25 companies or public companies. Sector skills councils will initially be funded by the government and seek to ensure partnership among different stakeholders to develop skill training capacity for a specific sector. They are employer-led organizations that support and guide initiatives to develop sector-specific skills.

NSDC also plans to set up a labor market information system—an online system that provides qualitative and quantitative information on the labor market. NSDC has flexible criteria for submitting skilling proposals to encourage competition between innovative business models. It uses robust evaluation criteria for such proposals and encourages leverage of existing public and private infrastructure. The main sources of revenue are interest income and dividends. The Prime Minister’s Skill Council works with NSDC to meet skilling objectives by coordinating skill initiatives and identifying core strategies for skill development.

Source: Athena Infonomics India. 2013. *Skill Development in India*. <http://www.athenainfonomics.in/assets/Skill%20Development%20in%20India.pdf>.

efficient use of resources alone are insufficient for addressing what is often the foremost challenge in education and training—the lack of public funds. Given the inability of meeting demands solely through public funds means that the existing funds must be used more efficiently and that additional sources of financing must be found from the nonstate sector. The strategies to mobilize resources for skills development and use them efficiently are:

- (i) **Making more efficient use of existing resources.** Using existing resources more efficiently can be done through diverse means such as establishing a baseline and measuring costs and building the financial management capacity required for institutions to be run on better commercial terms. Public institutions can be concentrated in the fields important for national development, which the private sector cannot or will not provide. In addition, institutions can be merged to realize economies of scale, and class sizes increased whenever they are below regional or international averages. Where they are below workload norms and standards, teaching loads can be increased. Hiring part-time instructors and dropping training in specializations with low popular or economic demand will also ensure efficiency.

- (ii) **Mobilizing additional resources.** Additional resources may be mobilized by building demand-side financing, such as the collection of levies from enterprises, providing financing to implement the recommendations of industry sector councils, and attaching performance conditions to financial transfers.





# IV. ESTABLISHING A FRAMEWORK FOR REFORM USING PUBLIC–PRIVATE PARTNERSHIPS

There are five important aspects for review in the establishment of any public–private partnerships (PPP) framework: (i) sector reform policy options, the level of private participation, and the political economy; (ii) public financial management—fiscal risks and value for money; (iii) access to long-term finance; (iv) enabling environment; and (v) institutional capacity to design, deliver, monitor, and evaluate. In this chapter, these five aspects are reviewed, supported with specific regional examples.

## A. Policy Options, Level of Private Participation, and the Political Economy Sector Reform

Educational reform does not materialize within a void. Reform is buffeted by a multiplicity of factors that are primarily politically driven by interests, incentives, and pressures faced or wielded by different stakeholders. Each of these factors, in turn, influences the different parts of the reform ranging from the policy design to the actual delivery and any monitoring or evaluation of achievement.

Every education and training system gives rise to various kinds of vested interests. From the demand side, the most obvious, albeit disparate and less well-organized, are the interests of the students and their parents. From the supply side—well organized and politically powerful—are the following interested parties: the different tiers of politicians (national, state, provincial, district, and village); administrators and local leaders who not only occupy jobs, but also control the money; and in the greatest number, the teachers who occupy the jobs. Education systems, from the primary level through to higher education and TVET, are significant repositories of patronage, employment, and funds.

The private sector's level of participation in PPPs involving education infrastructure and/or the provision of education services will be dependent on the configuration of the marketplace regarding such critical elements as the rules of entry into the market, the types and levels of competition that are permitted, and notification of relevant price regulations. Private sector investors will, thus, be expecting a clear understanding of where these processes stand before they enter the potential new PPP market. Table 21 provides some of the focus areas and key questions.

**Table 21: Assessing the Scope for Public–Private Partnerships in Education and Training**

Area	Questions	Means of Assessment
Strategy and policy	<ul style="list-style-type: none"> <li>• What does the government want to do—develop and implement a few, select megaprojects on a PPP basis, or promote PPPs as an integral part of the strategy for education service delivery?</li> </ul>	Sector-wide assessment of scope for PPPs
Financial	<ul style="list-style-type: none"> <li>• How is the private sector expected to recover its investments and expenditure?</li> <li>• What is the level of political will and the legislative effort required to take this PPP strategy forward?</li> <li>• What is the likely cost to the exchequer if the government decides to extend support?</li> <li>• What type(s) of support is the government likely to extend to enable PPPs in education?</li> <li>• What would be the criteria and process for extending government support?</li> </ul>	Drafting of relevant policies, legislation, rules, and guidelines
Operational	<ul style="list-style-type: none"> <li>• Does the government have a cross-sectoral PPP facilitation unit?</li> <li>• What are the roles of this unit?</li> <li>• What is the division of responsibilities between the unit and the line ministries and departments?</li> <li>• How is it staffed and sustained?</li> </ul>	Business plan for PPP unit

PPP = public–private partnership.

Source: Authors' representation.

In the case of PPP schemes, examples of inappropriate behavior include nonadherence to goals, noncompliance with conditions of financial grants, application of funds for purposes not supported by the government, and embezzlement or misapplication of funds. The corruption risks that might be assessed under a PPP arrangement include (i) clarity in specification of standards and criteria; (ii) quality of standards and entry thresholds; (iii) implementation or non-implementation of policies and criteria; (iv) level of discretion available to different levels of decision makers, and the need for such discretion; (v) absence or presence of monitoring and financial systems; and (vi) vigor and effectiveness of systems. Table 22 shows how South Asia and Southeast Asia fare on the World Bank's Doing Business survey, where the level of corruption is one of the key indicators measured.

**Table 22: Selected South and Southeast Asian Countries' Rankings on the World Bank's Ease of Doing Business Survey**

Country	GNI per Capita (\$)	Ease of Doing Business Rank	Protecting Investors Rank
<b>South Asia</b>			
Bangladesh	770	129	25
Bhutan	2,070	148	150
India	1,420	132	49
Maldives	6,530	95	82
Nepal	540	108	82
Sri Lanka	2,580	81	49
<b>Southeast Asia</b>			
Indonesia	2,940	129	46
Malaysia	8,420	18	4
Philippines	2,210	136	133
Singapore	42,930	1	2
Thailand	4,420	17	13
Viet Nam	1,260	98	166

GNI = gross national income.

Sources: World Bank. 2011. Ease of Doing Business Index. Washington, DC; and World Bank. 2012. Ease of Doing Business Economy Rankings. [www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings).

## B. Public Financial Management—Fiscal Risks and Value for Money

While PPPs are arguably more common where governments suffer from heavy debt burdens, they do not provide additional fiscal space. Besides the need for sound fiscal management, there is a concomitant need for the government to have the capability required for making an impartial decision through the deployment of a comprehensive value-for-money assessment. Once the decision is taken to adopt the PPP approach, then the government needs to determine what guarantees and availability payments it is prepared to offer to make the PPP engagement an investable proposition for the private sector. While these incentives represent direct and contingent liabilities for the public sector, they can play an important role for the private sector since they make the business case more attractive and lower the level of risk exposure. Box 13 provides an example of the Government of Bangladesh's response to subsidize economically viable PPP projects.

### Box 13: Example of Viability Gap Financing in Bangladesh

“...The Government of Bangladesh has decided to subsidize economically viable PPP Projects that will not be financially viable if they are constrained to charge affordable user tariffs or utility payments...This budget line shall be known as the Viability Gap Financing. Viability Gap Financing in the form of capital grant shall be disbursed during the construction phase of the PPP Project only after the private sector company has subscribed and expended the equity contribution required for the project. The intention of the Viability Gap Financing is to make the commercially nonviable infrastructure projects attractive to private investors through PPP arrangement and to undertake the projects more effectively under the close supervision of the government.”

Source: Government of Bangladesh. 2012. Public Private Partnership Office Guideline. [http://www.pppo.gov.bd/download/ppp\\_office/Guideline-for-PPPTAF-2012-Scheme-for-PPPTAF-2012.pdf](http://www.pppo.gov.bd/download/ppp_office/Guideline-for-PPPTAF-2012-Scheme-for-PPPTAF-2012.pdf).

## C. Access to Long-Term Finance

To crowd in the private sector successfully, long-term finance that is commensurate with the long-term tenure of most PPP arrangements is essential. Access to *local* capital markets can help mitigate the foreign exchange risks for PPPs depending on cash flows denominated in local currencies. PPPs require long-term finance, but domestic funding is often constrained. Developing capital markets for local investors, emerging market investors, and/or general foreign direct investment will, hence, be essential for countries wishing to crowd in the private sector.

The rationale behind the use of enterprise training funds, or enterprise incentive schemes, is to increase the productivity and competitiveness of firms by raising the skills of workers. The objective is to increase the incidence of training within firms. The source of financing is enterprise levies, usually on payroll. The modus operandi varies according to the type of scheme: cost reimbursement, levy-grant, or levy exemption (train or pay). Depending on type, the levies can reward companies that train and/or penalize those that do not. Training levies can be viewed as demand-side financing, since the beneficiaries of training—the enterprises—pay the levy.<sup>36</sup> Box 14 provides an example of the Skills Development Fund in Singapore.

The mechanisms used for transferal of funds are as significant as the amounts transferred. The situation is often prevalent where public funds are transferred and spent without regard for performance with neither good performance being credited with reward nor poor performance incurring any form of penalty. An increasing focus is now on introducing payment based on output or performance. This form of performance-based or output-based financing is particularly difficult to design and implement in the education and training sector since it requires agreement on the establishment of clear and measurable

<sup>36</sup> For a more detailed discussion on this topic, see R. Johanson. 2009. A Review of National Training Funds. *SP Discussion Paper*. No. 922. Washington, DC: World Bank (pp. i–vi).

#### Box 14: Example of a Skills Development Levy System in Singapore

The objectives of the Singapore Skills Development Fund (SDF) go beyond training to influence a company's choice of technology. This levy formed part of a broader government industrial strategy to restructure the economy toward a more capital-intensive system of production. In 2007, the SDF received S\$108 million (\$88.4 million) from the levy and, in 2008, \$99 million. What makes the Singapore system unique is that the levy is imposed only on lower-wage workers earning \$1,637 or less per month. The current levy rate is 1% of the monthly remuneration, or \$1.64, whichever is greater. One distinguishing characteristic of the SDF is the strong role of employers. Seven of 15 members of the Singapore Work Force Development Authority—the agency that controls the SDF—represent employers (including the chair and vice-chair), compared with four for government and three for workers. Training incentives are offered on a cost-sharing basis, and the training must be relevant to the economic development of Singapore. The amount of incentives that a company can obtain is not tied to the levy contribution.

The SDF provides financial incentives for training those in the workforce, those preparing to join the workforce, and those reentering the workforce. In its effort to support company training, the SDF provides grants on the basis of approved training plans through the Total Company Training Plan Scheme. It also promotes special training programs focusing on upgrading workers' skills. This includes the Training Assistance Scheme, which aims at all types of skill upgrading. In addition, the SDF finances training vouchers and assistance for information technology training for small and medium-sized enterprises. It promotes a systematic approach to skills certification through the Skills Certification Plan for training at least a third of a company's workforce in certifiable skills over a 3-year period. In addition, the SDF supports a training leave scheme for older workers and on-the-job training consultancy services for accelerating skills development in the knowledge economy.

Source: R. Johanson. 2009. A Review of National Training Funds. *SP Discussion Paper*. No. 922. Washington, DC: World Bank (p. 29).

indicators of output, and access to valid and reliable information about the indicators that can be collected and analyzed in an efficient and cost-effective manner.

These conditions may have to be developed in South Asian countries. A simple form of performance financing is per student or per capita financing, which gives incentives to increase the number of students enrolled. A more sophisticated system rely on results; training providers are paid based on the number of trainees completing the program, passing standardized examinations, or obtaining employment—or even their level of income. The Nepal Employment Fund demonstrates that performance-based financing can work in a low-income country with external assistance and administration.<sup>37</sup>

<sup>37</sup> For further information, see ADB. 2014. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila (p. 92).

## D. Enabling Environment

Institutional quality and capacity, an adequate legal framework, the rule of law, and the existence of a regulatory framework are proven drivers for PPPs. They create the business opportunities for private sector investors as they (i) determine the quality and speed of the transaction process, (ii) set prices—ultimately deciding upon cost recovery and financial return, and (iii) provide legal certainty on the contractual arrangements and enforcement of the rule of law.<sup>38</sup> The following list summarizes some of the key overarching PPP environment requirements:

- (i) Provide an enabling policy and regulatory environment and a strong legal framework.
- (ii) Split the purchaser and provider roles within the government department.
- (iii) Ensure the capacity of the contracting agency.
- (iv) Employ a transparent and competitive process for the selection of preferred providers.
- (v) Employ a staged process for the selection of preferred providers.
- (vi) Establish appropriate performance measures.
- (vii) Include performance incentives and sanctions for nonperformance in contracts.
- (viii) Introduce an effective contract monitoring framework.
- (ix) Employ operational-type contracts that give providers maximum flexibility to manage, including the power to select, employ, and remunerate staff, and to dismiss nonperformers.
- (x) Introduce longer-term contracts with providers.
- (xi) Secure an independent entity to evaluate the contractor's performance.<sup>39</sup>

## E. Institutional Capacity to Design, Deliver, Monitor, and Evaluate

Developing a robust PPP program requires action in several key areas at the design and delivery and monitoring and evaluation stages, at the program and project levels, and in the central and state governments.

### 1. Design and Delivery

The entire PPP delivery process—from the initial assessment to choose the PPP route to executing the transaction arrangements—places some unique pressures on the public sector, including the need for a level of capacity and expertise that is often hard to obtain at the available salary rates, a bespoke PPP law that enables the public sector to engage in contractual arrangements with the private sector, and an effective rule of law to provide the stability needed for long-term PPP engagements.

<sup>38</sup> N. LaRocque. 2008. Public-Private Partnerships in Basic Education: A Toolkit. Washington, DC: World Bank. Draft.

<sup>39</sup> J. Fielden and N. LaRocque. 2008. The Evolving Regulatory Context for Private Education in Emerging Economies. Discussion Paper. *World Bank Working Paper Series*. No. 154. Washington, DC: World Bank / International Finance Corporation (pp. 11–24).

## 2. Monitoring and Evaluation

From the perspective of the public sector, the delivery of PPPs requires (i) an institutional setup with clear roles and responsibilities across the diverse coordination councils and implementing agencies; (ii) a transparent procurement framework that has the requisite measures needs to be in place to prevent any corruption and market distortion; (iii) support from an advisory team that has knowledge on how best to structure the deal and bring it to financial closure; (iv) means for raising awareness on the possibility of accessing the PPP pipeline to the potential investors and establishing communication conduits for hearing their concerns and interests; and (v) channels to support the management of any significant social and political risks by communicating the nature and impact of a PPP on average citizens and enabling their ownership of the process.

From the perspective of the private sector, the delivery of the PPP requires (i) some clarity as to how far PPPs sustain their service delivery over the long term; and (ii) assurance that there is a predictable regulatory regime and legal framework. For both partners, there is a need for the establishment of robust and transparent systems that can be utilized to monitor contract compliance and to assess the quality of performance smoothly and quickly. Table 23 provides a summary of some of the activities and requirements for establishing PPP programs.

**Table 23: Summary of Activities and Requirement for Establishing and Operating Public–Private Partnerships**

Establishing Enabling Frameworks	Building Capacities of Government	Fostering an Enabling Environment	Quality Assurance and Learning
<ul style="list-style-type: none"> <li>• Legislation</li> <li>• Rules on procurement, budgeting, and accounting</li> <li>• Financial support</li> <li>• Hand-holding in project structuring</li> </ul>	<ul style="list-style-type: none"> <li>• Tool kits and manuals</li> <li>• Standard documents</li> <li>• Hand-holding in developing projects</li> <li>• Training</li> <li>• Knowledge dissemination</li> </ul>	<ul style="list-style-type: none"> <li>• Consensus building</li> <li>• Strategic communication</li> <li>• Platforms for exchanging information and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor</li> <li>• Review</li> <li>• Research</li> <li>• Feedback</li> </ul>

Source: Authors' representation.





# V. PUBLIC–PRIVATE PARTNERSHIPS FOR EDUCATION IN BANGLADESH

## A. Public–Private Partnerships in Bangladesh

### 1. Definition of Public–Private Partnership in Bangladesh

The Government of Bangladesh defines public–private partnerships (PPPs) as follows: “Public–private partnership (PPP) projects normally cover public good provisions characterized by indivisibility and non-excludability, natural monopoly characterized by declining marginal cost (and associated average cost), and lumpy investment characterized by long gestation period. PPP is a win–win relationship between the government and various private sector players for the purpose of delivering a service by sharing the risks and rewards of the venture under a contractual obligation.”<sup>40</sup>

According to the government’s Policy and Strategy for Public–Private Partnership (2010), a PPP arrangement can be considered for any project that generates public goods and services, if at least one of the following circumstances exists for the project: the implementation of the project is difficult with the financial resources or expertise of the government alone; private investment would increase the quality or level of service or reduce the time to implement compared with what the government could accomplish on its own; private investment in public service provides an opportunity for innovation; and there are no regulatory or legislative restrictions on private investment in the delivery of the public service. PPPs will not be applicable to the following activities: (i) outsourcing of a simple function of a public service, (ii) creating a government-owned enterprise (state-owned company), and (iii) borrowing by the government from the private sector.<sup>41</sup>

In recent years, the Government of Bangladesh has initiated a number of measures to introduce more PPP projects across sectors, and has outlined an impressive framework to facilitate the development and implementation of PPPs, which includes the following:

- (i) policy and strategy for PPPs and guidelines for formulation, appraisal, and approval of large, medium-sized, and small projects published as Gazette in August 2010;
- (ii) establishment of new government bodies to streamline PPPs along with existing institutions, such as the PPP Advisory Council, the PPP Office, and the PPP Unit within the Ministry of Finance;
- (iii) identification of PPP focal points for various ministries and executing agencies;
- (iv) establishment and incorporation of the Bangladesh Infrastructure Finance Fund, envisaged as a financing vehicle to cofinance PPPs;

<sup>40</sup> Government of Bangladesh. 2010. *Policy and Strategy for Public–Private Partnership*. Dhaka.

<sup>41</sup> Government of Bangladesh. 2010. *Policy and Strategy for Public–Private Partnership*. Dhaka (pp. 3 and 4).

- (v) allocation of budget resources in the Annual Development Program, 2009–2010 amounting to up to Tk25 billion (\$321 million), including Tk3 billion (\$39 million) for viability gap funding and Tk1 billion (\$13 million) for technical assistance. The Annual Development Program, 2010–2011 included Tk46 billion (\$591 million) for PPP, of which Tk16 billion (\$206 million) was for the Bangladesh Infrastructure Finance Fund and Tk30 billion (\$386 million) for project development and co-investment; and
- (vi) draft PPP Law, 2013, approved by the cabinet.

Figure 4 illustrates the legal, institutional, and financial pillars for this PPP framework.

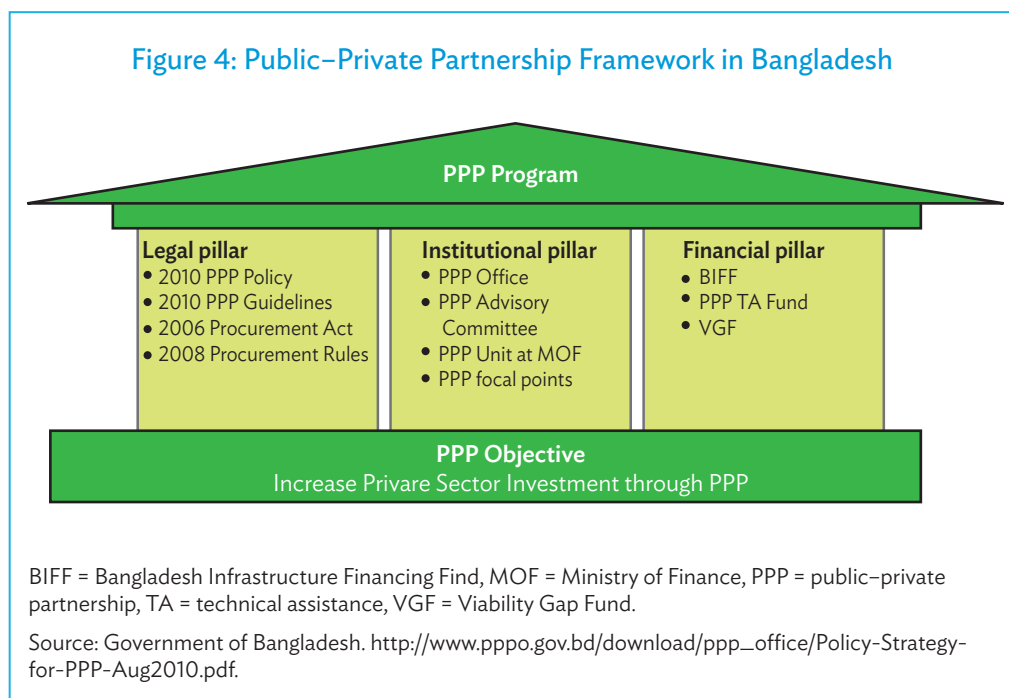
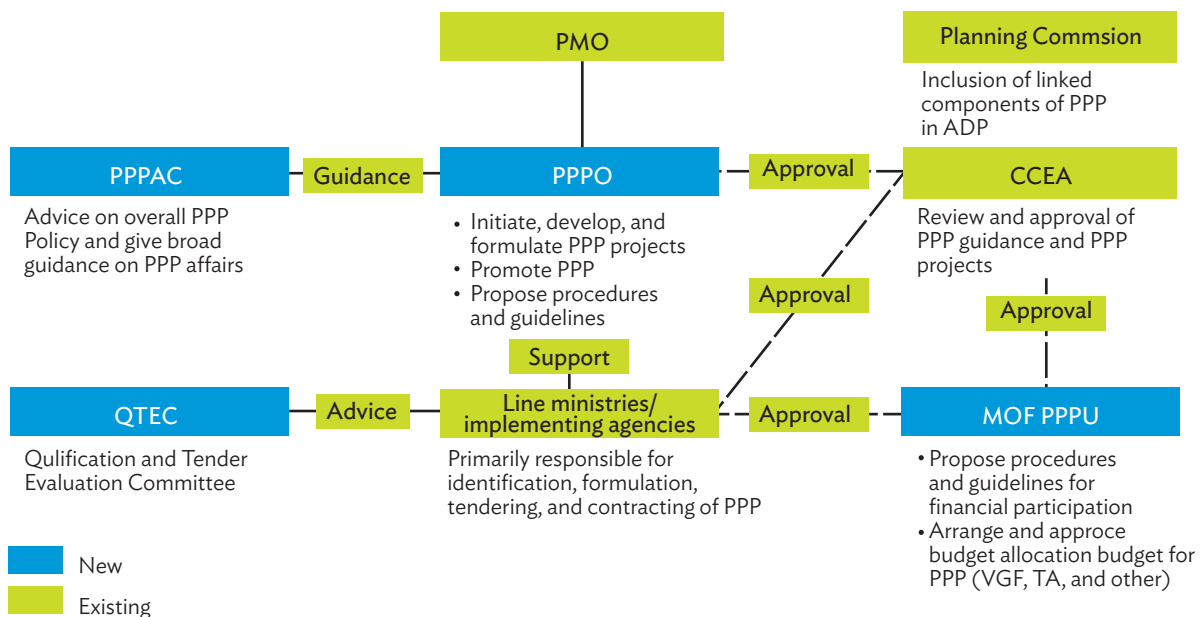


Figure 5 illustrates how legal and contractual frameworks have been established, and details the manner in which they may be used in negotiating and executing PPPs. The envisaged institutional setting and the main functions of the actors following the guidelines are also depicted. These PPP guidelines include a design for a facilitating institutional framework.

The Government of Bangladesh has introduced the following four initiatives to catalyze the PPP environment:

- (i) **Financing public–private partnership projects.** To create an enabling environment, the government has already developed certain financing tools and required guidelines, and relevant procedures are already in place as regards the three financing vehicles described below.
- (ii) **The PPP Technical Assistance Fund.** This fund has been established to provide early-stage project development funding support to sanctioned PPP projects. It is designed to help defray the cost of professional consultants and advisors needed to assure that the government achieves appropriate risk allocation in PPP projects

Figure 5: Institutional Setting as per Public-Private Partnership Guidelines, Bangladesh, 2010



ADP = Annual Development Plan, CCEA = Cabinet Committee on Economic Affairs, MOF = Ministry of Finance, PMO = Prime Minister's Office, PPP = public-private partnership, PPPAC = Public-Private Partnership Advisory Council, PPPO = Public-Private Partnership Office, PPPU = Public Private Partnership Unit, PPPTAF = PPP Technical Assistance Fund, QTEC = Qualification and Tender Evaluation Committee, TA = technical assistance, VGF = Viability Gap Fund.

Source: Government of Bangladesh. [http://www.pppo.gov.bd/download/ppp\\_office/Policy-Strategy-for-PPP-Aug2010.pdf](http://www.pppo.gov.bd/download/ppp_office/Policy-Strategy-for-PPP-Aug2010.pdf).

and predevelops projects to a standard that attracts maximum interest from investors and lenders. The PPP Office manages this fund.

- (iii) **The Viability Gap Fund.** The Viability Gap Fund (VGF) is managed by the PPP Unit of the Ministry of Finance. The VGF has been established to provide supplementary government financing to projects that the PPP Unit deems economically vital to the public interest, but that may not be fully financially viable on a commercial basis. Monies from the VGF can be used to share the up-front cost of a project or provided on an annual basis to effectively subsidize PPP project costs.
- (iv) **The Bangladesh Infrastructure Finance Fund.** This fund was incorporated by the Ministry of Finance in 2011 to provide long-term financing (in local currency) to infrastructure projects that meet the fund's investment criteria. It seeks to attract investment from both institutional and retail investors (including nonresident Bangladeshis and overseas foreign workers) to provide an alternative savings and investment vehicle in the Bangladesh market. The fund is managed independently following objective investment criteria.<sup>42</sup>

<sup>42</sup> For further details on this section, see Government of Bangladesh, Office of the Prime Minister's PPP Unit. 2012. *Guidelines for Viability Gap Financing for PPP Projects*. [www.pppo.gov.bd](http://www.pppo.gov.bd).

## 2. Examples of Public–Private Partnerships in Education in Bangladesh

Many different actors from across the spectrum of public and private sector financing and management have been delivering education and skills-based training in Bangladesh. Table 24 provides a summary of three examples in basic education, commencing with details of the work of the Bangladesh Rural Advancement Committee (now Building Resources Across Communities), one of the world's most successful partnerships between a government and a nongovernment organization (NGO) in the basic education arena.

**Table 24: Examples of Public–Private Partnerships in Basic Education**

Program	Details
BRAC	<ul style="list-style-type: none"> <li>Interventions were undertaken in 43 dysfunctional community schools that helped raise the attendance rate to above 95% and the grade 5 passing rate to 97%.</li> <li>As of December 2009, 32,000 primary schools with 32,937 teachers were in operation to cater to the needs of 984,440 children, 65% of whom were girls; among these, 5,500 schools with 164,835 students (72% girls) were operated by other NGOs with BRAC support.</li> <li>To date, 3.80 million children have graduated from BRAC primary schools with a course completion rate of 93%; of these, 3.54 million children (66% girls) made the transition to formal schools.</li> </ul>
Reaching Out-of-School Children Program	<ul style="list-style-type: none"> <li>This project, managed by the Government of Bangladesh, ran from 2004 to 2010 and was extended to 2013. It provides formal education in a nonformal way for children aged 7–14 in 60 educationally backward <i>upazilas</i> (subdistricts) and 75 Shishu Kalyan primary schools.</li> <li>The local community—in collaboration with local NGOs—operates the schools with financial support from the Government of Bangladesh.</li> <li>The community forms an 11-member CMC. A CMC-selected NGO (called the education service provider) assists in identifying out-of-school and hard-to-reach children; ensuring their enrollment and attendance; and supporting the CMC in running the center, including the selection of a local teacher.</li> <li>Another NGO, educational institution, or agency (called the education resource provider) is selected by the CMC to provide training programs for teachers, CMCs, and supervisors, and to monitor teacher performance and use of selected education materials.</li> </ul>
Post-Literacy and Continuing Education for Human Development	<ul style="list-style-type: none"> <li>This is a community-based, needs-oriented, 9-month post-literacy, and continuing education program operational in 210 <i>upazilas</i> of 29 educationally disadvantaged districts covering 1.6 million neo-literates.</li> <li>It was started in 2002 and completed in 2013 with a finance envelope of \$87.16 million.</li> <li>A total of 7,181 continuing education centers are organized and managed by 29 implementing NGOs, and monitored by six divisional third-party monitoring partner agencies.</li> </ul>

BRAC = Bangladesh Rural Advancement Committee (now Building Resources Across Communities), CMC = community management committee, NGO = nongovernment organization.

Sources: Data from the websites of BRAC, the Reaching Out-of-School Children Program, and the Post Literacy and Continuing Education for Human Development.

### a. Public–Private Partnership in Secondary Education

The 2013 *Formative Study into the Role of the Private Sector in Primary Education in Bangladesh* of the Department for International Development of the United Kingdom made some interesting findings regarding private sector provision, including:

- (i) **Data.** Official and other research data about the proportion of children enrolled in private schools are notoriously unreliable.
- (ii) **Quality.** Quality of for-profit private schools were of higher quality due to the much lower pupil–teacher ratio, higher proportions of children completing the education cycle, and fewer repeating grades; higher rates of passing exams; higher parent satisfaction rates regarding quality issues, including parental perceptions that teachers in for-profit private schools, whatever their salary and qualifications, perform better than those in government schools; and higher proportions of revenue spent on stationery and utilities.
- (iii) **Cost and value.** Household expenditure on sending a child to a private for-profit school is likely to be only 1.38 times more than sending a child to a government school, once like-for-like comparisons are made, with the former offering greater value for money. Their average revenue per school is at most 70% of that in government schools, but likely to be lower, while the average school expenditure in the for-profit private sector is less than 40% of that in government.<sup>43</sup>

The use of PPP as a means of delivering “core” educational services is particularly evident in the secondary education system as 98% of the schools are nongovernment and under management by local school management committees with substantial government subvention. Secondary education boards conduct public examinations at the end of grades 10 and 12. The system is managed by local managing committees that receive government funds, and school performance is validated by public examinations.

### b. Public–Private Partnership in Technical and Vocational Education and Training

Some interesting initiatives have emerged. NGOs such as the Underprivileged Children’s Educational Programs have developed strong linkages with industry.<sup>44</sup> Another example of private sector-facilitated TVET is a garment workers’ education program established by the Bangladesh Garment Manufacturers and Exporters Association, UNICEF, and the International Labour Organization (ILO) that provides basic and vocational education to children who were former child laborers in the garment industry. The costs are shared equally by the program and by students or their families. The Bangladesh Garment Manufacturers and Exporters Association has also established a training institute of its own to meet the requirements of its industry, including the need to “increase the efficiency, productivity and product value of the industry.” The following three summaries highlight examples of PPPs in TVET.

<sup>43</sup> Department for International Development. 2013. *Formative Study into the Role of the Private Sector in Primary Education in Bangladesh*. London: CFBT Education Trust.

<sup>44</sup> Underprivileged Children’s Educational Programs is a national NGO that now has a hub of over 42,000 working children. It strives to impart marketable skills and provide employment support through general education and vocational training in close collaboration with industries and employers throughout Bangladesh. [www.ucepb.org](http://www.ucepb.org) for further information on these programs.

- (i) **The Chittagong Skills Development Centre.** The Chittagong Skills Development Centre (CSDC) is the first industry-led, nonprofit skills training center in Bangladesh developed under a PPP arrangement. As a pioneering PPP, CSDC strives to strategically develop the country's workforce by catering to information and communication technology, manufacturing, and services sectors' present and future skills needs. CSDC seeks to grow the skilled labor pool by providing high-quality, cost-effective, value-added skills training to its corporate members and other private companies. Its corporate members share their training resources, technologies, trainers, space, and equipment, and they are also actively developing, assessing, and improving training programs.
- (ii) **The Centre of Excellence for Leather Skill.** Recognizing the enormous demand for skilled workers, the Centre of Excellence for Leather Skill (COEL) was established to serve as a one-point resource center as well as a service provider to develop, support, and strengthen workforce development in the leather sector. COEL's main source of funding comes from the services it offers to the industry and to the labor market. Its major income-generating activities include training courses to supply skilled labor; apprenticeships; and other technical and consultancy services on troubleshooting, quality improvement systems, cost reduction, material saving, process improvement, setting up laboratories and factories, and product design and development.
- (iii) **The Centre of Excellence for Ready-Made Garments.** Following the example of COEL, leaders in the ready-made garments industry, under the TVET Reform Project managed by the ILO, have recently taken steps to establish a center of excellence for the ready-made garments sector. The project has received a grant from the Swedish International Development Cooperation Agency and a contribution from the global retail brand H&M to work with trade bodies, such as the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association, to address skills development issues. Initially, the center will work with an H&M suppliers' group of around 250 suppliers and may eventually scale up its operation.

### c. Public–Private Partnerships in Higher Education

The Academic Innovation Fund is an example of providing innovative funding to enable partnerships in higher education. As an integral component of the World Bank-supported Higher Education Quality Enhancement Project, the Academic Innovation Fund is a competitive funding mechanism for improving quality and relevance of teaching, learning, and research in public and private universities. During the first two rounds of financing, it supported nearly 200 subprojects aimed at enhancing the quality of teaching and research, as well as infrastructure support in the form of computer labs, world-class laboratories, library automation, computer networks with Wi-Fi, and virtual classrooms.

Some partnerships under this fund include Ahsanullah University of Science and Technology, a private university that has been establishing an environmental laboratory-cum-weather station for academic study and research; Bangladesh Agricultural University, which has been working to improve the quality of agricultural education through a university extension service; and the Bangladesh University of Engineering and Technology, which has been running a project to modernize data analysis and develop a simulation laboratory for the Department of Urban and Regional Planning.

Another example involves the partnership between the University Grants Commission and six universities (including one in the private sector) and the establishment of the Bangladesh Research and Education Network. This initiative is aimed at establishing a high-performance dedicated fiber-optic broadband network for all universities, research institutions, libraries, laboratories, health care facilities, and agricultural institutions in Bangladesh. All the university students and faculty will get access to a high-speed data communications network for education and research purposes. Connectivity with Trans Eurasia and Internet2 has been established for connecting universities in Bangladesh with universities in Asia, Europe, and North America.

The PPP Dialysis Center at Chittagong Medical College provides the first example of a PPP initiative by a higher education institution using the recently developed and established PPP institutional and legal framework. The Chittagong Medical College and Hospital, with a view to enhancing its service delivery capacity and to acquiring state-of-the-art technology, which in turn will enhance learning facilities for its students, opted for the “design, build, finance, and operate” PPP model to establish a kidney dialysis center at the college. Under this initiative, a private partner is to be selected to construct, operate, and maintain a dialysis center at the college and another at the National Institute of Kidney Disease and Urology in Dhaka.

## B. Education Sector Analysis

Since the late 1990s, the Government of Bangladesh’s strategic focus has been economic growth, poverty reduction, and human resource development. The human resource development priorities are placed on basic education, including primary and lower secondary. The adoption of the Education for All agenda and the Millennium Development Goals indicates the government’s commitment to improving basic education. The government’s Education for All National Plan of Action, 2003–2015 commits to eradicating illiteracy, reducing poverty by half, and achieving substantial improvements in human resource development by 2015.

Bangladesh has achieved laudable improvements in primary education with gender balance. In 2009, its gross enrollment ratio (GER) was 99% and net enrollment ratio was 91%.<sup>45</sup> However, the GER (57%) and net enrollment ratio (50%) for secondary education,<sup>46</sup> which provides inputs to higher education, are far lower than those of other countries in the region. While access has improved in both primary and secondary education, low completion rates (50.0% for primary and 44.7% for secondary) and poor student achievement with respect to desired competencies or learning outcomes indicate formidable challenges in quality and efficiency. In addition, the overall adult literacy rate remains low at 55%, with the female literacy rate at only 49%.<sup>47</sup> The country continues to make education of the masses one of its top priorities, and a number of programs and initiatives have been developed to support equitable access to a quality education.

<sup>45</sup> MDG Achievement Fund. 2013. *Final Evaluation: Bangladesh. Millennium Development Goals (MDGs) Achievement Fund Secretariat*. Dhaka.

<sup>46</sup> Bangladesh. Bureau of Educational Statistics, August 2011.

<sup>47</sup> ADB. 2008. *Education Sector in Bangladesh: What Worked Well and Why under the Sector-Wide Approach*. Manila (p. 4).



However, there is still a strong need for further improvements in various aspects of primary and secondary education to supply qualified, high-quality graduates for tertiary education and industry.

Available national data reveal commendably that education has been one of the top budget priorities. Education is the second-largest allocation after public administration, with 11% of the total budget in FY2013 while public administration received 13% (Table 25). But, despite positive growth in the national budget as a percentage of GDP, the share of the education sector budget, both as a percentage of GDP and of total budget, is decreasing.<sup>48</sup>

**Table 25: Trends in National and Education Budget as Percentage of Gross Domestic Product in Bangladesh, FY2010–FY2013**

Year	Education as % of Total Budget	Education as % of Gross Domestic Product	Trends in Type as % of Education Budget	
			Development	Nondevelopment
2008–2009 A	1.9	13.3	–	–
2009–2010 A	2.3	15.4	26.1	73.9
2010–2011 A	2.3	14.4	25.8	74.2
2011–2012 R	2.0	11.4	24.2	75.8
2012–2013 P	2.1	11.2	32.4	67.6

– = not available, A = actual, P = provisional, R = revised.

Source: Bangladesh Bureau of Statistics. <http://www.bbs.gov.bd/home.aspx> (accessed 15 January 2015).

Table 25 shows not only how the ratio of education budget to GDP has remained static at about 2% over these years, but also how the share of the non-development budget of education (as a percentage of the education budget) has been consistently very high at almost three-quarters and increasing over time. Further analysis reveals that the share of the primary education budget fluctuated and ranged from about 42% to about 46% of the total education budget from FY2010 to FY2013, with negative growth in FY2012.<sup>49</sup> Box 15 highlights the clear differences in levels of equity in primary and secondary education.

Primary education consists of a 5-year study cycle (grades 1–5). For the existing system, students are generally between the ages of 6 and 10. Secondary education consists of 7 years, demarcated by three substages: junior secondary (3 years, grades 6–8); secondary (2 years, grades 9–10); and higher secondary (2 years, grades 11–12). Preprimary education is generally offered in nonformal settings through NGOs, and students are generally under 6 years of age. The Higher Secondary Certificate is a 2-year course between secondary and tertiary education and their corresponding degrees. A degree (pass) course, beginning after completion of the Higher Secondary Certificate, consists of 3 years of study, while a degree (honors) course requires 4 years. A master's degree course is of 2 years' duration for degree (pass) graduates and 1-year duration for degree (honors) graduates. Degree (pass), degree (honors), and master's courses in different subjects are offered by colleges and universities, both public and private.

<sup>48</sup> UNICEF. 2012b. *Children and Education Budget in Bangladesh*. Dhaka.

<sup>49</sup> Footnote 46 (UNICEF. 2012b. *Children and Education Budget in Bangladesh*. Dhaka.)

### Box 15: Equity of Budgetary Allocation in Bangladesh

Primary and secondary enrollments for the lowest wealth quintile have been found to be 72% and 47%, compared with 93% and 80% for the highest quintiles, respectively. Among all primary school students, 25% are from the lowest wealth quintile while 14% are from the highest quintile. The opposite picture is found at the secondary level, where fewer than 12% of the students are from the lowest wealth quintile, compared with about 30% from the highest quintile. Similarly, expenditure on primary education is distributed progressively as the lowest 40% of households get benefits of 47% of primary education expenditure, and the lowest 80% of households receive 85% of the benefits. Conversely, the secondary education expenditure is comparatively not as “pro-poor” as primary education, since the bottom 20% of the households gain 11% of public expenditure and the bottom 60% receive 48% of the benefits. The top 40% of households get 52% of public expenditure in secondary education.

Source: UNICEF. 2012b. *Children and Education Budget in Bangladesh*. Dhaka.

Madrasah education is provided in parallel to general education. There are five distinct stages that correspond to the different stages in the general stream: *ebtedayee* (equivalent to primary), *dakhil* (equivalent to Secondary School Certificate), *alim* (equivalent to Higher Secondary Certificate), *fazil* (equivalent to degree), and *kamil* (equivalent to a master’s degree). Table 26 provides details on the number of institutions, levels of enrollment, and teachers in primary and post-primary institutions in 2010.

**Table 26: Number of Institutions, Enrollment, and Teachers in Primary and Post-Primary Institutions, Bangladesh, 2010**

Type of Institutions	Number of Institutions	Number of Teachers	Number of Students
Primary school	82,674	380,957	16,904,546
Secondary school	19,040	218,011	7,465,774
College	3,324	87,220	2,394,275
Madrasah	9,361	107,847	2,200,927
University	82	14,873	463,880
Technical and vocational institute	2,848	22,455	447,927
Professional college	284	4,918	69,943
Teacher training institute or college	182	1,869	26,276
All (post-primary)	35,121	450,039	13,069,002
All (primary + post-primary)	117,795	830,996	29,973,548

Source: Bangladesh Bureau of Educational Information and Statistics. 2010. <http://www.banbeis.gov.bd/> (accessed 15 January 2015).

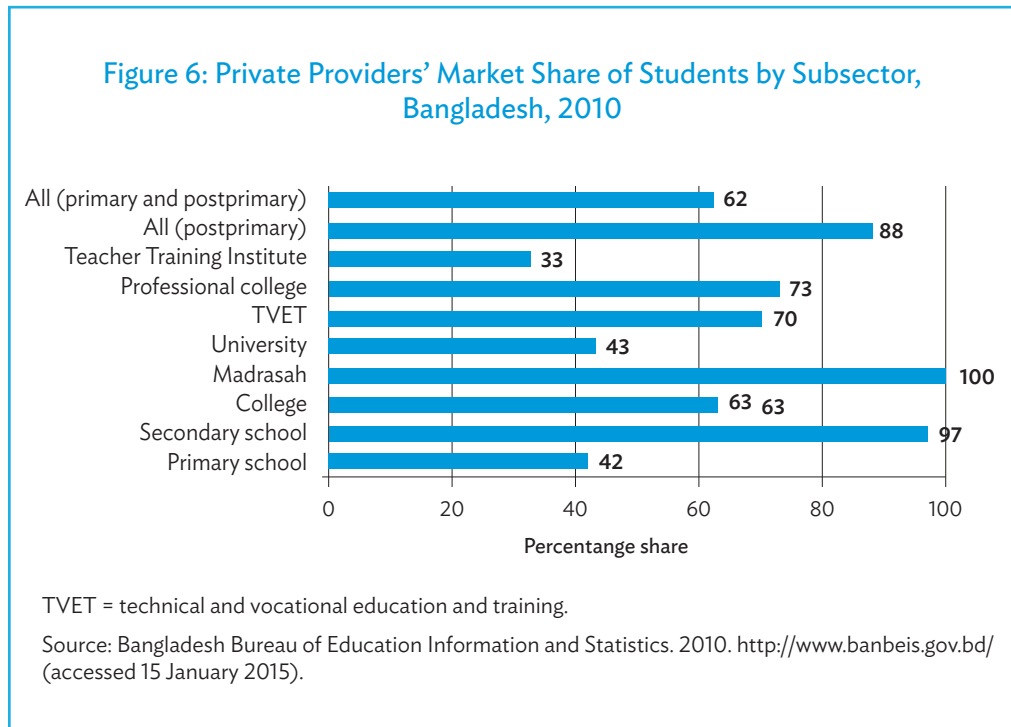


Figure 6 shows the market share of the private providers by students in the different education subsectors.

In Bangladesh, the Ministry of Primary and Mass Education is responsible for primary education and mass literacy while the Ministry of Education (MOE) is responsible for secondary, vocational, and tertiary education. The MOE is concerned with policy formulation, planning, monitoring, evaluation, and execution of plans and programs related to post-primary secondary and higher education, including technical and madrasah education. The Directorate of Secondary and Higher Education and the Directorate of Technical Education are the line directorates responsible for management and supervision of institutions.

There is a medium-term framework for secondary education that focuses on quality improvements, policy measures, and specific actions needed to reform the system.

**Preprimary education.** Until recently, the Government of Bangladesh had no real preprimary education program in its scheme of basic education. Since preprimary school provides the basis for quality primary education, fiscal attention must be paid to increasing coverage: in SY2008–2012, the average gross enrollment rate was only 27% for males and 26% for females.<sup>50</sup>

**Primary and secondary education.** There are 10 types of primary education institutions, of which four fall directly under the control of the Directorate of Primary Education, which has overall responsibility for government primary schools, registered nongovernment primary

<sup>50</sup> Footnote 46 (UNICEF. 2012b. *Children and Education Budget in Bangladesh*. Dhaka.)

schools, experimental schools, and community schools. According to the Bangladesh Education Statistics (2010), half of the 17 million primary school students were girls. Women comprised half of the 400,000 teachers at the primary level. The schools can be further grouped into three categories: ownership, management or provision, and funding (Figure 1, Chapter I).

The MOE is responsible for policy and planning for secondary, vocational, technical, and higher education. The Directorate of Secondary and Higher Education, a management body of the MOE, is responsible for overseeing the management of education at this level. Curriculum and textbooks for secondary education are designed by the National Curriculum and Textbook Board except for subjects specific to madrasah and vocational education.

**Madrasah education.** Madrasah education operates across both primary and secondary education. It provides a different schooling that basically follows the mainstream curricula and standards with added emphasis on religious education. Madrasah education is almost universally privately managed. Of the 9,361 madrasahs in the country, only three are managed by the government. In 2010, the Bangladesh Bureau of Educational Statistics recorded that over 2 million students were receiving madrasah education and that more than half of those students were girls.<sup>51</sup> Of the 108,000 teachers serving in madrasahs, only about 10% were women.

**Technical and vocational education and training.** TVET is offered after grade 8 (junior secondary), and an individual is able to earn a trade certificate (secondary school certificate) and a Higher Secondary Certificate (Vocational) at the higher secondary level. Bachelor's degrees in technical education are also offered. According to the National Education Policy, 2010, the national TVET goals and objectives are threefold: (i) to quickly increase the competent labor force in diverse sectors, including information and communication technology, keeping in mind national and international demands; (ii) to quickly build up the amount of skilled labor to create economic development opportunities; and (iii) to create wide-ranging employment opportunities through export of skilled labor and to enhance foreign currency earnings.

The TVET system comprises short courses (360 hours) plus three levels of formal TVET: Secondary School Certificate (Vocational), 2 years; Higher Secondary Certificate (Vocational), 2 years; and diploma, 4 years. Entrance to the diploma level in mono- and polytechnics is from the Secondary School Certificate level (both general and vocational). The main public providers of TVET are the Department of Technical Education under the MOE; the Bureau of Manpower, Education and Training under the Ministry of Expatriate Welfare and Overseas Employment; and the Ministry of Youth. In total, about 19 ministries and departments deliver some type of skills development. Almost 500,000 students are enrolled in formal TVET programs, with private providers making up about 95% of total TVET institutions and about 75% of the total enrollments. In secondary-level vocational programs (both Secondary School Certificate and National Skill Standard), enrollment is only about 3% in comparison with general secondary education. About 1,600 accredited private training institutions receive monthly payment orders from the government that

<sup>51</sup> The data do not include nonformal madrasahs such as the *quami*, *hafizia*, and *qiratia*, which are not recognized by the government.

cover 100% of basic teacher salaries. TVET (including allocations for the Bureau of Manpower, Education and Training, and monthly payment orders) absorbs about 2.6% of the education budget.<sup>52</sup>

**Higher education.** Bangladesh has a total of 90 universities—34 public, 54 private, and 2 international. In addition, there are about 2,000 degree-granting colleges and institutes under the National University, 5 autonomous institutes of technology, 2 professional institutes for accountancy,<sup>53</sup> 59 colleges of law, and 12 government and 14 private medical colleges. Dhaka has the highest concentration of universities followed by Chittagong. The MOE has overall responsibility for planning, policy making, guiding, and controlling the flow of education, including higher education, while the University Grants Commission is mandated to allocate the government grants to the public universities and oversee the activities of private universities.

Since 2001, there has been an increasing trend in university enrollment and female participation in particular. Enrollment in universities increased by 23% from 1.2 million in 2001 to 1.6 million in 2009. Enrollment in public universities increased by 20% from 1.2 million to 1.4 million, while in private universities it increased more than seven times (638% growth rate) from 27,245 to 200,939. Public universities normally receive about 8% of public sector allocations in the national budget and are the recipients of almost all government funds allocated to this higher education subsector.<sup>54</sup>

## C. Education Challenges

The education programs improved markedly in the 1990s, especially during the latter half of the decade, with the rekindled effort to expand primary education. At this time, donors invested in the education sector much more heavily, and NGOs increased their activities in assisting the government to meet its primary education goals. The 1993 Compulsory Primary Education Act, which made the 5-year primary education program free in all government schools and declared education for girls in rural areas free through grade 8; the establishment of the Ministry for Primary and Mass Education in 1992, with the objective of universal primary education and the elimination of gender and poverty gaps; and demand-side interventions such as the Female Stipend Program, the Food for Education Program, and most recently, the Primary Education Development programs (PEDP II and III), which aim to increase access, quality, and efficiency across the board in primary education—all have contributed to raising levels of access and quality in the primary and secondary education subsectors.<sup>55</sup>

<sup>52</sup> For more background on the technical and vocational indicators in Bangladesh, see Appendix 3 in ADB. 2015d. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.

<sup>53</sup> The Institute of Chartered Accountants of Bangladesh and the Institute of Cost and Management Accountants of Bangladesh are not affiliated with any university systems and draw funds from the Ministry of Commerce. Though partly outside the university systems, they nevertheless draw their membership from university graduates.

<sup>54</sup> The preceding paragraphs are adapted from ADB. 2015a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Bangladesh*. Manila.

<sup>55</sup> Accessed from <http://rih.stanford.edu/rosenfield/resources/Primary%20Education%20in%20Bangladesh.pdf> (page 4).

This section briefly summarizes some of the main issues and challenges in each of the subsectors across the focus areas of access, quality, relevance, equity, and operations, including funding and efficiencies.

## 1. Basic Education

Table 27 provides a summary of the main challenges impacting basic education.

**Table 27: Summary of Challenges in Basic Education in Bangladesh**

Focus Area	Current Details
Access and equity	<ul style="list-style-type: none"> <li>About 3 million children (6–10 years old) are currently not enrolled in school.</li> <li>At least 15% of primary school-age children have never entered the educational system. Most of these children are poor. When this figure is combined with the 25% primary school dropout rate, it is seen that 40% of children in Bangladesh have never received a full primary education.</li> </ul>
Quality and relevance	<ul style="list-style-type: none"> <li>More than half of those who start grade 6 complete grade 10.</li> <li>Half of those who completed these years passed grade 10 (Secondary School Certificate) public examination, and an even lesser proportion passed the 12th grade (Higher Secondary Certificate) public examination.</li> </ul>
Operations and funding	<ul style="list-style-type: none"> <li>Overcrowded classrooms, inadequate physical facilities, and deficient learning materials are the norm.</li> <li>The recruitment process and remuneration of teachers generally attract poor performers in the educational system into secondary teaching.</li> <li>The teacher training course (BEd) is offered only in separate teachers' colleges rather than in general universities and colleges, keeping better students away from education courses and secondary school teaching.</li> </ul>

Source: Compiled from K. Ardt et al. 2005. Report on Primary Education in Bangladesh: Challenges and Successes. Delivered at the 3rd Summit on South Asian Development hosted by South Asian Society for Regional Cooperation.

## 2. Technical and Vocational Education and Training

Table 28 provides a summary of the main challenges impacting the TVET sector.

**Table 28: Summary of Challenges in Technical and Vocational Education in Bangladesh**

Focus Area	Current Details
Access and equity	<ul style="list-style-type: none"> <li>The main barriers to access to TVET for the disadvantaged are (i) grade 8 entry requirement (only 60% of students complete grade 5, including those from disadvantaged groups); and (ii) lengthy training programs of 2–4 years (lack of short or flexible training that does not interfere with work).</li> <li>Inadequate attention is given to females, who make up only about one-fifth of formal enrollments. Gender bias exists, since more than 90% of female students are enrolled in private institutions and are paying fees, while male students are relatively more enrolled in public institutions and pay little in fees.</li> </ul>

*continued on next page*

Table 28 *continued*

Focus Area	Current Details
Quality and relevance	<ul style="list-style-type: none"> <li>• There is a lack of linkages with employers.</li> <li>• A significant proportion of graduates do not apply the skills learned or pursue jobs in the area for which they received their training.</li> <li>• A shortage of trained teachers exists because of (i) low output from teacher training institutions, (ii) lack of in-service training opportunities, and (iii) low salaries.</li> <li>• About 50% of teacher vacancies in public training institutions are due to bureaucratic red tape. It takes at least 2 years for the Public Service Commission to appoint new teachers.</li> <li>• Testing on theory is overemphasized at the expense of practical instruction.</li> <li>• Ineffective teaching methods are used, primarily due to lack of competency-based training and teaching materials.</li> <li>• Facilities, equipment, and consumable supplies are inadequate owing to underfinancing.</li> </ul>
Operations and funding	<ul style="list-style-type: none"> <li>• The National Skills Development Policy and various TVET plans are inconsistent in some respects. None of the TVET plans have been analyzed for financial implications and feasibility. In short, a national TVET sector development program has yet to be devised.</li> <li>• Weak governance structure: The National Skills Development Council meets infrequently and has an unwieldy structure. Central institutions lack clear mandates and sufficient qualified professionals.</li> <li>• Statistical information about performance of the TVET system is inadequate.</li> <li>• Quality assurance over nongovernment TVET providers is insufficient owing to political interference and understaffing of the Bangladesh Technical Education Board.</li> <li>• Lack of delegation of authority to training institutions for administration, training programs, budgets, etc.</li> </ul>
Finance and efficiency	<ul style="list-style-type: none"> <li>• Government financing is inadequate in relation to the requirements, and cost recovery (e.g., fees from trainees) and income-generation activities are insufficient.</li> <li>• Substantial resources are wasted through high failure and dropout rates, low employment rates, and low capacity utilization.</li> <li>• Lack of institutional autonomy and accountability.</li> </ul>

TVET= technical and vocational education and training.

Source: Compiled from ADB. 2015d. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Resource Development in South Asia—Bangladesh*. Manila.

## 1. Higher Education

Table 29 provides a summary of the main challenges impacting higher education.

Table 29: Main Challenges in Higher Education in Bangladesh

Focus Area	Current Details
Access and equity	<p>Enrollment may have increased by 23% with increasing trend in female participation (24%–38%) during 2001–2009, but spatial disparities in access to higher education as well as across incomes prevailed.</p> <p>The richest quintile constitutes two-thirds of total students, while state-sponsored financial loans and needs-based scholarships are almost nonexistent.</p> <p>Private universities are overly concentrated in the capital city.</p>
Quality and relevance	<p>Disparity in quality between public and private education and across individual institutions dominates the views of faculty members and education managers in the country.</p> <p>A clear strategy is lacking in terms of responding to the skills demand from industry.</p> <p>Faculty members direct the learning process, while the learners get little chance to practice and participate.</p> <p>The curricula, teaching-learning processes, and examination system in the higher education institutions have to be reexamined and redesigned to ensure that all students acquire all elements of the necessary skills.</p>
Operations and funding	<p>The main challenge with respect to governance is how to balance autonomy with accountability for results. As public universities multiply in accordance with the government commitment to put at least one public university in each old greater district, accountability for performance is a major concern. Financial autonomy is seriously jeopardized due to heavy dependence on public funding, which limits development initiatives.</p>
Finance and efficiency	<p>There is underinvestment in higher education.</p> <p>The budgeting process in the public universities needs to be rationalized.</p>

Source: Compiled from ADB. 2015a. *Innovative Strategies in Higher Education for Accelerated Resource Development in South Asia—Bangladesh*. Manila.

## D. Opportunities

### 1. Basic Education

The Constitution of Bangladesh states (Section 2) that the state is obligated to ensure basic education for all. The current arrangement—where the private sector is establishing schools and bringing in teachers and students, and where the government is providing curricula, basic operating laws and guidance, examinations, and funding for the running of the school—is proving beneficial for attaining the state’s mandate for providing universal standardized primary education, but the system is still not reaching the target of Education for All. Table 30 provides some examples of specific PPP initiatives in basic education that could be considered to address the access, quality, operational, and funding challenges.



**Table 30: Examples of Possible Public–Private Partnerships in Basic Education in Bangladesh**

Focus	Details
Access	<ul style="list-style-type: none"> <li>• Outsource social-awareness campaigns for increasing and retaining the number of children enrolled, ensuring greater societal participation in school activities, and increasing interest in primary teacher training as a career.</li> <li>• Contract through nongovernment organizations to deliver second-chance or alternative education learning pathways such as that provided through underprivileged children’s educational programs.</li> <li>• Increase access to early childhood development provision through contracting out the service to approved nongovernment organizations using a common curriculum and operational processes, possibly through delivery in existing government and registered nongovernment primary schools.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Contract private information and communication technology providers to improve the quality of computer education and computer-aided education.</li> <li>• Establish an independent evaluation and research center that would conduct national student assessments and other evaluations as required.</li> <li>• Establish contractual twinning arrangements in which private universities partner with public universities or training institutions to deliver education in-service programs at the district and village levels.</li> <li>• Review the feasibility of a pilot teacher training program where training vouchers are provided for high school graduates to access preservice training programs in the public teacher training colleges and approved private teacher training institutes.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>• Contract private providers for transportation and/or school meal supply.</li> <li>• Contract out printing and publications.</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• Trial a pilot in which the private sector provides management support to selected registered nongovernment primary schools under a performance management contract.</li> <li>• Consider establishing a primary education innovation fund to support innovative projects that address identified access, equity, or quality constraints.</li> </ul>

Source: Authors’ representation.

#### a. Service Delivery Models (Type 1)

Besides the delivery of noncore education professional and support services such as textbook publication or noninstructional services such as transportation or the provision of school meals, this service delivery PPP type could be employed for contracting out of the following core services:

- (i) **Training of school managers and teachers.** Possible PPP options include the contractual twinning arrangements in which private universities partner with public universities or training institutions to deliver education in-service programs at the district and *upazila* levels, and the establishment of a pilot teacher training program in which training vouchers are provided in support of the tuition fee assistance and a stipend to cover living costs. Teachers from formal and nonformal primary schools would attend teacher training programs in the government primary training institutes, a consortium of approved accredited private universities, and other private training institutions that are accredited by the government for such purposes.

- (ii) **School inspections.** Partnership may be explored at the national and community levels. At the national level, there can be an independent evaluation and research center that would conduct national student assessments and other evaluations as required. At the community level, there is the possibility of phasing out external “inspection” in favor of school- and community-based self-assessment. Under this arrangement, a clear set of criteria will need to be established, against which the head teacher and the school management committee can identify and remedy imperfections and grade their schools accordingly. Field officers such as the assistant *upazila* education officers retain a quality assurance function (checking that the grading has been carried out objectively) and play an advisory role, acting as “critical friends” of the schools that they support.
- (iii) **Education planning.** Development of school-level learning improvement plans (SLIPs) is unlikely to become a reality unless a SLIP-specific human resource development analysis of the knowledge or skills needed for its implementation is done and an action plan is made accordingly. A possible PPP option could involve an arrangement under a framework contract through which a consortium of approved national NGOs or approved private research or consultancy firms respond to tenders for the delivery of education planning at the district and *upazila* levels in partnership with the Directorate of Primary Education’s SLIP cell.
- (iv) **Social marketing.** With a view to increasing and retaining the number of children enrolled in primary school; ensuring greater societal participation in school activities; and increasing interest in primary teaching as a career, especially among ethnic groups, a sustained social marketing campaign needs to be in place. A contract could be outsourced to private marketing service providers under the supervision of the government’s relevant communication and publication cell. These agencies would be under contract to deliver a requisite number of newsletters, annual reports, and brochures as well as telecasting series using electronic media.

#### b. Demand-Side Financing Arrangement (Type 2)

A demand-side financing arrangement could be tested whereby “registered” private providers could be contracted to provide school places for “second chance” children who cannot access schooling in government and registered nongovernment primary schools. Operationally, providers can hire teachers and establish their own personnel policies and the schools (which can be either for-profit or not-for-profit schools) must meet certain criteria in order to enter the program. The contracts are for 3 years and are renewable conditional on school performance. There is a formal contractual arrangement between the government and the school with schools being held accountable for student performance. In terms of funding, the Government of Bangladesh continues to assume the cost of education for eligible students and provides funds directly to the school while the operators can charge a fee to students who are not eligible for a subsidy.

## 2. Technical and Vocational Education and Training

The National Education Policy, 2010 clearly outlines the policy position on PPP with for-profit and nonstate organizations in various subsectors, including primary, secondary, nonformal, and technical education. In secondary education, the policy calls for PPP in TVET. Section 5, item 18, of the Education Policy specifically states that PPP collaboration will be encouraged to establish new technical and vocational institutes and to develop their

management, and that boys and girls belonging to insolvent families will have opportunities to study in these institutions. In addition, the National Strategy for Accelerated Poverty Reduction, 2009–2011 set some targets that could be addressed through (i) support from the private sector, including raising the enrollment of students in TVET to 20% from its current rate of 7% of the total student body at the Secondary School Certificate and Higher Secondary Certificate levels; (ii) creating TVET opportunities for those who could not complete grade 8 education, which is a basic requirement for admission in the TVET stream under the existing system; (iii) making the TVET curriculum, duration, and schedule more flexible; and (iv) facilitating self-employment of TVET trainees by offering them access to easy credit.

The Government of Bangladesh has established the high-level National Skills Development Council, chaired by the Prime Minister, which comprises representatives from the government, employers, workers, and civil society. As the Council Secretariat grows in capacity, it can support the growth of PPPs in TVET, particularly by supporting some of the PPP options (outlined in Table 31) that could assist in addressing specific challenges in access and equity, and quality and relevance.

**Table 31: Challenges in Technical and Vocational Education and Training and Possible Responses Using Public–Private Partnerships in Bangladesh**

Challenge	PPP Type	Details on the PPP
<b>Access and equity</b>		
<ul style="list-style-type: none"> <li>• Most of the trades are male-oriented, with female enrollment around 17%.<sup>a</sup></li> <li>• Public TVET is mainly addressing poverty of the urban poor.</li> <li>• Outreach will address needs of underprivileged youth, school dropouts, and poor adult women is still a critical limitation.</li> </ul>	Service contracts	<ul style="list-style-type: none"> <li>• Expand the short-term skills training for disadvantaged groups and out-of-school youth that have been conducted through externally funded projects such as the underprivileged children's educational programs.</li> <li>• Seek ways to strengthen these opportunities and means for bringing them into the mainstream.</li> <li>• Contract out the development of social marketing strategies that raise the level of awareness for skills development.</li> </ul>
	Management outsourcing	<ul style="list-style-type: none"> <li>• Partner with the private sector through the industry skills councils to manage national government technical training centers under a lease agreement for certain sectors where the teacher training colleges and institutes are close to the factories.</li> </ul>
	Demand-side financing	<ul style="list-style-type: none"> <li>• Review possible responses that can extend information and communication technology and other basic technical and vocational education through secondary-level institutions and madrasahs.</li> </ul>

*continued on next page*

Table 31 continued

Challenge	PPP Type	Details on the PPP
<b>Quality and relevance</b>		
<ul style="list-style-type: none"> <li>The majority of teachers lack pedagogical training and lack industry experience.</li> <li>Identification of courses is not based on systematic assessment of labor market needs.</li> <li>Workshops are poorly equipped, and teaching and learning materials are inadequate.</li> <li>Informal workers require delivery of training via means of an on-the-job training or apprenticeship.</li> </ul>	Service contracts	<ul style="list-style-type: none"> <li>Partner with industry skills councils and other nongovernment organization forums to regularly review and moderate existing TVET curricula to be aligned with competencies and relevant employment practices.</li> </ul>
	Management outsourcing	<ul style="list-style-type: none"> <li>Partner with the private sector to deliver training in government technical training centers, such as in the example of the Bangladesh Garment Manufacturers and Exporters Association or Western Marine, which provide teachers and equipment to national government facilities.</li> </ul>
	Demand-side financing	<ul style="list-style-type: none"> <li>Explore the use of demand-side financing to enable trainees to access on-the-job training or apprenticeships alongside informal entrepreneurs to meet minimum training criteria and offer training in return for a per student voucher payment.</li> </ul>

PPP = public-private partnership, TVET = technical and vocational education and training.

<sup>a</sup> Directorate of Technical Education. 2008. *Skills Development Project*. Dhaka.

Source: Authors' representation.

### 3. Higher Education

Table 32 provides a summary of possible PPP options that can help to address specific challenges in higher education, with a few possible higher education initiatives outlined in greater detail.

**Table 32: Examples of Possible Public-Private Partnerships in Higher Education in Bangladesh**

Focus	Details
Access	<ul style="list-style-type: none"> <li>Expand the current policy of enabling autonomous campuses and participating small universities to become eligible for performance incentives and matching grants based on clear equity eligibility and quality output criteria.</li> <li>Pilot-test the higher secondary school matching grant scheme for private for-profit higher secondary schools to determine if they can also be encouraged to operate in the peri-urban and rural areas through grants that are linked to their outputs.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>Expand support for the decentralized campuses and community campuses to become eligible for matching and performance grants based on clear equity, eligibility, and quality output criteria.</li> <li>Increase the level of competitive funding for faculty and student research.</li> <li>Provide incentives for public and private higher education institutions to develop new market-oriented programs that support employment in the specific areas of hydropower, agroforestry, and ecotourism.</li> </ul>

continued on next page

Table 32 *continued*

Focus	Details
Operations	<ul style="list-style-type: none"> <li>• Increase monitoring and evaluation of the higher education sector by helping to disseminate data from the education management information system more widely into the public domain, most specifically information pertaining to employability.</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• To leverage private contributions, consider the development of a corporate social responsibility strategy that aims to grow corporations' awareness that corporate social responsibility is essential to any good business strategy, helps reduce investment risks, and enhances business profits by improving transparency and accountability.</li> <li>• Establish a matching fund for research that is specifically sponsored by industries, public sector agencies, and nongovernment organizations.</li> </ul>

Source: ADB. 2015a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Bangladesh*. Manila.

#### a. Relocation of Private Universities and Education Zones

Shifting private universities from major urban centers could help reduce the students' cost of higher education and create a more conducive environment for the students, which may, in turn, also benefit the lives of people in the districts and initiate a reverse migration from the overcrowded and congested capital. In addition, when there is a clustering in the regions through a possible PPP education zone, then the institutes can share each other's resources. Businesses under the leadership of their trade associations, and in consultation among themselves, can establish operational bases at or near the clusters. As the clusters move toward higher quality, businesses would get better-trained graduates to work for them in the operational bases.

#### b. Subsidized Higher Education in Specific Specialty Areas

At present, the two public and private university systems are running in parallel. This means that the students that are admitted to public universities get a virtually free education, while their private university peers have to incur considerable costs. Then there is the ranking order within the private universities whereby the higher the ranking, the higher the cost of education. The Government of Bangladesh might consider giving some allocations to the private universities and, in return, call for a lower cost to students, higher degrees of specialization, relocation to districts, rationalizing disciplines, and above all, improved quality in instruction and student assessments. In certain specific areas, where there is a need for special education and training—for example, in information and communication technology, nursing, and hospitality, as well as areas with high demand in overseas markets—a partnership with private universities may contribute to developing human resources that better support critical market demands.

#### c. Information and Communication Technology: Turning Weakness into Strength

Partnership with higher education institutions in information and communication technology can immensely benefit the growth of this emerging export sector. Bangladesh's software and business process outsourcing industries have increased rapidly over the last few years, albeit from a small base. The country has been admittedly more successful in software than in business process outsourcing despite the fact that, traditionally, English has been a second language and, until 2 decades back, the main official language of

government work. The quality and availability of skilled people who can develop software still requires improvement to compete with the global market—a challenge that could be addressed through the provision of information technology parks, in which the government provides the facilities to private investors to work with higher education institutions.

#### d. “Design–Build–Finance–Operate” Public–Private Partnership Model in Higher Education

Under the current PPP institutional and legal framework, the first collaboration with the private sector has been initiated by the Chittagong Medical College and Hospital. This PPP was examined through a feasibility study conducted with financial support from the PPP Technical Assistance Fund. Variations of this PPP model could also be explored to address the higher education challenges outlined in Table 29.

## E. Conclusion and Recommendations

### 1. Key Findings

In Bangladesh, each of the education subsectors, particularly the basic education subsectors, has witnessed impressive gains in access and quality over the past decade. But merely providing additional resources for expanding and improving the existing public education system will be insufficient to address all the challenges. Alternative approaches need to be considered in which the nexus between governance, provision, finance, and accountability is reappraised. Fortunately, there are already rich examples of different systems in the country that are working, most particularly in the case of the Bangladesh Rural Advancement Committee in the primary education subsector, the dominant role played by the nonstate sector in the provision of secondary education, and the diverse involvement of industry in TVET such as the Centre of Excellence for Leather Skill.

The government has a variety of policy objectives: enabling more investment in infrastructure by accessing private finance, improving accountability in the provision of infrastructure and the delivery of public services, harnessing private sector innovation and efficiency, stimulating growth and development in the country, or *achieving* value for money in the provision of infrastructure and public service delivery. The selection of PPP models will depend on the country’s unique developmental context. But whichever PPP model is selected for achievement of a particular policy objective, a number of common characteristics will underpin the chosen PPP model: (i) the government as the funder and regulator, and possible use of per-student funding; (ii) autonomous management, accountability, and a focus on outcomes rather than inputs; (iii) establishment of a good regulatory and legal framework; (iv) promotion of innovation; and (v) specific measures for incentivizing the private sector to participate, particularly in locales, subject areas, or target markets where it might not enter of its own accord.

While the Government of Bangladesh has undoubtedly been proactive in supporting the implementation of PPPs, there are in-country policy-level and operational challenges to establishing PPPs, particularly as regards the education sector (Table 33).

**Table 33: A Summary of Challenges to Public–Private Partnership Formulation and Implementation**

Area	Constraints
Project formulation	<ul style="list-style-type: none"> <li>• As per the existing policy and the draft law, a PPP project can be initiated by the ministry concerned and relevant government agency; hence, it may discourage initiative from the private sector.</li> <li>• Any unsolicited proposal from the private sector has to be processed under a competitive bidding procedure, and thus may not guarantee the original initiator the bid. This may again discourage innovative ideas from the private sector.</li> <li>• Dependence on the ministry to initiate a PPP proposal may, in turn, create a dependency on the development partners, thereby limiting private initiatives in innovating education PPPs.</li> </ul>
Approval procedure	<ul style="list-style-type: none"> <li>• The education PPPs discussed in this report are mostly initiated under development partner projects.</li> <li>• However, under the current PPP institutional and legal framework of the country, a stand-alone PPP project has to go through an approval process requiring clearance from the PPP Office, approval from the Cabinet Committee on Economic Affairs (excluding a smaller project that the minister can approve), and clearance from the Ministry of Finance in case viability gap financing is needed.</li> <li>• Thus, the approval process may at times become lengthy and may discourage a PPP initiative.</li> </ul>
Delivery capacity	<ul style="list-style-type: none"> <li>• Lack of capacity in monitoring PPP contracts may eventually turn out to be costly. In the nonformal education sector, simple service contracts could not be properly monitored, as has been argued.</li> <li>• Thus, complex and large PPPs will require clear understanding of risk sharing, contract management, etc. Any large PPP should be accompanied by corresponding capacity development of the implementing government agencies.</li> </ul>

PPP = public–private partnership.

Source: Authors' compilation.

## 2. Recommendations

This section provides some potential policy directions that can support better partnership between the Government of Bangladesh and the private sector. These six recommendations support the government's Policy and Strategy for PPP (2010) to achieve more traction in the country's education and training subsectors.

### a. Recommendation 1: Analyze the Enabling Environment for Public–Private Partnership Contracts

This analysis is based on the recognition that the Government of Bangladesh has a range of policy tools that it can deploy to intervene in the education sector; and further, that the government has already undertaken considerable preparatory work in support of funding, provision, regulation, and information dissemination for PPPs. This analysis needs to review the level of current country partnership and education sector strategies to determine how these PPP frameworks are fit-for-purpose to meet the specific issues and challenges identified in the different education subsectors through (i) a review of the PPP processes and methodologies; (ii) the PPP enabling policies and legislation; (iii) development,

appraisal, and implementation procedures for projects procured through PPP; and (iv) the development of monitoring mechanisms and parameters of PPP projects across the four forms of contract.

#### **b. Recommendation 2: Identify the Specific Potential for Public–Private Partnerships in Education**

Once this education sector analysis and the respective subsectoral road maps have determined the present conditions for partnerships in education, as well as the policy, regulatory, and institutional issues and challenges, then it is possible to determine which education subsectors would benefit from PPPs and the assistance modalities required to support them. While this report offers possible PPP arrangements to assist in addressing primarily access, equity, quality, and relevance challenges in basic and post-basic education, for the following five reasons, the suggested arrangements are considered particularly appropriate and conducive for rollout to assist in the attainment of the TVET and higher education subsectoral targets:

- (i) The private sector has more capacity and expertise to deliver PPP projects in TVET and higher education.
- (ii) The public sector has already expended time in the conceptualization and structure of possible PPPs in TVET and higher education.
- (iii) The TVET and higher education sectors are more open to recovery of investment through charging fees to the trainee, industry, or the government through the student stipend.
- (iv) The “users” (industry, parents, and students) are more disposed to paying for vocational training and higher education as they are of shorter duration, and thus less costly and quicker to access a return on the investment.
- (v) The government is under considerable strain to address the demand-side pressures in TVET and higher education.

The country partnership strategy documents should indicate what form of contract and services at each of the subsector levels can be pursued using a PPP approach, and these documents need to differentiate clearly a PPP response from a purely private sector participation response. Any identification of a potential role for PPPs must be underpinned by a clear rationale and pursuit of the four main education objectives: increasing enrollments, improving education outcomes, reducing inequality, and lowering costs.

#### **c. Recommendation 3: Provide Ongoing Support to Project Development and Implementation**

While a reorientation of government policy toward PPPs brings advantages, a new set of challenges needs to be overcome throughout the entire project process, including raising the levels of public sector revenue mobilization and developing the financial systems to encourage a greater flow of private capital into the education and training sector, the presence of well-entrenched but weak sector institutions, and numerous policy constraints. A flexible response is required to address these challenges, and thus the Government of Bangladesh’s traditional project design needs to be revised to provide transaction advice and technical support, as necessary, on a call-down basis over the entire life of the project.



**d. Recommendation 4: Develop a Public–Private Partnership Monitoring Framework**

Complex questions need to be answered when developing a PPP. The prevailing logic is that the scope of a PPP is determined by the degree to which the interests of the partners meet. However, this logic focuses on best practices and management challenges; it does not provide an understanding of the conditions under which PPPs emerge, the factors that drive them, or the factors that determine whether the PPPs show impact and sustainability. What is needed is a fact-based, comparative assessment of what PPPs can accomplish and what it takes to make them work, particularly in the provision of the core education services.

**e. Recommendation 5: Provide a Complementary Package of Interventions**

Communications with the “actors” (be they project officers from international development agencies, government officers involved in the planning of public sector education loan projects, or private sector education providers) regularly indicate that there is an intent to pursue PPPs, but that a number of challenges hinder the actual realization of PPPs in education, such as financial and economic risks associated with the operation of a project; delayed preparation of contract and bidding documents; and, most critically, difficulty in attracting private sector investment. Proposed reforms involving private participation often face scepticism and sometimes outright opposition. One means for overcoming this opposition is to design a pilot project that shows visible improvements associated with the reform.

**f. Recommendation 6: Continue Increased Emphasis on Research and Analysis**

Presently, there is no sound evidence-based research on the impact of PPPs on education outcomes in Bangladesh. This research is required to inform the work to be done in shaping education policy and in supporting successful implementation. In addition, it would work to support the advocacy of PPPs as an innovative alternative model. Such studies should aim at developing a detailed understanding of typical PPP models currently present in Bangladesh and evaluating the impact they have had, thereby providing better information about the efficacy of PPP as a solution for improving the quality of education. Given the pressing need to know more about the PPP experience, it is important to continue research and analysis on PPPs. An important partner in this research is “civil society” since communities can bring different sectors together and facilitate dialogue among them. They can also advocate and lobby for good governance in the PPP process. Three overarching objectives in this research include, first, studying the core elements of PPP models in the country; second, assessing the learning outcomes of students attending PPP schools in comparison with each other and with students from the same catchment that are attending non-PPP schools (government schools, aided schools, low-cost private schools, madrasahs, etc.); and third, identifying lessons that can shape future PPP policy and implementation work in the education and training subsectors.

# VI. PUBLIC-PRIVATE PARTNERSHIP FOR EDUCATION IN NEPAL

## A. Public-Private Partnerships in Nepal

### 1. Definition of Public-Private Partnership in Nepal

The Government of Nepal's first true PPP commitment emerged in the Ninth Five-Year Plan, 1997–2002, which states that “PPP private partnership will be encouraged for urban development services.” To encourage private investment in the integrated development of the infrastructure of the urban areas, a policy based on the build, own, and transfer principle was adopted and laws, rules, and regulations were framed. Since then, the government has considered partnership approaches for various fields such as infrastructure, education, health, local development, tourism, and economic development.

The Government of Nepal defines a PPP as: (i) a contractual agreement between a public entity and private entity, (ii) for the delivery of infrastructure or services in the public interest, (iii) in which the public partner focuses principally on the output and allows the private partner to determine the input, (iv) a substantial transfer of appropriate risk takes place to the private party although capital investment may not be required in all PPPs, and (v) better value for money can be demonstrated when compared with traditional public provision.<sup>56</sup> Box 16 provides brief summaries of three such PPP examples.

#### Box 16: Examples of Public-Private Partnerships in Nepal

- The Kathmandu Metropolitan City pioneered private sector involvement in the municipal sector with the Private Sector Participation Program as far back as 1999–2000 for institutional strengthening of the city. Several projects or ventures were identified for implementation, such as the Gongabu bus park, construction of footbridges at different locations, and operation and management of Dharahara and its surroundings.
- The Public-Private Partnerships for Urban Environment Project, which commenced in 2002 with the support of the United Nations Development Programme, has worked toward raising local and national awareness of the potential of public-private partnerships (PPPs) and creating an enabling environment for PPPs in local urban service delivery with continued capacity building and policy and legislative interventions.
- The Council for Technical Education and Vocational Training and the Federation of Nepalese Chambers of Commerce and Industry have established a PPP to develop nine illamprashikshankendras (trade schools). These schools provide training to develop employment-oriented skills.

Source: National Planning Commission. 2011. *White Paper on Public-Private Partnership (PPP)*. Kathmandu.

<sup>56</sup> National Planning Commission. 2011. *White Paper on Public-Private Partnership (PPP)*. Kathmandu.

In its 2011 *White Paper on Public–Private Partnership*, the National Planning Commission introduces three main models of PPPs: revenue-based, availability-based, and hybrids. Under the revenue-based model, the private party receives revenues solely from the direct collection of user charges; this model is expected to be applied in sectors where direct and clear user charges can be applied and collected, such as transport and similar infrastructure and services. Under the availability-based model, the private party receives revenues from payments from the public partner or other government body; this model is expected to be applied in sectors where direct user charges are either impossible or undesirable (social sectors such as health or education) or where the government is effectively the user (such as accommodation projects for government buildings). Under the hybrid model, the private party receives revenues through some combination of user charges and availability payments and/or may obtain revenues by exploiting other assets or rights.

The Government of Nepal believes that these PPP arrangements can, in principle, be applied in the infrastructure sector and the provision of services in the country, but with defined parameters for their sectoral eligibility and use in priority sectors. Eligible sectors are any infrastructure or services sector for which the government has responsibility, such as physical infrastructure and social services, as well as the facility and service needs of the government. Priority sectors are defined as physical infrastructure and transportation (roads, bridges, ports of all types); energy, including large-scale hydropower, rural energy, and renewable energy; information and communication; environmental such as solid waste management and water and sanitation; and basic services such as health and education.

According to international practice, the Government of Nepal requires that these contracts should include the provision of clear and measurable outputs; clear definition of the assets; asset ownership; responsibilities; contract duration; the use of performance-based payments when there is a need for a government financial contribution; and risk allocation, with these risks being allocated according to the principle that each party bears the risks that it is best able to manage and financially able to bear.<sup>57</sup>

## 2. Public–Private Partnerships in Education in Nepal

Table 34 provides a summary of PPPs in education in Nepal across different types of PPP in the different education and training subsectors.

**Table 34: Examples of Public–Private Partnerships in Education in Nepal**

Description	Example	Sector
<p><b>Service contracting.</b> The private partner contracts with the public sector to provide a specified level of service. Contracts are typically 1–3 years in duration.</p>	<ul style="list-style-type: none"> <li>• Under the Basic and Primary Education Program II, the Government of Nepal is providing support to community-based early childhood development centers.</li> <li>• The National Center for Educational Development is outsourcing the delivery of teacher training to nonstate entities.</li> <li>• CTEVT is providing the training of trainers from private training institutes.</li> </ul>	<p>Basic education TVET TVET</p>

*continued on next page*

<sup>57</sup> Further information on this PPP white paper can be sourced from Policy Framework for Public Private Partnership (PPP) Projects in Nepal, which was presented at the Third Ministerial Meeting on PPP for Infrastructure Development, held in Tehran, Iran, on 11–14 November 2012 (<http://www.unescap.org/sites/default/files/3-Nepal.pdf>).

Table 34 continued

Description	Example	Sector
	<ul style="list-style-type: none"> <li>Federation of Chambers of Commerce and Industry trade schools</li> </ul>	
<p><b>Management contracting.</b> Operation of public assets undertaken by a private partner. The private partner receives a management fee. Contract periods are usually limited to 3–5 years.</p>	<ul style="list-style-type: none"> <li>The Laboratory School at Kritipur, which was established with 60% funding from the public, and trust and managed by the Government of Nepal, was on the verge of closure. The school has had a special feature to provide education for visually impaired (blind) children.</li> <li>Little Angel School requested the Government of Nepal to hand over the management of the school. For the last 5 years, the school has managed itself and has increased enrollment from 70 to 1,300, of which 30 are visually impaired children.</li> </ul>	Basic education
<p><b>Demand-side financing.</b> The government pays either the private user or the private provider an amount for delivering a public service. Payment is usually made upon the successful delivery of a specific quantifiable outcome.</p>	<ul style="list-style-type: none"> <li><b>Manmohan Memorial Polytechnic.</b> The Government of Nepal established the institute in 2005. It is currently operated by Manmohan Memorial Foundation in a tri-party agreement with the governments of Nepal and India and CTEVT. The Government of India provides support for buildings, equipment, and workshop facilities, while the Government of Nepal provides grants and student fees for recurrent and operational expenditures.</li> <li><b>Madan Ashrit Memorial Technical School.</b> Part of the land was provided by the government and community and part of it purchased by the trust. The government provides grants with contributions from the community for building construction, equipment support, and furniture.</li> <li><b>Tansen Nursing School, Palpa.</b> This school is being run under a memorandum of understanding between CTEVT and United Mission, and Tansen Hospital.</li> <li><b>Bharatpur School of Health Science.</b> The school is run by CTEVT as an “ophthalmic project” in collaboration with the Bharatpur Eye Hospital and managed by Lions Club district chapter.</li> </ul>	All TVET

CTEVT = Council for Technical Education and Vocational Training, PPP = public–private partnership, TVET = technical and vocational education and training.

Source: Authors' compilation.

## B. Education Sector Analysis

Following the School Sector Reform Program initiated in 2009, the education system of Nepal now consists of four levels: preprimary (below 5 years old); basic education (5–12 years, grades 1–8); secondary (13–16 years old, grades 9–10); higher secondary (grades 11–12); and higher education (17 years old and above). Table 35 provides an overview.

Table 35: Level of Education by Age, Nepal

Normal age (years)	Below 3–4	5	6	7	8	9	10+	11	12	13	14	15	16	17	18	19	20	21	
Grade		1	2	3	4	5	6	7	8	9	10	11	12						
Old system	Preprimary/ early childhood development	Primary					Lower secondary			Secondary		Higher secondary		Higher education					
New system based on SSRP	Preprimary	Basic (grades 1–8)						Secondary (grades 9–12)				University							

SSRP = School Sector Reform Program.

Sources: School Sector Reform Program; Second Higher Education Project; Education for All Shishu Vikash Karyakaram; and Community School Capacity Development Program Status Report 2012.

At the end of grade 10, students take an examination, and those who pass become eligible to take a national examination called the School Leaving Certificate examination. Those who pass can apply for admission to grade 11 in a higher secondary school operating under the Higher Secondary Education Board of the Ministry of Education. At the end of grades 11 and 12, the students are required to take school-level sent-up examinations and also national Higher Secondary Education Board examinations to pass the higher secondary level. Under the Council for Technical Education and Vocational Training (CTEVT), there is also provision of higher secondary-level technical education. The CTEVT-affiliated technical schools offer skills training courses either to grade 10 pass students or to those with Technical School Leaving Certificate.<sup>58</sup> Technical and vocational education is offered through CTEVT's 9 constituent technical schools and 118 private technical training institutes. Course duration ranges from 1 year to 2.5 years, but most courses offered are 2 years in duration.

After passing the higher secondary level, students are eligible to apply for bachelor's degree courses. Bachelor's degree courses in general subjects are for 3 years' duration. Technical institutes providing bachelor's degrees in engineering and medicine are for 4 years' duration. The master's degree that follows the bachelor's degree is a 2-year program. Tribhuvan University and Kathmandu University also offer doctoral degrees of philosophy in different fields.

Besides formal school education, there are provisions for nonformal education at the basic and primary levels. Out-of-school youths who did not attend primary school and who are overage can join a 9-month nonformal primary education course, popularly known as the OSP (Out-of-School Program). Upon completion of the program, the student can join formal school at grade 3. There are also provisions for flexible school programs for those who cannot attend during regular school hours, and a school outreach program for those who do not have access to regular schools.

<sup>58</sup> Grade 10 pass students are at an academically lower level than those who have passed the School Leaving Certificate examination. Students having a Technical School Leaving Certificate are the ones who have taken a vocational stream after eight grades and completed 2 years of vocational training. The practice of admitting such students to vocational schools has been abolished after the enforcement of a new policy related to technical and vocational education.

Basic education schools are categorized into two types. Institutional or private schools are nongovernment operations supported by parents and trustees. Community schools are supported by the government, and which are further classified into three subcategories: community-aided (fully supported by the government for teachers' salary and other expenses), community-managed (fully supported by the government for teachers' salary and other funding but managed by the community), and community unaided (getting either partial or no support from the government). At the primary level, out of the total 34,298 schools, 28,300 are community schools and 5,998 are institutional schools. At the lower secondary level, out of the total 14,447 schools, 10,809 are community schools while 3,638 are institutional schools. Among 34,484 basic education schools, 28,453 are community managed and 6,031 are under institutional management.<sup>59</sup>

**Preprimary education.** The government's early childhood development target was to establish 74,000 centers throughout the country by 2015. At present, with a total of only 34,622 centers, there is insufficient coverage to accommodate all children between 3 and 5 years of age. Under the Basic and Primary Education Program II, the Government of Nepal is engaged in a partnership arrangement whereby the government is providing support to community-based early childhood development centers for the facilitator's salary of NRs36,000 (\$377) per year, as well as establishment costs, basic material costs, and a maximum of NRs35,000 (\$366) to match the fund collected by the community. The Basic and Primary Education Program II also bears the cost of basic and refresher trainings for the facilitator and orientation programs for the management committee members. However, many centers have not yet been able to raise the funds to match the entire amount provided to them by the government.

Table 36 provides the number of early childhood development centers in the country and their allocation by type of provider.

**Table 36: Number of Early Childhood Development Centers, Nepal**

Region	Community	Private	Total	Private as % of Total
Mountain	2,993	186	3,179	6
Hill	13,124	1,610	14,734	11
Kathmandu	795	1,169	1,964	60
Terai	12,623	2,122	14,745	14
Total	29,535	5,087	34,622	15

Source: Government of Nepal, Department of Education. 2013a. *Flash 1 Report (SY2013/14)*. Bhaktapur.

**Primary and secondary education.** Recent statistics indicate more than 100% gross enrollment rate (GER) in primary education and more than 50% GER in secondary education and gender parity in enrollment, a major achievement in school education (Table 37).

<sup>59</sup> Government of Nepal, Department of Education. 2013a. *Flash 1 Report 2013*. Bhaktapur.

Table 37: Number of Schools and Student Enrollment, Nepal

Indicators	Total	Primary	Lower Secondary	Secondary	Higher Secondary
Number of schools	32,130 <sup>a</sup>	31,656	11,341	6,928	2,512
Enrollment	7,575,880	4,900,663	1,604,422	790,348	280,447
Gross enrollment rate		141.4	88.7	65.7	23.6
Net enrollment rate		93.7	63.2	40.8	6.8
Gender parity index		0.98	0.96	0.97	1.01

<sup>a</sup> Because a higher-level school may include lower-level schools, the total count of schools is not the sum of the different level school numbers.

Sources: Government of Nepal, Ministry of Education. 2010. *Nepal Education in Figures 2010*. Kathmandu; and University Grants Commission. 2012. *Education Management Information System: Report on Higher Education, 2010/2011*. Sanothimi, Bhaktapur.

Of the total enrollment across grades 1–8, 19% of the students are based in grade 1, 14% in grade 2, 12% in grade 5, and 10% in grade 8. Although rising, the cycle completion rate remains low due to high dropout rates, particularly in grades 1 and 2. A low percentage of the students reach grade 10, half of whom pass the School Leaving Certificate examination at the end of grade 10. Only 10%–15% of those enrolled in grade 1 are able to complete grade 10 with the School Leaving Certificate (Footnote 56).

According to the Department of Education Flash 1 reports 2008–2012, based on the absolute number of students by level for SY2012/2013, almost 85.0% at the primary level, 84.0% at the lower secondary level, and 85.0% at the basic level were enrolled in community schools, with the remainder enrolled in private schools. In the overall situation of gender parity, the proportion of girls attending private schools was 13% compared with 18% for boys in the same school year. The shares of enrollment in private schools at all levels are increasing each year. Table 38 illustrates this trend over the 5-year period from 2008 to 2012: private sector share of total primary enrollment grew by 10%–15% while its share of lower secondary grew by 14%–16%.

Critically from a gender perspective and an indication of parental attitude toward the choice of education is the fact that, at all levels, the shares of girls are considerably lower in the institutional schools compared with the shares of enrollment in the community schools. In 2013, the percentage of girls in institutional schools was 44% at the primary level, 43% at the lower secondary level, and 44% at the basic level (Footnote 56).

**Higher secondary education.** Established in 1989 under the Higher Secondary Education Act, the Higher Secondary Education Board runs the higher secondary education. The board is involved in running the 10+2 system in the country. The Nepal National Commission of Education 1992 recommended the importance of the 10+2 structure in the education system and viewed it as the first step toward specialization. However, it was felt that the 10+2 structure should essentially focus on the need for addressing middle-level staffing requirements and for imparting necessary knowledge and skills to those students who want to continue their education at the undergraduate level. There are 3,596 higher secondary schools affiliated with the Higher Secondary Education Board; 2,648 are

managed by communities in public schools and the rest are managed by private schools and colleges.<sup>60</sup> Table 39 shows the decreasing pass rates for grades 11 and 12 year-on-year, which is an indication of declining internal efficiencies.

**Table 38: Enrollment Shares of Private and Community Schools in Basic Education in Nepal, 2008–2012**

Types	Year	Primary	Lower Secondary	Basic Education	Total Students Private and Community	
					Total students	Private as share of total (%)
Community	2008	4,288,517	1,263,313	5,551,830	6,249,175	11
Private		493,796	203,549	697,345		
Community	2009	4,256,010	1,366,348	5,622,358	6,505,085	14
Private		644,653	238,074	882,727		
Community	2010	4,363,443	1,469,133	5,832,576	6,651,883	12
Private		588,513	230,794	819,307		
Community	2011	4,111,679	1,546,647	5,658,326	6,595,565	14
Private		671,206	266,033	937,239		
Community	2012	3,885,449	1,537,167	5,422,616	6,399,885	15
Private		691,244	286,025	977,269		

Source: Government of Nepal, Department of Education. 2013a. *Flash 1 Reports 2008–2012*. Bhaktapur.

**Table 39: Data on Grades 11 and 12 Student Entry and Pass Rates, Nepal, 2008–2012**

Year	Grade 11			Grade 12		
	Appeared	Passed	%	Appeared	Passed	%
2012	285,277	113,953	39.94	261,776	110,966	42.39
2011	299,851	115,968	38.68	262,401	127,043	48.42
2010	298,058	117,268	39.34	226,925	101,802	44.86
2009	251,675	101,255	40.23	186,817	87,208	46.68
2008	205,200	84,131	41.00	132,940	67,329	50.65

Source: Government of Nepal. 2012. *Higher Secondary Education Board Statistical Report*. Bhaktapur.

**Technical and vocational education and training.** Formal TVET is offered through 26 public institutes, 75 vocational units attached to district secondary schools, and over 450 privately run, publicly affiliated training providers. Many small unaffiliated providers offer informal

<sup>60</sup> More details on the higher education system can be sourced via the website [http://www.educatenepal.com/article\\_archive/display/education-system-in-nepal](http://www.educatenepal.com/article_archive/display/education-system-in-nepal).



training, and traditional apprenticeships offer informal learning on the job. Constituted in 1989, the CTEVT has been mandated to be an autonomous apex body for TVET and forms the backbone of the country's formal TVET system in terms of technical, regulatory, and provisional functions through its constituent institutions and affiliated providers.

As semi-autonomous suborganizations of CTEVT, the Training Institute for Technical Instruction and the National Skills Testing Board serve the need for TVET human resource development, skills testing, and certification. Several government ministries also run formal and informal programs. The number of private training providers has increased since around 2005 due to the high demand for skills married with the expectation of higher-paying jobs. Government and externally financed projects also offer short-term training.<sup>61</sup> Currently, the technical schools affiliated with CTEVT offer skills training courses either to grade 10 pass students or to those having a Technical School Leaving Certificate (TSLC).

There are three types of technical schools under CTEVT providing technical and vocational training programs: (i) CTEVT constituent technical schools (21 institutes), (ii) CTEVT-supported annex programs that are delivered in the general community schools (73 institutes), and (iii) CTEVT-affiliated private technical schools (359 institutes). CTEVT constituent technical schools and private affiliated schools offer short-term vocational courses and TSLC-level and diploma-level courses, while the community schools with the annex program conduct short courses and TSLC-level courses. There are 453 technical schools and colleges under the CTEVT umbrella.

**Higher education.** Nepal's higher education history is less than a century old. Tribhuvan University, the country's first university, was established in 1959 when the country's GER in secondary education was less than 10%, the university-level GER was less than 1%, and total literacy was less than 10%. After 1990, higher education started expanding with the establishment of several new universities and many new colleges through affiliation with various universities. Between 2005 and 2010, the number of campuses expanded from 571 to 1,087, with an average annual growth rate of 14% and net growth of 90.0%. The Tribhuvan University system continues to dominate higher education provision with over 83% of the higher education enrollment. However, this monopoly is gradually declining both in terms of quantity and quality. Over the last 3 decades, higher education enrollment increased more than tenfold: from 38,000 students enrolled in 1980 to 407,934 students enrolled in 2010. According to the 2012–2013 economic survey (Table 40), nine universities and three deemed universities are providing education through their 95 constituent and 1,200 affiliated colleges.<sup>62</sup>

<sup>61</sup> For further details on the TVET subsector, see ADB. 2015. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia: Nepal*. Manila.

<sup>62</sup> University Grants Commission. 2012. *Education Management Information System Report on Higher Education, SY 2010/11*. Bhaktapur, Nepal.

Table 40: Universities and Academies in Nepal, School Year 2010/2011

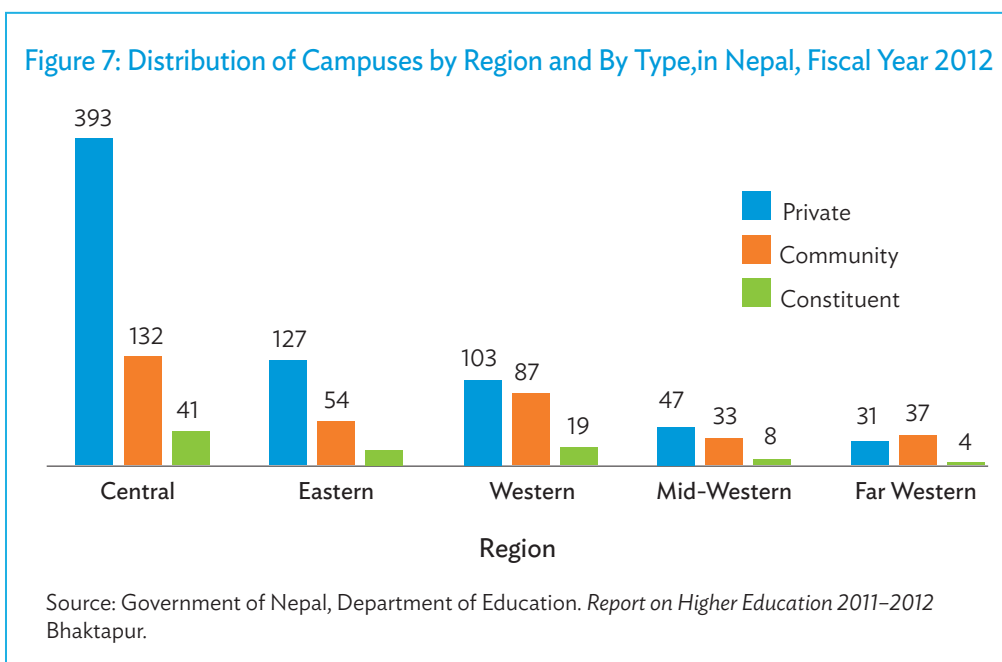
University/Academy (name and year established)	Number of Campuses				Total Number of Programs	Total Student Enrollment	Number of Teachers
	Constituent Campuses	Affiliated Community Campuses	Affiliated Private Campuses	Total			
Tribhuvan University, 1959	60	296	530	886	173	375,005	13,679
Kathmandu University, 1991	6	0	15	21	98	9,737	341
Pokhara University, 1997	4	0	49	53	43	16,666	116
Purbanchal University, 1994	3	5	106	114	72	24,726	49
Nepal Sanskrit University, 1986	13	2	9	24	9	3,945	770
Lumbini Buddhist University, 2005	1	0	0	1	1	33	3
BP Koirala Institute of Health Sciences, 1993	1	0	0	1	10	1,192	183
National Academy of Medical Sciences, 2002	1	0	0	1	14	203	142
Patan Academy of Health Sciences, 2008	1	0	0	1	1	60	85
<b>Total</b>	<b>90</b>	<b>303</b>	<b>709</b>	<b>1,102</b>	<b>421</b>	<b>431,567</b>	<b>15,368</b>

Source: University Grants Commission. 2012. *Education Management Information System Report on Higher Education, 2010/2011*. Bhaktapur, Nepal.

The government budget allocation to the subsector decreased significantly from 28% in FY1992 to 18% in FY1996 and to 10% in FY2010. As of 2014, in the absence of funding criteria, the basis of allocation had been to follow what was provided historically. The funds provided for Tribhuvan University and Nepal Sanskrit University more or less correspond to the salary of the approved number of teachers and staff. For other universities, block grants are provided on a discretionary and ad hoc basis. There is a wide variation in the funding available per student: for example, the government grant per student is NRs16,118 (\$169) for those enrolled in Tribhuvan University; NRs2,626 (\$28) for Kathmandu University; and NRs73,538 (\$769) for Nepal Sanskrit University.<sup>63</sup>

By law, there are no private universities in Nepal, but rather “state” universities. However, based on the apparent freedom in which the universities of Kathmandu, Purbanchal, and Pokhara are operating and the manner in which they were legally constituted by Parliament—Kathmandu University as a university in the nongovernment sector, Purbanchal University as a public university, and Pokhara University as a university for increasing the participation of the private sector in higher education—they are essentially

<sup>63</sup> Footnote 60 (University Grants Commission. 2012. *Education Management Information System Report on Higher Education, 2010/2011*. Bhaktapur, Nepal.)



private entities.<sup>64</sup> While these university acts state that these are fully autonomous organizations, it is also provided that, in case of failure to operate, the government will assume ownership over these universities. Private higher education institutions, on the other hand, are established and registered under the Company Act. Universities affiliate with these institutions giving them authority to offer their programs. Figure 7 shows the distribution of the different types of campuses across the country's five regions, highlighting the presence of majority of the campuses in the central region.

The government has overall authority over higher education, and it exercises this authority primarily through two key agencies: the Ministry of Education and the University Grants Commission. The Ministry of Education is responsible for the processing and regulation of Nepal's education sector, including higher education, while the University Grants Commission is an autonomous statutory organization that facilitates, promotes, and supports the process and development of higher education in the country.<sup>65</sup>

## C. Education Challenges

### 1. Basic Education

- (vi) **Access and equity.** Improving equitable access to quality education is accorded the highest priority in Nepal's development agenda. Impressive progress has been made in sector performance, especially in access to education. The progress in school education demonstrates the resilience built up through incremental but critical reforms. This resilience stems mainly from the decentralized school system, which is a unique feature and strength of the education system in Nepal.

<sup>64</sup> Kathmandu University Act 2048 (AD 1992), Purbanchal University Act 2050 (1994), and Pokhara University Act 2053 (1997).

<sup>65</sup> Created through the University Grants Commission Act of 1993.

As stated in the 2012 School Level Educational Statistical Consolidated report, the total gross enrollment rate of early childhood development and preprimary classes increased from 63% in 2008 to 74% in 2012.<sup>66</sup> The highest GER (160%) was achieved in the valley eco-belt and the lowest (84%), in the mountain belt. Overall, from FY2008 to FY2012, the average per annum GER increased 4% nationally in this subsector. In total, 1,047,117 children were enrolled in early childhood development and preprimary classes (with an average class size of 30), which still indicates the need for a considerable expansion and strengthening of early childhood development and preprimary education to attain the prescribed class size of 20.<sup>67</sup> Table 41 provides a summary of the enrollment rates in the primary and lower secondary grades.

**Table 41: Enrollment Trends in Basic Education, Nepal, 2008–2012**

Level	School Years					Average Annual Growth Rate (%)
	2008	2008	2010	2011	2012	
Primary (grades 1–5)	4,782,313	4,900,663	4,951,956	4,782,885	4,576,693	1.1
Lower secondary (grades 6–8)	1,466,862	1,604,422	1,699,927	1,812,680	1,823,192	5.6
Basic levels (grades 1–8)	6,249,175	6,505,085	6,651,883	6,595,565	6,399,885	0.6

Source: Government of Nepal, Department of Education. 2013a. *Flash 1 Reports 2008–2012*. Bhaktapur.

While the data continue to show an increasing trend in girls' enrollment in school, improving equity of access to basic education for Dalit and Janajati students is still a serious challenge. In FY2013, the enrollment rate for Dalits was recorded as just 20% for the primary level, 15% for lower secondary, and 18% for the basic levels. For the Janajatis, the share decreased from 38% in FY2012 to 34% in FY2013 at the primary level, from 42% to 39% at the lower secondary level, and from 37% to 36% at the basic level. A further area for improvement is increasing the enrollment of students with disabilities. In SY 2013/2014, the overall enrollment percentages of these children were only 1% in primary education, 0.9% in lower secondary, and 1.0% in basic education.<sup>68</sup>

- (vii) **Quality.** The rapid expansion in access also highlights the need for commensurate improvements in quality, efficiency, and institutional capacity to manage an expanded and inclusive school system. The school sector still faces continuing challenges in providing quality basic education to disadvantaged children in hard-to-reach areas; ensuring a high quality of education; creating an enabling and safe school environment; implementing an effective teacher management and professional development system; and strengthening procurement, financial management, and monitoring and evaluation capacity.<sup>69</sup> Table 42 highlights some

<sup>66</sup> Government of Nepal, Department of Education. 2013b. *School Level Education Statistics of Nepal, Consolidated Report 2012 (2069)*. Kathmandu

<sup>67</sup> Footnote 56 (Government of Nepal, Department of Education. 2013a. *Flash 1 Report 2013*. Bhaktapur.)

<sup>68</sup> Footnote 56 (Government of Nepal, Department of Education. 2013a. *Flash 1 Report 2013*. Bhaktapur.)

<sup>69</sup> <https://www.adb.org/sites/default/files/publication/30146/nepal-school-sector-program-project-brief.pdf>.

of these quality challenges by showing the rates for promotion, repetition, and survival through grades 1–8.

**Table 42: Internal Efficiency Indicators and Achievement, Nepal, School Year 2012**

Indicator	Grade	Achievement (%)
Promotion rate	Grade 1	75.4
	Grade 8	89.6
Repetition rate	Grade 1	17.5
	Grade 8	5.0
Survival rate	Grade 5	85.4
	Grade 8	72.1

Sources: Government of Nepal, Department of Education. *Flash Report 1 2012*; and *2013 School Level Educational Statistics of Nepal Consolidated Report, 2012*. Bhaktapur.

## 2. Technical and Vocational Education and Training

TVET has an important role in transforming Nepal's human resources into productive assets to meet the government's national development objective for inclusive, employment-oriented growth. Key constraints to TVET performance include (i) insufficient and inequitable access, (ii) poor quality and low market relevance, (iii) weak institutional capacity, and (iv) large investment gaps.<sup>70</sup> The focus of the recent Three-Year Plan, FY2011–FY2013 has been on the provision of more skills training for employment.<sup>71</sup>

- (i) **Operational issues.** There is a number of challenges impacting operational efficiency and cost-effectiveness within the TVET subsector, including (i) fragmentation in terms of policies and operational management across a number of different government ministries (Box 19); (ii) overburdening of the Council for Technical Education and Vocational Training with the provision of direct training services rather than a role in policy oversight, program coordination, and quality assurance; (iii) lack of clarity in the roles of the diverse stakeholders of the TVET system; (iv) lack of a mechanism for effective coordination and dialogue among these various actors and their respective activities, which in turn leads to duplication of activities and lack of standardized curricula and skills standards. Most critical perhaps are the facts that (v) funding for training for each public agency is based on the needs of the given department rather than the priorities and needs informed by employers; and (vi) incentives and rewards are lacking for those institutions that achieve good results, while those that are underperforming do not face any sanctions or penalties.

<sup>70</sup> For further details, see ADB. 2012. *Skills Development in Nepal*. Manila.

<sup>71</sup> ADB. 2015e. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Nepal*. Manila.

- (i) **Access and equity.** Intake places are insufficient as there are an estimated 280,000 youths every year who are unable to get into TVET programs. Qualified and trained instructors constitute only about 30% of the total 30,000 instructors. On-the-job training slots are inadequate, and support systems for TVET trainees and graduates are lacking.<sup>72</sup>
- (ii) **Quality and relevance.** Besides the need to improve the common quality inputs (such as effectiveness of instruction, access to appropriate facilities, and administration of examinations) and to increase certification in TVET, there are significant constraints with regard to the relevance of the TVET offerings. Many young Nepalese leave school without the requisite soft skills required to find employment. The current TVET system needs adequate information and effective linkages to support graduates in securing jobs locally and abroad, as well as the skills to operate within a self-employment environment. This mismatch between demand and supply is highlighted by the following post-training employment rates for graduates of long-term TVET programs: 62% in the health trades, 55% in the engineering trades, 46% for the agriculture trades, and only 54% in the information technology (IT) trades.<sup>73</sup>

### 3. Higher Education

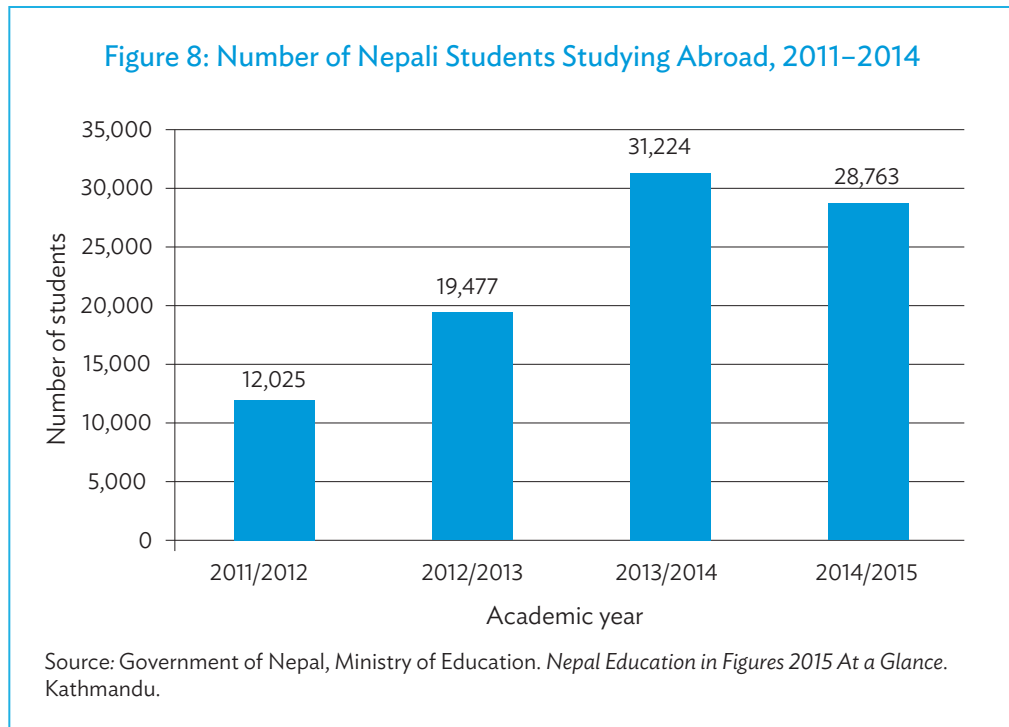
- (i) **Access and equity.** Currently, the development of higher education programs is haphazard and does not relate to labor market demands. Emerging trends indicate high demand for professional programs, such as Bachelor in Business Administration (BBA), Bachelor of Engineering (BE), Bachelor of Medicine and Bachelor of Surgery (MBBS), nursing, and Bachelor of Education (BEd) programs, to prepare good teachers in a rapidly expanding education system. Existing mismatches have to be addressed seriously through labor market monitoring and responded to accordingly. Quality and credibility of institutions is another critical element of higher education. While some institutions have been able to maintain competitive admissions by resisting external pressures, others are unable to do so. Compromises in admission also lead to compromises in the quality of education. To maintain a high quality of student intake, institutions should be allowed to maintain strict discipline in admission. There is pressure for admissions in some institutions, whereas other institutions offering the same or similar programs face a shortage of students.

An increasing number of students are going abroad seeking better educational quality and career opportunities by pursuing self-financed higher education. About one-third of these students are women. This trend has become more prevalent since 2000 when the number of students studying abroad was only 1,897.<sup>74</sup> Figure 8 shows the growth in the number of students studying abroad between 2011 and 2014.

<sup>72</sup> Footnote 67 (ADB. 2015e. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Nepal*. Manila.)

<sup>73</sup> Government of Nepal. 2010. *TVET Journal*. Council for Technical Education and Vocational Training. 2010. Kathmandu.

<sup>74</sup> Government of Nepal, Ministry of Education. *Nepal Education at a Glance 2009 and 2010*. Kathmandu.



- (ii) **Quality and relevance.** Over 70% of the population works in the agriculture sector, but an increasing number of people are seeking work in urban areas or going overseas for employment. There is a major disconnect between what the universities are teaching and what society and the economy require. A majority of the academic offerings are in traditional subject areas such as education, management, law, and liberal arts and humanities, with limited job prospects. These are the programs that receive the bulk of public funding in higher education. On the other hand, technical programs enroll only about 12.0% of the total enrollment, comprising about 4% in science and technology, 7% in medicine and engineering, less than 1.0% in agriculture, and about 0.4% in forestry, with the remainder in *ayurveda*. In 2009, 73% of the total annual graduate output was in general subject areas, while only about 27% graduated from technical programs.<sup>75</sup>

Besides the relevance of offerings, there is a significant quality issue caused by the lack of well-established quality assurance mechanisms, except for some professional and technical programs and institutions that are regulated by their respective professional councils. Many institutions face quality problems due to their inability to establish and enforce quality standards. This affects the quality of admissions, regular operation of classes throughout the year, examination results (high failure rate), and certification. Importantly, a system of quality assurance and accreditation has been initiated recently by the University Grants Commission. Table 43 highlights the quality challenges with details of the university pass rates across various years.

<sup>75</sup> ADB. 2015b. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Nepal*. Manila.

**Table 43: Pass Rates by University and Level (Bachelor’s and Master’s), Nepal, 2008–2011 (%)**

Level (School Year)	University					
	Tribhuvan	Kathmandu	Pokhara	Purbaanchal	Nepal Sanskrit	Total
Bachelor’s (2008/09)	37	92	52	48	48	277
Bachelor’s (2010/11)	31	95	58	48	49	281
Master’s (2008/09)	39	86	75	39	44	283
Master’s (2010/11)	32	97	52	63	61	305

Sources: Office of the controller of examinations of the respective universities; and University Grants Commission. 2012. *Management Information System Report on Higher Education SY 2010/2011*. Bhaktapur.

While recent expansion has been very impressive, GER is still only 14% compared with a global average of 26%, and there are gender inequities, access issues for disadvantaged social groups, and lack of access due to geographic constraints. As of 2014, the higher education GER gender parity index was about 0.7, higher education enrollment from the poorest quintile was less than 1.0%, and the urban–rural disparities were significant. Most of the institutions and students were concentrated in the central region, which accounted for almost 51% of the total institutions and 55% of the enrollment. The Mid-Western and Far-Western development regions, each with 7% of the total institutions and enrollments, significantly lagged behind the other three regions, and the two remote mountain districts lacked any campus.<sup>76</sup>

- (iii) **Operations and funding.** Higher education institutions do not engage in strategic planning, and institutional leadership has not been established yet as a critical element for driving them. Institutions are highly politicized and subject to external pressures. There is no clear national framework of norms, guidelines, and criteria for defining the purpose, scope, and modalities for institutional development, management, and operations. Consequently, this affects smooth and effective functioning of higher education institutions, their output, and monitoring. Higher education institutions also do not have adequate autonomy to make decisions to develop their institutions.

## D. Opportunities

### 1. Basic Education

While school types under the MOE’s jurisdiction comprise the majority (85%) of total formal school enrollment, the nonstate sector makes up 15% of total formal school enrollment—a share that is growing, especially in the urban areas. The schools outside the formal system include a heterogeneous set of institutions: NGO-run schools, nonformal schools, registered and unregistered private schools, and other nonformal education

<sup>76</sup> Footnote 60 (University Grants Commission. *Education Management Information System Report on Higher Education 2010/2011*. Bhaktapur, Nepal.)



programs. Among children of primary school age who attend some type of preprimary or primary-level education institution, about 93.7% are attending nonformal early childhood care and development centers. Some possible PPP arrangements to meet specific objectives include:

- (i) **Access and equity.** While the government has a clear plan for building more classrooms and recruiting teachers to meet the goal of providing free basic education for all, there will always be “out-of-reach” areas where there is no government provision for formal or nonformal preprimary or basic education, particularly over the short and medium term as the government expands its coverage to provide free universal basic education. In those places, based on school mapping at the village level, the current early childhood care and education service delivery model could be expanded whereby registered nonformal providers could be contracted to provide early childhood education and primary school places for children who cannot access schooling. The operators hire teachers and establish their own personnel policies. Contracts might be allocated over a 3-year period and they would be renewable conditional on school performance.
- (ii) **Quality and relevance.** The Government of Nepal may also consider the use of PPPs for improving the quality of basic education provision. Key features of this type of PPP are that it (i) supports access to deployment of private sector expertise and efficiency for the delivery of specified services, (ii) supports economies of scale to increase cost-effectiveness and releases schools and education officials to focus on teaching, and (iii) enables specification of the quality of inputs that can be monitored. Table 44 provides a brief summary of some possible “service contract” areas for PPPs in basic education.

**Table 44: Possible Areas and Activities for Public–Private Partnerships in Basic Education in Nepal**

Area	Details
Supply of noninstructional services	<ul style="list-style-type: none"> <li>• Provide transportation and/or school meals.</li> <li>• Contract out for printing and publications.</li> </ul>
Provision of training services	<ul style="list-style-type: none"> <li>• Establish contractual twinning arrangements in which private universities partner with public universities/training institutions to deliver education in-service programs at the district, zonal, and regional levels.</li> <li>• Alternatively, review the feasibility of a pilot teacher training program in which “training vouchers” for tuition fee assistance and a stipend to cover living costs enable teachers from formal and nonformal primary schools to attend teacher training programs in the public teacher training centers, and in a consortium of approved, accredited private universities and other accredited private training institutions.</li> </ul>

*continued on next page*

Table 44 continued

Area	Details
Support for certification and assessment	<ul style="list-style-type: none"> <li>• Establish an independent evaluation and research center that would conduct national student assessments and other evaluations as required, including staffing, equipment, training, and support.</li> <li>• Support an increased role for school and community-based self-assessment, particularly through specific tools and processes that are leveraged through the school monitoring committees.</li> </ul>
Support for social awareness	<ul style="list-style-type: none"> <li>• Outsource the contracts to private providers with expertise in marketing campaigns for increasing and retaining the number of children enrolled in a full basic education cycle, ensuring greater societal participation in school activities, and increasing interest in primary teacher training as a career.</li> </ul>
Delivery of information technology (IT)	<ul style="list-style-type: none"> <li>• Contract private IT providers to improve the quality of computer education and computer-aided education and increase operational efficiency, thus supporting the building of a digital Nepal with the requisite hardware, software, and training from IT experts.</li> </ul>

Source: Authors' representation.

A project in southern India supported an increased role for school-based and community-based self-assessment, particularly through specific tools and processes that were leveraged through the school monitoring committees (Box 17).

## 2. Technical and Vocational Education and Training

Substantial investment and reforms are needed to address the following constraints: from the access and equity perspective (access disparities and gender-based segregation), quality and relevance perspective (lack of a practical focus and the poor quality or relevance of the training) operations and management perspective (systemic constraints: poor perception of TVET, delivery, the weak link between formal and informal TVET, outdated regulatory and funding frameworks and fragmented oversight frameworks), and finance (the high cost of TVET that is exacerbated by the low levels of private and public sector investment in the sector). Table 45 provides a brief summary of some possible service contract areas for PPP contractual arrangements in TVET.

### Box 17: Example of Community School Assessment in India

The Community Accountability project in rural Anantapur, Andhra Pradesh, operated in 450 schools under funding by the Department for International Development of the United Kingdom and later by the Government of Andhra Pradesh, impacting over 50,000 children, from 2009 to 2012. Women with low literacy levels were trained to monitor and report on local village school quality using a basic “traffic light” scorecard. The project aimed to engage the community in demanding and monitoring improved education access and quality through conducting community awareness programs (right to education); developing a school scorecard with basic quality criteria; training of local women (70% illiterate) in use of the scorecard, using existing self-help groups; and collecting data through random school “inspection” visits monthly. The women then attend the school management committee meetings to review scorecard results.

Source: CFBT Education Trust. 2013. *Community-Based Accountability in India*. Reading.

**Table 45: Possible Areas and Activities for Public–Private Partnerships in Technical and Vocational Education and Training in Nepal**

Focus	Details
Access	<ul style="list-style-type: none"> <li>• Expand the short-term skills training for disadvantaged groups that has been conducted through externally funded projects such as the Nepal Employment Fund, trade schools, CTEVT, Department of Industries, nongovernment organizations, and private institutions.</li> <li>• Provide TVET training for out-of-school youth through modification and expansion of other successfully funded programs.</li> <li>• Contract out the development of social marketing strategies to raise the level of awareness of the need for skills development.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Define the scope and structure of possible partnerships in key sectors between large and medium-sized private enterprises with public TVET institutions. Specific areas for this PPP range from the provision of on-the-job training and apprenticeships to the provision of management training and mentoring.</li> <li>• Look into opportunities for outsourcing of skills development training by approved private operators.</li> <li>• Partner with the private sector and the Training Institute for Technical Instruction through the industrial advisory groups to regularly review and moderate existing TVET curricula to be aligned with competencies and relevant employment practices.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>• Establish specific opportunities for strategic policy dialogue through which the private sector can support the government’s capacity for policy formulation, coordination, and monitoring of policy implementation under the direction of the Education Policy Committee.</li> <li>• Source specific activities through which the private sector can partner on the implementation of the capacity development plan, especially through partnerships with regional and local service providers.</li> <li>• Define specific means whereby the private sector can link with the TVET Sector Development Unit to improve coordination with private TVET providers.</li> <li>• Determine if there are specific ways in which private research and development companies can assist the Research and Planning Division of CTEVT in skills gap analysis and skills forecasting.</li> <li>• Under the new coordinated national structures, establish separate agencies for TVET training and skills development, employment-oriented training, and small enterprise development.</li> <li>• Build greater employer participation in governance, and use enterprise associations to build PPPs in key sectors.</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• Establish a skills development fund for developing middle-level skilled workers and line managers in key sectors with particular emphasis on the poor and vulnerable from the two remote areas of Mugu and Dolpa.</li> <li>• Introduce more training-for-work scholarships (along the lines of formal education and training).</li> <li>• Conduct a study of the feasibility of establishing a levy system where employers are refunded for providing on-the-job external training for their employees.</li> </ul>

CTEVT = Council for Technical Education and Vocational Training, PPP = public–private partnership, TVET = technical and vocational education and training.

Source: Authors’ compilation.

The new ADB Skills Development Project is providing funding to address some of the challenges and to implement some of the activities outlined. This \$20 million grant directly supports key aspects of the government's 2012 TVET policy by improving the quality, relevance, and efficiency of the country's TVET institutes. The project will provide basic-level training and employment services to 45,000 people, at least 40% of whom will be women and 30% from excluded groups. Private sector training and employment service providers will be engaged through performance-based contracting to deliver the services. In addition, the project will improve the quality and relevance of TVET by transforming 10 public TVET providers into more efficient, market-driven model institutes. In addition, 25 new fee-paying mid-level programs will be developed in the priority sectors of construction, manufacturing, and services to be delivered in the 10 model institutes, and partnerships will be set up with industry to enable the institutes to respond to market needs. Some 300 TVET professionals will receive training in management, occupational skills, instructional skills, and curriculum development. The project will also help the MOE set up financial mechanisms to fund skills development and help the CTEVT to restructure itself and work better to answer the needs of the growing private sector in Nepal.<sup>77</sup>

### 3. Higher Education

Successive governments have pursued economic development as a core priority in Nepal's development plans. The Poverty Reduction Strategic Plan adopted in the National Development Plan has emphasized human resource development as a major focus, including production of skilled workers, specialists, planners and developers, entrepreneurs, and innovators, mainly relating to agriculture, forestry, natural resources, hydropower, roads, transportation, communication, tourism, business, and financial management and other high growth industries. It is imperative to align higher education development with the national economic policy and investments under the various development plans. This will require strengthening the capacity for effective coordination and monitoring with respect to higher education development as it relates to the implementation of the national development plans.

- (i) **Access and equity.** Accelerated expansion of access is important to catch up with world development. However, there is a need to ensure that new additions meet justifiable quality standards and that they are relevant to the country context and opportunities. The cost of higher education is an important inhibiting factor, particularly for aspiring students from poor and disadvantaged communities. There must be intervention to ensure equity; supporting poor and disadvantaged students eligible for higher education would be the most effective and efficient measure. Scholarships, student loans, and assistantships or work opportunities during study are possible support provisions. There is a scope for development of a comprehensive system of identifying and assisting poor and disadvantaged students to participate in higher education.
- (ii) **Quality and relevance.** There is a need for organizational reform to enable higher education institutions to launch initiatives for improvements in curriculum practices and provisions and to ensure teacher quality and competence through academic and professional development; for providing supervision, guidance, and counseling services to students; to encourage interface between the higher

<sup>77</sup> These details have been drawn from ADB. 2013. *Skills Development Project Report*. Manila (38176-015). <http://www.adb.org/sites/default/files/project-document/77339/38176-015-nep-rrp.pdf>.

education institutions and communities, society, industry, and business for sharing infrastructure, mutually beneficial activities, and student internships; and for reform in the institutional infrastructure to ensure that various needs are met. And most importantly, there should be reform to ensure that the institutions have and use educational management information systems. In addition, to ensure that higher education institutions meet basic quality norms and standards, there is a need to develop a system of quality assurance in the universities as well as externally as an independent national quality assurance and accreditation body.

The traditional programs should be transformed or phased out, and new market-oriented programs should be developed to ensure that graduates are equipped with the knowledge, skills, and confidence to address the country's human resource needs and to successfully compete in the job market. The new programs should be geared toward transforming the traditional modes of business and professions in Nepal. They should also be designed to prepare and connect people to the emerging new opportunities of modern development. The programs should focus on national priorities—alleviating poverty, generating economic activities with employment prospects, harnessing the country's immense potential for hydropower, and developing agroforestry and ecotourism, and thereby turning the issue of overpopulation into an abundance of human resources.<sup>78</sup>

- (iii) **Operations and funding.** Since Tribhuvan University has developed more like a complex system of higher education institutions than a singular entity as a university, there is a need for reform in its governance and management. The five technical institutions need to be empowered to develop and undertake creative and innovative programs. Similarly, some of its campuses have developed into big complexes capable of serving more than 10,000 students; for example, Prithvi Narayan Multiple Campus has over 15,000 students. Such campuses need to be empowered to work autonomously with provisions and systems contextual to their own milieus, thereby establishing individual credibility. Tribhuvan University has realized such needs and accordingly adopted Decentralization Regulation 2000 and Institutional/Campus Autonomy Regulation 2006. The majority of its campuses are now decentralized. Autonomy, however, remains a challenge; capacity building, both institutional and individual, is necessary to enable them to work autonomously, with responsibility and accountability.

## E. Conclusion and Recommendations

There are a number of reasons why PPP projects have been slow to develop. These include Nepal's lack of a stable government, lack of an agreed-upon constitution, and a new governance system. There is a need for clear policy guidelines on PPP. The lack of experience of both the public and private sectors in structuring, procuring, and managing PPP projects, and that the market for such projects is at an early stage, has been widely acknowledged. Gradually building the PPP market to achieve favorable conditions and

<sup>78</sup> Footnote 70 (ADB. 2015b. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia - Nepal*. Manila.)

levels of confidence will help attract potential domestic and international operators and investors.

If PPP is to become a model for providing infrastructure and services in the country, there is the need for a more systematic approach. The government, through the National Planning Commission, has made some significant commitments to PPP in its Three-Year Plan Approach Paper (FY2011–FY2013), also called the “White Paper.” Under Private, Government and Cooperative/Community Sector Partnership (section 7.14, page 56), the paper elaborates on the role of the private sector as a development partner in social and economic development. It has further given emphasis to the PPP approach, especially in physical infrastructure.

The government recognizes that it will play an important role in initiating and leading the country’s PPP efforts and that it will require major efforts from both the public and private sectors in order to accelerate infrastructure delivery and improve the provision of services using the PPP modality. The 2011 White Paper started the process by outlining the government’s understanding of the PPP concept, stating the government’s vision and objectives, and showing a clear intent to promote and undertake PPP projects. The paper went even further with the establishment of an overarching enabling PPP framework and providing policy guidelines for further initiatives by the government, the private sector, and external funding agencies to promote and support PPPs in the country. Table 46 provides a brief summary of five components to be addressed in the development of a PPP framework for the education and training sectors.

**Table 46: Components of a Public–Private Partnership Framework in Education and Training in Nepal**

Components	Description of Components
PPP education policy	<ul style="list-style-type: none"> <li>• Articulation of the government’s intent to use PPPs to deliver public education and training services</li> <li>• Objectives, scope, and implementing principles of the PPP in the education and training sectors</li> </ul>
PPP processes and institutional responsibilities	<ul style="list-style-type: none"> <li>• Steps by which the education and training projects are identified, developed, appraised, implemented, and managed</li> <li>• Roles of the different entities in this fivefold process</li> </ul>
PPP program oversight	<ul style="list-style-type: none"> <li>• How other entities such as the legislature, auditing entities, and the public will participate in the PPP in education and training programs</li> <li>• How those responsible from the public and private sectors for implementing PPPs are accountable for their decisions and actions</li> </ul>
Public financial management	<ul style="list-style-type: none"> <li>• How fiscal commitments under these education and training PPPs are controlled, reported, and budgeted for, to ensure the PPPs provide “value for money,” and to manage the associated fiscal risk</li> </ul>
Legal and regulatory framework	<ul style="list-style-type: none"> <li>• Laws and regulations that underpin the PPP education and training program, including education- and training-specific PPP legislation, laws, and regulations, and other public financial management laws and regulations.</li> </ul>

PPP = public–private partnership.

Source: Adapted from ADB. 2008a. *Public–Private Partnership Handbook*. Manila.

Post-basic education interventions can only be achieved in an efficient and effective manner, if they are designed and delivered in a partnership between the state and nonstate actors. These interventions include:

- (i) the production of TVET and higher education graduates who are employable in the private sector, especially graduates with good English language and information and communication technology skills;
- (ii) the development at the national level of a set of competency and quality standards, and a qualification framework that provides pathways between the various types of public and private TVET institutions and/or higher education institutions;
- (iii) the presence of quality assurance mechanisms for the public and private TVET and higher education subsectors, and their enforcement;
- (iv) ongoing improvement in the quality of courses and programs in the majority of TVET and higher education institutions;
- (v) the development of the capacity of TVET and higher education staff (both academic and nonacademic);
- (vi) the provision of more effective institutional and policy support;
- (vii) an increase in the coverage and quality of TVET and higher education in lagging regions such as the mountain and hill regions; and
- (viii) an improvement in the research and knowledge linkages between TVET and higher education institutions and the industrial and services sectors of the economy.

Table 47 provides a few achievable recommendations with short-, medium-, and long-term time frames for government to consider and pursue.

**Table 47: Public–Private Partnership Recommendations with Time Frame, Nepal**

Time Frame	Recommendations
1 year (short term)	<ul style="list-style-type: none"> <li>• Revisit the government’s vision and objectives with regard to PPPs and whether there is still a clear intention to promote and undertake PPP projects in the education and training sectors.</li> <li>• Conduct an analysis of the issues and challenges to the establishment of an overarching enabling framework for PPPs in Nepal as envisaged under the White Paper.</li> <li>• Provide policy guidelines for further initiatives by the government, the private sector, and domestic and international agencies to promote and support PPPs in Nepal.</li> </ul>
5 years (medium term)	<ul style="list-style-type: none"> <li>• Initiate studies on the current model PPP projects, draw out learning and best practices, and develop strategies to scale up.</li> <li>• Identify and initiate more new PPP projects across all levels of education and different models with specific indicators for monitoring and evaluation progress and success.</li> <li>• Initiate a broader think tank group with representatives from the government, the private sector, the community, and parents involved in the education sector to draw out best practices and implement learning.</li> </ul>

*continued on next page*

Table 47 *continued*

Time Frame	Recommendations
5–10 years (long term)	<ul style="list-style-type: none"> <li>• Based on the learning review, develop clear PPP strategies, policies, guidelines, and action plans for full-fledged strategies for the development of human resources through the promotion and implementation of PPP in the country.</li> <li>• The environment for PPPs is created and fostering progress.</li> <li>• Students have equal opportunities for education in the country, and market-oriented career opportunities are accessible in the country.</li> <li>• An appropriate regulatory environment for the provision of private and public schools is being established.</li> </ul>

PPP = public–private partnership.

Source: Authors' representation.

Sector reform is an evolving process, and it is critical that Nepal takes action through regulation to eliminate the information asymmetries that enable service providers to overcharge customers. While sustainable independent regulation may take significant time to establish, PPPs can offer an interim solution by embedding regulatory provisions in long-term contracts, subject to adequate institutional capacity and legislative provisions. However, it is important to note that PPPs alone are not the answer to regulatory issues and PPPs cannot substitute for sector regulation. To effectively replicate regulatory provision in PPPs, institutional capacity is important.





# VII. PUBLIC–PRIVATE PARTNERSHIP FOR EDUCATION IN SRI LANKA

## A. Public–Private Partnerships in Sri Lanka

### 1. Legal and Institutional Frameworks

The development history of public–private partnerships (PPPs) in Sri Lanka can be divided into four periods:

(i) 1992–1995, when policy and institutional setup with support from development partners started; (ii) 1996–2004, when PPP projects were implemented; (iii) late 2004, when PPP momentum ceased after the change of government; and (iv) after the end of the civil war in 2009, when there was a shift back toward the possible use of the PPP modalities. PPPs can be traced back to the early 1990s with the privatization of public sector undertakings such as the estate plantations, telecommunications, insurance, and some industrial undertakings. In the 1990s, the plantations were offered to the private sector on management contracts before subsequently migrating to become fully privatized entities except for a few state-managed plantations. The telecoms were privatized in the early 1990s. There were several other state manufacturing and servicing entities such as the Ceylon Steel Corporation, the Sri Lanka Insurance Corporation, and the National Insurance Corporation that were privatized in the 1990s.

However, this use of a PPP approach occurred more as a result of circumstantial and crisis management factors than due to any major shift in policy at the time. The island was plunged into prolonged blackout caused by a shortage in power generation, and the government had no option but to turn to the private sector for power plant investment. Several power plants were established by private sector operatives with this policy change. Later, the government embarked on PPPs in other sectors as well, such as ports and housing.

ADB’s Public–Private Partnership Operational Plan, 2012–2020 has identified three options to address the urgent infrastructure needs of governments: (i) review traditional sources of funds and explore means to access additional funding from them; (ii) investigate mechanisms for generating more resources from off-budget sources; and (iii) consider a greater role for PPPs as a way to procure infrastructure, and identify and address impediments to the development of PPP transactions.<sup>79</sup> Sri Lanka’s investment climate for the private sector has been affected adversely in the past by conflict-related uncertainties, legal disputes, and infrastructure limitations. However, there are indications that the climate is rapidly improving.

<sup>79</sup> For further details on addressing the challenges to infrastructure financing, see Chapter 3 of ADB. 2012. *Public–Private Partnership Operational Plan 2012–2020: Realizing the Vision for Strategy 2020—The Transformational Role of Public–Private Partnerships in Asian Development Bank Operations*. Manila.

One such example of this change is provided by the Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016. For education, the Mahinda Chinthana states that it will “restructure the education and knowledge systems suitably, so that Sri Lanka becomes a key hub for knowledge and learning in the world.”<sup>80</sup> It also specifically promotes the use of PPPs in supporting the education sector in the following manner:

“While the public education system will remain as the predominant service provider, private schools that are operated under the state regulations and standards will be encouraged to provide educational facilities for students who prefer to study in these schools.”<sup>81</sup>

While there have been a number of broad policy statements, there have also been a number of different initiatives to encompass this reform drive with the requisite legal and regulatory instruments in the education sector. For example, the Government of Sri Lanka has stated explicitly that it will seek to open the higher education sector to private investment and delivery of services. In 1997, the Department of Public Finance of the Ministry of Finance and Planning issued *Guidelines on the Government Tender Procedure* to be followed in the procurement of private sector infrastructure projects. These guidelines are to be followed by all government agencies, including the provincial councils in the case of PPPs, and set out a very detailed and transparent procedure to be followed in selecting investors for PPP projects. There are also guidelines in place for unsolicited proposals, and the cabinet is the final decision maker on these matters. Chapter XV of the guidelines stipulates how unsolicited projects could be dealt with when the project is of national importance. At present, most projects with private sector investment are accommodated within this arrangement.

The institutional origins for PPP in Sri Lanka can be traced back to the Secretariat for Infrastructure Development and Investment, which was formed in 1992. The secretariat was later taken over by the Bureau of Infrastructure Investment, which was established in 1996 as an arm of the Board of Investment of Sri Lanka to promote and assist PPPs undertaken by relevant ministries and government departments. The Board of Investment is the apex statutory body empowered to grant approval for foreign investment. It has a wide range of powers including the granting of tax exemptions to foreign and local companies investing in Sri Lanka. During the tenure of the Bureau of Infrastructure Investment, several flagship PPPs were established for a variety of infrastructure projects, including power and ports.

The PPP Unit’s mandate includes facilitating the implementation of PPPs in other state agencies. The services include advisory functions, assistance to line agencies, screening to assess value for money, disseminating good practice, and identifying partners through transparent bidding systems. In addition, this unit also has a capacity-building function, which it implements by holding workshops and seminars. The Board of Investment offers tax exemptions to investors who will invest in the provision of educational services. In addition to income tax exemptions, there are other incentives, such as relief from payment of customs duty on imported capital goods value-added tax and from the Port and Airport

<sup>80</sup> Government of Sri Lanka, Ministry of Finance and Planning. 2010. *Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016*. Colombo (Section 1.116).

<sup>81</sup> Footnote 75 (Mahinda Chinthana Development Policy Framework, 2010–2016, Section 1.116.)

Development Levy, depending on the size of the investment. There are also other agencies engaged in the design, implementation, and delivery of PPPs (Table 48).

**Table 48: Focal Agencies with Responsibility for Public–Private Partnerships, Sri Lanka**

Agency	Role
Attorney General's Department	<ul style="list-style-type: none"> <li>Nonministerial government department whose main function is to advise the government on legal matters. Where the cabinet appoints a negotiating committee to assess any investment projects submitted by any private sector party, the Attorney General's Department is always represented in the technical evaluation committee and sometimes plays a leading role.</li> </ul>
External Resources Department	<ul style="list-style-type: none"> <li>Government agency that is mandated to mobilize official development assistance, including technical cooperation. The areas of responsibility for the External Resources Department include conducting consultations with donors, preparing project pipelines, facilitating pre-project feasibility studies, coordinating with line ministries and agencies, negotiating loans, obtaining approvals, concluding banking arrangements, obtaining donor concurrence, and overseeing implementation.</li> </ul>
Ministry of Finance and Planning	<ul style="list-style-type: none"> <li>Operates under the direct purview of the President and is mandated to formulate national economic and financial policies as well as the overall strategy. Engaged in facilitation of new projects as well as setting the overall policy direction on PPPs in Sri Lanka.</li> </ul>
Department of Public Enterprises	<ul style="list-style-type: none"> <li>Under the Ministry of Finance, it is mandated to monitor public enterprises and implement corporate governance practices as well as look at restructuring and post-privatization issues.</li> </ul>
Interdepartmental coordination and capacity building	<ul style="list-style-type: none"> <li>PPP units are mandated to coordinate and assist other ministries and departments to implement PPP projects, but in reality, ministries try to do their own PPP projects.</li> </ul>

PPP = public–private partnership.

Source: Authors' compilation.

## 2. Examples of Public–Private Partnerships in Sri Lanka

During 1993–2009, the country attracted about \$3.3 billion of private investment in infrastructure projects, mostly in telecommunication but also some in electricity and one in the ports sector. Sri Lanka pioneered telecom reforms in South Asia and established the first independent sector-specific regulator. Although Sri Lanka can boast of successful PPPs in the power and ports sectors, hardly any partnerships have been realized in other hard infrastructure sectors such as roads, airports, or water and sewage, or in the social sectors. Table 49 provides a summary of a few examples of PPPs in education using service contracting, management contracting, and private finance arrangements.<sup>82</sup>

<sup>82</sup> For further details on the descriptors used for Table 49, see Appendix 1 on characteristics of PPPs in ADB. 2012. *Public–Private Partnership Operational Plan 2012–2020: Realizing the Vision for Strategy 2020—The Transformational Role of Public–Private Partnerships in Asian Development Bank Operations*. Manila.

Table 49: Examples of Sri Lanka Public–Private Partnerships in Education, 2000–2013

Description	Example	Sector	Status
<b>Service contracting</b>			
<p>Considered to be the simplest form of PPP</p> <p>The private partner does not operate any public asset, but simply contracts with the public sector to provide a specified level of service. These contracts are typically 1–3 years in duration.</p>	<p>Private sector provides services such as security, catering, janitorial services, etc.</p> <p>Private sector provides training in IT and other skills to students and teachers.</p> <ul style="list-style-type: none"> <li>• School principals have been trained in basic computer skills.</li> <li>• Teachers have been trained in International Computer Driving License courseware.</li> <li>• Computer learning centers have been established in over 1,000 schools.</li> </ul> <p>Broadband internet access has been provided to many schools in partnership with Sri Lanka Telecom.</p>	<p>Services</p> <p>Basic education</p>	<p>Ongoing</p> <p>Ongoing</p>
<b>Management contracting</b>			
<p>Typically involves the operation of public assets by a private partner</p> <p>The private partner receives a management fee and, if there is risk-sharing, a profit-sharing incentive</p> <p>Contract periods are usually limited to 3–5 years.</p>	<p>The Faculty of Graduate Studies of the University of Colombo conducts some of its programs in partnership with a private sector IT service provider through an online program.</p> <p>The University of Moratuwa has partnered with an IT service provider in delivering an external degree in Bachelor of Information Technology.</p> <p>University–industry interaction established within the University of Moratuwa that supports three key functions: (i) identify and meet the professional development needs of industry; (ii) identify public and private sector organizations willing to collaborate with the university; and (iii) disseminate successful university research projects and staff expertise within industry through joint research and development, consultancies, and technology transfer.</p>	<p>Higher education</p>	<p>These partnerships are ongoing and performing well.</p>
<b>Private finance initiatives</b>			
<p>Involves significant investment by the private partner, which constructs and operates the infrastructure, often with an offtake agreement from the public partner</p> <p>Assets are returned to public ownership at the end of the PPP.</p> <p>Contract periods are often 20–30 years, allowing for return on investment.</p>	<p>University of Central Lancashire received land from the Board of Investment in a joint venture to establish a twinning arrangement in Sri Lanka.</p>	<p>Higher education</p>	<p>Contract was signed in early 2013. Private sector will invest approximately \$100 million on a 120-acre plot owned by the Board of Investment of Sri Lanka at the Mirigama Export Processing Zone, which has been leased to establish a branch campus of the University of Central Lancashire.</p>

IT = information technology, PPP = public–private partnership.

<sup>a</sup> In Sri Lanka, an online program or distance education is referred to as an “external degree.”

Source: Authors’ compilation.

## B. Education Sector Analysis

The Government of Sri Lanka's sustained strong commitment to education has led to admirable progress in reaching universal primary enrollment and attaining high literacy rates. However, there is still a need to improve the quality, relevance, and equity of secondary education. The secondary education net enrollment rate in grades 10–13 is still only 65%. Passing rates are still lower than lower middle-income country average, and the passing rates for the grade 13 advanced level examination have stagnated for the last 5 years, and are significantly lower in science, mathematics, and English than in other subjects; and as many as 33% enter the labor market without proper academic qualifications or skills training, which is leading to a high unemployment rate for the 15–24 age group.

Key areas of ongoing focus now include, for the quality perspective, the establishment of a national student assessment framework that integrates school-based assessment with external examinations; the introduction of a technology stream that offers diverse pathways from secondary education to higher education, vocational training, and job markets; and the introduction of computer-aided learning. While from the equity and efficiency perspectives, facilities in secondary schools will be upgraded; teachers with relevant qualifications will be recruited, trained, and deployed based on detailed teacher recruitment and deployment planning; a financing facility to support sustainable school infrastructure maintenance will be introduced; and, innovatively, performance-based partnership agreements will be drawn up between the Ministry of Education and provincial education authorities.<sup>83</sup>

Table 50 shows how Sri Lanka spends approximately 9% of its total government expenditure on education compared with other countries in the region (more than 11%).

**Table 50: Total Government Expenditure and Education Expenditure, Sri Lanka, 2006–2012**

Year	Type of Expenditure	Total Government Expenditure (SLRs million)	Total Education Expenditure (SLRs million)	Education as a Percentage of Government Expenditure (%)	Expenditure on Higher Education (SLRs million)	Higher Education as a Percentage of Education Expenditure (%)	Higher Education as a Percentage of Total Government Expenditure (%)
2006	Capital	177,443	17,200	9.69	2,816	16.37	1.59
	Recurrent	547,960	61,144	11.16	9,791	16.01	1.79
	<b>Total</b>	<b>725,403</b>	<b>78,344</b>	<b>10.80</b>	<b>12,607</b>	<b>16.09</b>	<b>1.74</b>
2010	Capital	356,519	19,053	5.34	2,666	13.99	0.75
	Recurrent	937,094	85,195	9.09	12,352	14.50	1.32
	<b>Total</b>	<b>1,293,613</b>	<b>104,248</b>	<b>8.06</b>	<b>15,018</b>	<b>14.41</b>	<b>1.16</b>

*continued on next page*

<sup>83</sup> For details, see <https://www.adb.org/sites/default/files/publication/159834/sri-education-development-project-brief.pdf> which, in turn, has been sourced from the Project Data Sheet. <http://www.adb.org/projects/39293-037/main>; ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for the Education Sector Development Program in the Democratic Socialist Republic of Sri Lanka*. Manila. <http://www.adb.org/projects/documents/education-sector-development-program-rrp>.

Table 50 continued

Year	Type of Expenditure	Total Government Expenditure (SLRs million)	Total Education Expenditure (SLRs million)	Education as a Percentage of Government Expenditure (%)	Expenditure on Higher Education (SLRs million)	Higher Education as a Percentage of Education Expenditure (%)	Higher Education as a Percentage of Total Government Expenditure (%)
2011	Capital	407,489	22,326	5.48	7,100	31.80	1.74
	Recurrent	1,006,633	99,043	9.84	12,600	12.70	1.25
	<b>Total</b>	<b>1,414,122</b>	<b>121,369</b>	<b>8.58</b>	<b>19,700</b>	<b>16.23</b>	<b>1.39</b>
2012	Capital	417,130	28,930	6.94	5,779	19.98	1.39
	Recurrent	1,094,248	107,271	9.80	14,504	13.52	1.33
	<b>Total</b>	<b>1,511,378</b>	<b>136,201</b>	<b>9.01</b>	<b>20,283</b>	<b>14.89</b>	<b>1.34</b>

Source: Government of Sri Lanka, Central Bank of Sri Lanka. 2012. *Annual Report*. Colombo.

## 1. Preprimary Education

Preprimary education in Sri Lanka refers to early childhood care and development, which is delivered primarily by the private sector, NGOs, religious organizations, and municipal councils through day care centers, Montessori schools, preschools, and crèches, among others. Statistics published by the Children's Secretariat (Table 51) show that, in 2010, there were a total of 23,525 teachers and 516,123 children in 12,353 early childhood care and development centers—of which 5,414 were operating as registered centers. Statistics reveal that the gross enrollment rate for preprimary education in Sri Lanka is about 84%, which is high compared with other countries in the region.<sup>84</sup>

**Table 51: Early Childhood Care and Development Centers by Type of Management, Sri Lanka, 2010**

Type of Management	Number of ECCD Centers	% of ECCD Centers	Total No. of Children	% of Children in ECCD	Total Number of Teachers	Student-Teacher Ratio
Public	2,068	16.74	88,640	17.17	3,793	23.37
Private	7,710	62.41	312,159	60.48	14,575	21.42
Religious	869	7.03	45,096	8.74	1,949	23.14
Nongovernment organization	1,264	10.23	53,980	10.46	2,441	22.11
Others	2	0.02	57	0.01	3	19.00
No response	440	3.56	16,191	3.14	764	21.19
<b>Total</b>	<b>12,353</b>	<b>100.00</b>	<b>516,123</b>	<b>100.00</b>	<b>23,525</b>	<b>21.94</b>

ECCD = early childhood care and development.

Source: Sri Lanka Children's Secretariat. 2012. *Data Source National Survey on ECCD in Sri Lanka*. [http://www.childwomenmin.gov.lk/web/images/pdf/eccd\\_report.pdf](http://www.childwomenmin.gov.lk/web/images/pdf/eccd_report.pdf)

<sup>84</sup> UNICEF. 2012a. *Early Childhood Care and Education*. Bangkok.

## 2. Primary and Secondary Education

In 2011, there were 9,731 government schools, 720 *pirivena* (temple or monastic, religious schools), and 98 private schools with a total of 4,758,472 pupils and 231,825 teachers.<sup>85</sup> All schools are categorized by the Ministry of Education (MOE) according to the levels of classes held. Until 1988, all public schools were managed centrally. Education has become a shared function between the central government and the nine provincial councils since the enactment of the 13th Amendment to the Constitution in 1987, which established the provincial council system. While the central MOE is entrusted with national plans and policies as regards primary and secondary education, teacher education, training, and management of the national schools, the provincial councils are responsible for the management and administration of the schools within their provinces. There is a provincial MOE presence in each of the nine provinces. Provinces are divided into a number of education zones, with each zone comprising approximately 100–150 provincial schools.

Since the Free Education Act of 1949, education is provided free up to the first degree at university level to anyone who chooses to pursue studies at a publicly funded school or university. Sri Lanka has made commendable gains in basic education during the past 2 decades, having achieved universal primary enrollment and gender parity with 99% primary net enrollment, about 100% primary completion rates for boys and girls, and grade 9 completion rate of 91% (93% for girls and 89% for boys), up from 78% in 2005.<sup>86</sup>

In 1960, there were many fee-levying assisted private schools, mostly run by missionaries, religious organizations, and independent bodies. Under the Schools Takeover Act in 1960, a majority of these schools were vested with the state, with only a few schools remaining under private ownership. At present, the two categories of private schools are “fee-levying” schools and “non-fee-levying” schools. Out of the total 10,549 schools, only 98 were classified as private schools at the end of 2011—of these, 62 were fee-levying and 36 were non-fee-levying.<sup>87</sup> While the management of these private schools is completely handled by the private operators, including the hiring and firing of teachers, the state assists these private schools in various ways such as payment of salaries of some teachers, provision of free school books and uniform material to students, training for teachers, and provision of the syllabi and teachers’ handbooks, etc. Schools receiving such assistance have to adhere to the recruitment scheme of the state in hiring teachers whose salaries are paid by the state and they are also subject to monitoring by MOE inspectors.

Apart from these 98 private schools, there are also private schools called “international schools” that are not directly under the purview of the MOE. International schools are registered as business ventures with the Registrar of Companies under the Companies Act of 1982. The international schools started in the late 1950s as schools that were originally meant to serve expatriates. They expanded in the 1980s, mainly to cater to the local children whose parents wished them to be educated in English and to follow the British

<sup>85</sup> Government of Sri Lanka, Ministry of Education. Policy and Planning Branch. 2013. [http://www.moe.gov.lk/english/images/publications/Education\\_First\\_SL/Education\\_First\\_SL.pdf](http://www.moe.gov.lk/english/images/publications/Education_First_SL/Education_First_SL.pdf).

<sup>86</sup> World Bank. 2013. Sri Lanka Rising Up the Ranks While Sharing Prosperity. [www.worldbank.org/en/results/2013/04/10/sri-lanka-rising-up-ranks-sharing-prosperity](http://www.worldbank.org/en/results/2013/04/10/sri-lanka-rising-up-ranks-sharing-prosperity).

<sup>87</sup> Government of Sri Lanka, Ministry of Education, Data Management Branch. 2011. *Sri Lanka Education Information*. Colombo. [http://www.moe.gov.lk/english/images/publications/Education\\_First\\_SL/Education\\_First\\_SL.pdf](http://www.moe.gov.lk/english/images/publications/Education_First_SL/Education_First_SL.pdf).



curriculum. These schools are mainly located in Colombo (with a very small number in Galle and Kandy) and cater to children of parents who can afford high fees, which range from SLRs40,000 to SLRs120,000 (\$307–\$921) per term.<sup>88</sup> The academic standards of most of these schools are high, with qualified teachers, both foreign and local, employed with good remuneration packages.

In recent years, international schools have expanded rapidly outside of Colombo. They have arisen mainly to meet the unmet demand of students who fail to gain admission to government schools. Gaining admission to popular government schools is a lengthy process that depends on many factors such as distance of residence, parents being past pupils, and other forms of influence. However, there is currently no mechanism in place to monitor or regulate these schools, nor any data or statistics available on these schools either at the MOE or the Registrar of Companies under which they are registered.

### 3. Technical and Vocational Education and Training

The TVET sector comprises public, private, and NGO providers, with the public TVET service providers accounting for 71% of total enrollment compared with 19% for the private sector and 10% for NGOs. Under the aegis of the Tertiary and Vocational Education Commission (TVEC), the public sector remains the main provider although, over the past 2 decades, nongovernment providers have also expanded their training services, most particularly in vocational subjects such as commerce, computing, accounting, and entrepreneurship. The NGO sector includes many religious and voluntary organizations that offer craft-level training targeted at unemployed youth, rural women, school leavers, and semiskilled and unskilled workers. The annual intake of the TVET sector is more than 124,000 students, and it operates through a nationwide training service network.

Public expenditure on TVET is around SLRs5.9 billion (\$45 million) per year. Government funding for TVET has always been inadequate, as TVET requires substantial inputs of material, energy, machinery, and equipment. Expenditure on TVET has always comprised less than 0.5% of total government expenditure, whereas higher education has progressively increased to 1.4% of total government expenditure.<sup>89</sup>

The Ministry of Youth Affairs and Skills Development is entrusted with the formulation of TVET. The TVEC was established in 1991 under the Tertiary and Vocational Education Act No. 20 of 1990, and subsequently reconstituted under the TVEC Amendment Act No. 50 of 1999. Besides its main responsibilities for planning, coordination, and development of TVET, TVEC also has the critical roles of facilitator and standards-setter in the sector. As the standards-setter, TVEC has put in place systems for the registration of training institutions and accreditation of courses conducted by registered training institutions. To underpin the maintenance of standards, a quality management system and an auditing system have been established.<sup>90</sup> Table 52 shows the number of accredited courses and the number of certificates issued by TVEC as of September 2012.

<sup>88</sup> A survey carried out by the Research Intelligence Unit in October 2012 indicates that there were approximately 80 international schools operating with a total student population of approximately 50,000.

<sup>89</sup> Footnote 20 (ADB. 2015c. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia - Sri Lanka*. Manila.)

<sup>90</sup> For further details on the TVET sector, see the Tertiary and Vocational Education Commission. 2013. *TVEC Corporate Plan 2013–2017*. Colombo.

**Table 52: Number of Accredited Technical and Vocational Education and Training Courses in Sri Lanka, 2012**

Category/Institute	Accreditation		Certificates	
	Courses Accredited	%	Number Issued	%
Vocational Training Authority	488	43	30,357	49
National Apprentice and Industrial Training Authority	64	6	16,335	22
Department of Technical Education and Training	182	16	4,549	6
National Youth Services Council	60	5	2,660	3
Private and nongovernment organizations	348	30	13,889	20
<b>Total</b>	<b>1,148</b>	<b>100</b>	<b>67,810</b>	<b>100</b>

Source: Tertiary and Vocational Education Commission. 2013. *TVEC Corporate Plan 2013–2017*. Colombo.

According to the TVEC Corporate Plan 2013–2017, key external factors that limit the achievement of the country’s TVET aims with regard to equity and access are twofold: the gender and regional imbalance in enrollment; and the supply and demand mismatch in training due to the low level of industry participation and the information gap. Challenges specific to quality and relevance include the fact that industry inputs are not fully used due to poor industry–labor force linkages, the low level of societal acceptance for TVET, substandard training programs conducted by the training centers, and an ongoing inability to meet the demands of foreign employment. Other operational challenges identified by TVEC include the lack of publicity, the lack of sector-specific training for the staff, inadequate human and physical resources, limited allocation of funds for research and development work in TVET, and weak implementation of the management information system.<sup>91</sup>

#### 4. Higher Education

Sri Lanka spends less of its gross domestic production education (2.0%) than many other countries, and also allocates a smaller share of its education budget (15%) to higher education. Annual expenditure per public university student is around \$1,700.<sup>92</sup> Institutional budgets are historically determined and individually negotiated. The Sri Lankan higher education sector has about 390,000 students enrolled in 15 universities; 12 advanced technological institutes; some private institutes offering degrees, mainly of foreign universities; and a number of private alternative higher education institutions offering diplomas and certificates.<sup>93</sup> This university system operates within the framework laid down by the Universities Act No. 16 of 1978 under which the selection of students

<sup>91</sup> Footnote 83 (Tertiary and Vocational Education Commission. 2013. *TVEC Corporate Plan 2013–2017*. Colombo.)

<sup>92</sup> Per capita cost of university education is SLRs221,204 (\$1,698) with an exchange rate of \$1 = SLRs130.30 (University Grants Commission Statistics 2011).

<sup>93</sup> The University Grants Commission and Sri Lanka University Statistics 2010 show that public university enrollment includes postgraduate institutes (5,709) and multidisciplinary institutes (4,648), as well as sizable external degree programs (291,000). Public university enrollment is 89,988 students.

for admission to undergraduate courses in public universities is assigned to the University Grants Commission.

All universities are funded by the government from its recurrent and capital expenditure. Resource limitations and lack of autonomy in financial and administrative matters hinder the growth of the universities. The National Framework on Higher Education and Technical and Vocational Education, submitted by the National Education Commission, has proposed that state universities should be allowed more autonomy with regard to academic, administrative, and financial matters.<sup>94</sup>

Admission to the universities is highly competitive. Annually, around 200,000 students take the General Certificate of Education advanced level examination, of whom only about 40%–60% qualify for admission. But, since the number of seats is limited, only about 16%–18% of these successful applicants are actually admitted. Figure 9 highlights this acute lack of space for post-secondary placements.

The percentage of students absorbed into universities remained between 13% and 17% (Figure 9). The rest of the students had to find alternative avenues to advance their career path. Besides the lack of access, there is also the matter of relevance of the course offerings in light of the Government of Sri Lanka's promotion of a knowledge-based economy and the development of a national cadre of researchers and scientists that can assist in attracting the private sector into engineering, science, and technology parks and associated high-tech industries. Some students who do not secure a place in the state universities may opt to follow professional exams such as the Chartered Institute of Management Accountants, the Institute of Chartered Accountants in Sri Lanka, the Chartered Institute of Marketing, and the Association of Chartered Certified Accountants, while others may choose to enroll in foreign universities.

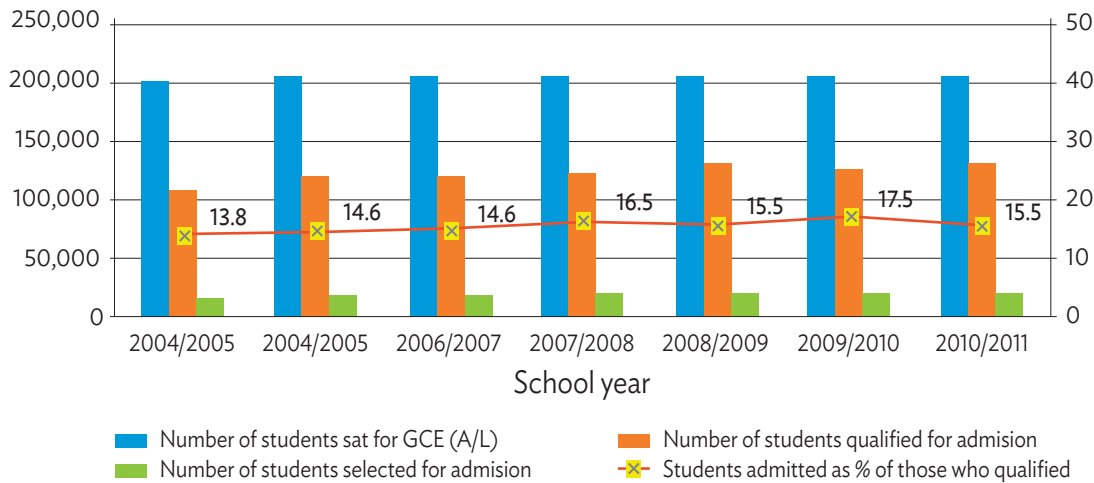
It is estimated that, annually, around SLRs39 billion (\$300 million) is spent by students seeking admission to foreign universities.<sup>95</sup> There is an overwhelming difference between this figure and the government's expenditure on higher education of approximately SLRs20 billion (\$154 million) with the private sector's share exceeding that of the government. There are institutes operating in Sri Lanka that are affiliated with foreign universities. This option is cheaper than going abroad. However, the education standards and quality of these institutions are not assured by any national regulatory authority. Some students who are unable to gain entry to state universities will opt for employment while others may follow some vocational training.

University Grants Commission approval is needed to establish private universities. Educational institutions that are affiliated with foreign universities may be established without the commission's approval; however, approval is required for these institutions to use the word "university." The government has encouraged the establishment of private universities, as evidenced from this extract: "While the state university system performs as the main provider of university education, the establishment of private universities

<sup>94</sup> National Education Commission. 2010. *Summary of Policy Recommendations, National Policy Framework on Higher Education and Technical and Vocational Education*. Submitted to His Excellency the President on 14 June 2010. Colombo.

<sup>95</sup> Board of Investment of Sri Lanka. 2012. *Sri Lanka Guide on Education*. Colombo.

Figure 9: Higher Education Enrollment in Sri Lanka, 2005–2011



GCE(A/L) = General Certificate of Education (advanced level).

Source: University Grants Commission. Undated. *Admission to Undergraduate Courses in the Universities of Sri Lanka 2011–2012*. Colombo.

will be encouraged. The government plans to attract about 10,000 foreign students to local universities and another 50,000 foreign students to Sri Lanka through proposed private universities. These universities are also expected to absorb Sri Lankan students leaving the country for higher education and protecting foreign exchange savings and earnings. Degree-granting institutions and nonstate universities will operate, side by side, in collaboration with the state universities under the surveillance of state laws.<sup>96</sup>

## C. Education Challenges

This section considers the challenges from the perspective of the education sector overall, and specifically in regard to the different subsectors and attainment of the Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016 and the Education Sector Development Framework and Plan.

### 1. Basic Education

Important reforms in the general education system over the last several decades have provided a solid underpinning as Sri Lanka transitioned from a low-income country emerging from a prolonged conflict to a middle-income country by 2010, moving toward stability and equitable growth as highlighted by some of the key indicators shown in Table 53. These reforms include (i) compulsory education until the age of 14; (ii) empowerment of schools with direct financing to schools for supporting their improvement;

<sup>96</sup> Footnote 75 (Mahinda Chinthana Development Policy Framework, 2010–2016, p. 121.)

(iii) introduction of school-based assessment; (iv) a range of demand-side interventions including tuition-free schooling through senior secondary; school uniforms, textbooks, and subsidized public transportation through junior secondary; including school meals for primary school children in poor and disadvantaged areas; and (v) accelerated programs for the Northern and Eastern provinces.

**Table 53: Actual Enrollment, Sri Lanka**  
(% of the official age group)

Description	2005	2010
Preschool children aged 3–5	58	67
5-year-old children	90	98
Primary net enrollment	95	98
Lower secondary enrollment	82	90
Upper secondary enrollment	45	50
Post-lower-secondary enrollment in vocational training	15	25
Technical training enrollment after upper secondary school	10	15
<b>Number of students (higher education) per 10,000 population</b>	<b>140</b>	<b>200</b>

Source: Government of Sri Lanka, Ministry of Finance and Planning. 2010. *Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016*. Colombo.

#### a. Access

While Sri Lanka has achieved universal primary enrollment in elementary schooling and high literacy rates, there is an ongoing emphasis to make similar gains in completion and pass rates at the senior secondary level. Senior secondary participation rates are much lower at 65.0%. Only 83.5% of children aged 5–19 attend school, compared with 99.4% in the 5–14 age bracket.<sup>97</sup> Only 6.0% of students entering grade 1 each year eventually make it into university, and about a third of all school graduates enter the labor market without the proper academic qualifications or skills training, resulting in a jobless rate of 18% among young adults aged 15–24.<sup>98</sup>

#### b. Quality

There is a need to ensure equitable provision of quality inputs particularly in rural areas which lack access to offerings in science, mathematics, and English, and in which schools continue to lag behind in provision of facilities that are adequate for delivering modern and relevant schooling that supports transition into post-secondary education. Further, despite this comprehensive publicly financed basic education foundation, inadequate equitable access and quality in secondary schooling do not equip graduates with relevant skills and aptitude for employability in the knowledge economy. The quality of learning at

<sup>97</sup> Current enrollment data is based on Government of Sri Lanka, Ministry of Education. 2010. *Schools Census 2010*. Colombo; and Government of Sri Lanka, Department of Census and Statistics. 2010. *Household Income and Expenditure Survey 2009/10*. Colombo.

<sup>98</sup> ADB. 2012a. Democratic Socialist Republic of Sri Lanka: Education Sector Development Project. *ADB Concept Paper*. Manila.

the secondary level is unsatisfactory, with only about 60% of students passing the General Certificate of Education ordinary and advanced level exams, with pass rates significantly lower in the important subjects of mathematics, science, and English. Thus, while these reforms have undoubtedly expanded access, there is widespread acknowledgment among policy makers that the overall education system needs substantial modernization and transformation as the country moves toward increasing economic integration and vision of a knowledge-based society. In this regard, the main primary and secondary education sector challenges are

- (i) improving student learning outcomes, especially in the science and commerce streams;
- (ii) maintaining equitable access to education, particularly in rural areas;
- (iii) developing diversified pathways from secondary to post-secondary;
- (iv) strengthening provincial and local capacity and school autonomy; and
- (v) increasing financing for information and communication technology and other physical infrastructure along with recurring maintenance and basic learning needs.

To help the Government of Sri Lanka overcome these challenges, ADB is providing loans under the Education Sector Development Program that will finance the development of a national student assessment framework, which will integrate school assessments with external exams to improve pass rates. ADB is also introducing a technology stream to allow secondary school graduates to move more easily into vocational courses. School facilities will be upgraded and training and placement of teachers carried out to raise the number of students studying science and commerce. School principals and education agency staff will undergo training to improve school leadership, management, and planning, and a financing facility will be developed to ensure that upgraded equipment and facilities are maintained properly.<sup>99</sup>

## 2. Technical and Vocational Education and Training

Since the 1990s, there have been some major achievements in the TVET sector across the access, quality, and systemic reform fronts, including:

- (i) Supporting access is the establishment of a College of Technology and of a university with degree programs in technology.
- (ii) For quality, TVET courses are being converted into competency-based training; the national vocational qualifications framework has been established, around which all qualifications currently offered by a variety of training providers can be unified and standardized; and courses offered by the private sector are being accredited.
- (iii) Enabling systemic reform is the creation of an integrated supervising ministry (Ministry of Youth and Skills Development) and the apex body (Tertiary and Vocational Education Commission), development of vocational education and training plans for growing important industry sectors, industry consultation at the

<sup>99</sup> For further analysis of the basic education challenges, see ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for the Education Sector Development Program in the Democratic Socialist Republic of Sri Lanka*. Manila. <http://www.adb.org/projects/documents/education-sector-development-program-rrp>.

policy level, and the establishment of a labor management information system with the purpose of linking the supply of and the demand for jobs for each type of occupation.

A recent ADB study noted the remarkable progress the TVET sector has made since 1980. The analysis of access and equity revealed increased female participation and pro-poor benefits of TVET, although this study still evidenced an ongoing need for improving regional equity in skills development.<sup>100</sup> The assessment of organizational and management effectiveness also captured several achievements since 1980 in terms of policy and institutional support, while highlighting areas that still require attention: strategic planning, performance-based funding, performance monitoring, capacity development, and institutional autonomy. Finally, the assessment of efficiency indicated significant variations among public and private training providers in terms of their unit costs and internal efficiencies. The findings also point out the need for applying economic criteria in financing TVET activities.

The vital role assigned to TVET in the overall development strategy of the country is well-recognized at the national level. The policy reforms of the National Education Commission (2010), the development strategies and targets set out by the government and the National Planning Department (2011), and the recommendations of the TVET Task Force (2011) all highlight the technical and policy-oriented interventions needed for the growth and expansion of TVET in Sri Lanka. Four areas have been identified as priorities to be addressed in partnership with the private sector and the aid community toward enhancing the TVET sector's contribution to national development: (i) enhancement of the employability of TVET graduates; (ii) further development of national competency standards and national quality standards, and their enforcement; (iii) development of the capacity of TVET staff (both academic and nonacademic); and (iv) the provision of institutional and policy support.

### 3. Higher Education

The government's national development policy framework clearly indicates the policy directions and development targets for the higher education sector: increasing access; enhancing quality; fostering a culture of research and innovation; and ensuring accountability, sound performance, and financial sustainability. Accordingly, universities are expected to become centers for economic development, agents of innovation, and incubators of entrepreneurship. The specific targets set by the government for the higher education sector include doubling the student intake from 21,000 in 2010 to 40,000 in 2020. Similarly, as part of the government's ambitious strategy to promote Sri Lanka as a knowledge hub, foreign student intake is projected to increase from 307 to 50,000 during the same period. However, there is still a need for a clear-cut policy direction with regard to promoting private sector participation in higher education as a strategy for enhancing access, increasing investment, and improving the quality of graduate output.<sup>101</sup> Table 54 outlines some of the key issues and challenges in this subsector.

<sup>100</sup> Footnote 10 (ADB. 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia - Sri Lanka*. Manila.)

<sup>101</sup> Footnote 20 (ADB. 2015c. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia - Sri Lanka*. Manila.) p. xi.

Table 54: Summary of Key Higher Education Issues and Challenges in Sri Lanka

Focus Area	Specific Details
Access	<ul style="list-style-type: none"> <li>• Enrollment has been growing at 8% annually, but virtually all of it is concentrated in public institutions, leaving private higher education underdeveloped.</li> <li>• A large proportion of students (nearly 60%) are enrolled in external degree programs, which provide minimal academic support.</li> <li>• Poor coverage and quality of higher education are problems in lagging regions such as the Northern and Eastern provinces.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Graduate unemployment has been a serious problem and underscores failure to meet the employment requirements of the private sector for graduates with good English language skill, information and communication technology skills, and soft skills.</li> <li>• Lack of time and effort devoted to studies mitigates against development of robust research.</li> <li>• Academic staff salary levels are comparatively quite low, which impact staff retention and staff seeking secondary sources of income, and prevent them from undertaking research.</li> <li>• There are inadequate quality assurance mechanisms for the full state and nonstate higher education sectors.</li> <li>• Research and knowledge linkages are weak between the higher education institutions and the industrial and service sectors of the economy.</li> </ul>
System management	<ul style="list-style-type: none"> <li>• There are overlapping mandates for the government agencies, e.g., the Ministry of Higher Education and the University Grants Commission.</li> <li>• Lack of input by stakeholders from outside of the higher education system eliminates a potential source of pressure for reform.</li> <li>• There is no national qualification framework with pathways between the various types of higher education institutions, programs, and courses.</li> </ul>

Source: ADB. 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.

The Government of Sri Lanka is proactively addressing these challenges with support for the following significant initiatives. Under access, the aim is to strengthen and expand the Sri Lanka Open University, with a particular focus on reaching out to underserved geographic areas and absorbing students from the ineffective external degree program. For quality, the aim is to choose one institution and develop it into a flagship research university over the coming decade and to strengthen postgraduate programs, especially in engineering and technology, through “sandwich programs” with well-regarded Asian universities. For systemic reform, an increase is proposed for overall public investment in higher education and a simple funding formula will be introduced for allocating government funds to universities that is based on enrollments and perhaps one small performance variable.<sup>102</sup> Plus, there will be increasing experimentation with the use of competitive funds and performance incentives.

The following initiatives are proposed to assist in the delivery of a holistic reform process: the establishment of a professionally trained quality assurance and accreditation agency that has the directive to monitor and quality assure all public and private higher education

<sup>102</sup> For further details on these challenges and proposed responses, see Chapter 4: Innovations and Good Practice in ADB. 2016. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia: Sri Lanka*. Manila (pp. 54–60).



institutions on a regular basis using a common set of minimum service standards, a considerable increase in university–industry linkages, and the proactive use of competitive funds to underwrite experimental partnerships aimed at creating more such linkages. Box 18 provides some examples of challenges in higher education.

### Box 18: Examples of Challenges to Public–Private Partnerships in Higher Education in Sri Lanka

The 2010 market survey for the establishment of a public–private partnership to build a “knowledge city” in Henegama, on the outskirts of Colombo, revealed the following constraints from the perspective of the full range of potential stakeholders: most lecturers and students preferred the facility to be located closer to Colombo; the present lecturers were mostly visiting lecturers and not paid as well as their public sector peers; students were concerned about the types of courses offered, their recognition both locally and abroad, and the total costs including course fees that would be incurred; and prospective investors were concerned about the shortage of academic staff, low return on investment, and barriers from the government regulations.

The North Colombo Medical Faculty Project was the country’s first privately funded medical school. It started in 1980 with the admission of 100 local and 20 foreign students. However, the school was nationalized in 1989 due to protests by students from other universities and became the Faculty of Medicine, University of Kelaniya. The first students of the Faculty of Medicine, University of Kelaniya completed their 5-year course and graduated with the Bachelor of Medicine and Bachelor of Surgery (MBBS) degree in September 1996.

In 2011, the University Grants Commission approved the establishment of another privately funded medical faculty, the South Asian Institute of Technology and Medicine in Malabe. The institute is facing several issues including legal cases filed by parents, opposition by the Government Medical Officers Association, and lack of approval by the Sri Lanka Medical Council.

Source: Uni-Consultancy Services. 2010. *Demand for Higher Education in Sri Lanka*. Commissioned by the Board of Investment of Sri Lanka. Colombo.

Sri Lanka enjoys the best possible financial conditions for expanding and improving its higher education system. Strong economic growth of 8% or more annually is expected over the coming decade, and demographic pressures are expected to ease significantly during the same period, with the total number of young adults aged 20–24 peaking in 2015 and then declining 5% by 2020. Although the country has comparatively low education spending (1.9% of GDP) and equally low allocation to higher education from the education budget (20%), with robust economic growth, significant decreases in population, and untapped financing options still available, Sri Lanka’s higher education policy position is still enviable. Table 55 provides higher education enrollment projections for 2010, 2015, and 2020 based on an assumption of total enrollment in 2010 of 112,977 students: 73,398 from the university; 29,222 from the Open University; 5,709 from postgraduate institutes; and 4,648 from other institutes.<sup>103</sup>

<sup>103</sup> University Grants Commission. 2012. *Sri Lanka University Statistics 2011*. Colombo.

Table 55: Higher Education Actual and Projected Enrollments in Sri Lanka

Gross Enrollment Rates	SY2010	SY2015	SY2020
Population aged 20–24	1,642,443	1,662,830	1,576,650
GER at 7% in 2020/total students	112,977	116,398	110,366
GER at 12% in 2020/total students	112,977	151,477	189,198
GER at 15% in 2020/total students	112,977	174,977	236,498

GER = gross enrollment rate, SY = school year.

Source: For further details on the socioeconomic background, see Chapter 1 (pages 1–3) in ADB. 2015c. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.

## D. Opportunities

The Mahinda Chinthana development framework provides a detailed strategy for diversifying the sources of financing with a specific mandate for partnership with the private sector across all the education and training subsectors. Unlike in the past, when external funding was used to support the financing of infrastructure investments, this new development framework encourages an expanded opening for private sector participation and appropriate pricing policies and efficiency gains to generate more self-financing investments by state enterprises to reduce their current reliance on debt financing. Moreover, the “government, in partnership with the private sector, will develop necessary communication technology and multimedia resources to help students learning in the classroom and alternate program delivery such as distance learning.”<sup>104</sup> This section outlines some possible opportunities for PPPs in the different subsectors under this new regime.

### 1. Basic Education

The government’s Education Sector Development Framework and Program, 2012–2016 is the key education strategy document. It reflects the vision of the government “to enable future Sri Lankan citizens with knowledge, attitudes, skills and values to fulfill the requirements of a modern national and global knowledge economy” as articulated in the Mahinda Chinthana: Vision for the Future. Specifically, the Mahinda Chinthana framework and program focuses on (i) increasing equitable access to basic and secondary education, (ii) improving the quality of education, (iii) enhancing economic efficiency and equity of resource allocation, and (iv) strengthening service delivery and monitoring and evaluation. The program aims to increase the General Certificate of Education ordinary level pass rate from the 2014 level of 52% to 65% in 2020 and the advanced level pass rate from 60% to 75%, while increasing the relevance of secondary education to labor market requirements. Table 56 shows these targets for basic education.

<sup>104</sup> Footnote 75 (Mahinda Chinthana Development Policy Framework, 2010–2016, Chapter 1.115, p. 131.)

Table 56: Summary of Sri Lanka Basic Education Targets

Focus Area	Details																								
Access	<ul style="list-style-type: none"> <li>Continue free education policies in support of total enrollment at the preprimary, primary, and secondary school levels.</li> <li>Continue free education policies with adequate support for students from low-income families and disadvantageous circumstances.</li> <li>Reduce the number of out-of-school children, while promoting ongoing retention.</li> </ul>																								
Quality	<ul style="list-style-type: none"> <li>Ensure the availability of trained and qualified teachers for all schools.</li> <li>Grow the supply of teachers for specialized subjects such as mathematics, science, and information technology.</li> <li>Train and equip all teachers in the education system to use modern teaching methodologies.</li> <li>Upgrade preservice teacher education programs to degree-awarding level.</li> </ul> <table border="1"> <thead> <tr> <th>Type of Teacher</th> <th>2009</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Number of teachers</td> <td>215,916</td> <td>225,000</td> </tr> <tr> <td>Graduate teachers</td> <td>74,531</td> <td>125,000</td> </tr> <tr> <td>Trained nongraduates</td> <td>134,213</td> <td>100,000</td> </tr> <tr> <td>Untrained nongraduates</td> <td>11,083</td> <td>0</td> </tr> <tr> <td>Science teachers</td> <td>12,444</td> <td>27,000</td> </tr> <tr> <td>Math teachers</td> <td>12,890</td> <td>27,000</td> </tr> <tr> <td>English teachers</td> <td>13,723</td> <td>30,000</td> </tr> </tbody> </table>	Type of Teacher	2009	2020	Number of teachers	215,916	225,000	Graduate teachers	74,531	125,000	Trained nongraduates	134,213	100,000	Untrained nongraduates	11,083	0	Science teachers	12,444	27,000	Math teachers	12,890	27,000	English teachers	13,723	30,000
Type of Teacher	2009	2020																							
Number of teachers	215,916	225,000																							
Graduate teachers	74,531	125,000																							
Trained nongraduates	134,213	100,000																							
Untrained nongraduates	11,083	0																							
Science teachers	12,444	27,000																							
Math teachers	12,890	27,000																							
English teachers	13,723	30,000																							
Systemic reform	<p>Modernize the existing schools network.</p> <p>Develop 1,000 existing schools as high-performing nuclear schools and affiliate several distance schools with these nuclear centers.</p>																								

Source: Government of Sri Lanka, Ministry of Finance and Planning. 2010. *Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016*. Colombo.

Given the current provision of free education and the paucity of nonstate providers, introduction of PPPs in primary and secondary education is unlikely to materialize until there is a considerable change in mind-set by both public education officials and the public alike. The public sector is addressing the basic education needs, but partnership with the nonstate sector could be explored using these two specific PPP types: (i) for access, a PPP arrangement could be employed whereby government funding is provided to increase access of the poor and vulnerable to approved private schools, particularly in underserved communities;<sup>105</sup> (ii) for quality, a service contract arrangement could be entered into with accredited private providers to deliver science, commerce, and English classes in public schools that lack the requisite staff.

## 2. Technical and Vocational Education and Training

Sri Lanka has emerged as a promising economy in South Asia that is expected to “take off” over the coming years and aimed to increase its per capita income to over \$4,000 by

<sup>105</sup> An example is in special needs education in Uva Province. It is the only province with such facilities that are presently run with the support of local NGOs.

2016.<sup>106</sup> The changing structure of the national economy, combined with rapidly changing technology, the increasing income of the people, modernization of their lifestyles, and global links, are opening up new employment opportunities that require specific technical knowledge and skills. The demand for an educated, skilled, and professional workforce is projected to rise in the medium term and to require the attainment of some of the following specific skills development outputs:

- (i) The current information and communication technology workforce of approximately 50,000 was expected to increase to 86,000 by 2016.
- (ii) The tourism sector alone is projected to generate 700,000 new employment opportunities, of which 20% is for managerial categories in the leisure industry by 2020.
- (iii) About 50,000–70,000 skilled people are needed annually for work in the naval, aviation, commercial, energy, road and transport, urban development, irrigation, and knowledge sectors categories during the next 6 years.
- (iv) About 2,500 nurses and about 600 radiographers, physiotherapists, pharmacists, medical laboratory technicians, ECG/EEG operators, dispensers, etc. are required annually to work in domestic private medical institutions and medical institutions abroad.
- (v) An annual demand for 9,000 skilled personnel, such as hairdressers, beauticians, salon managers, stylists, therapists, nail stylists, tattoo artists, bridal and wedding designers, dressmakers, flower designers, etc., was projected for 2011–2016. About 2,000 people were estimated to be needed annually in the performing arts (models, dancers, etc.) and 1,500 with film-related skills in the same period.<sup>107</sup>

Table 57 provides a summary of the main targets for the TVET sector.

**Table 57: Key Targets for Technical and Vocational Education and Training in Sri Lanka**

Focus Area	Details
Access	<ul style="list-style-type: none"> <li>• Increased enrollment rate of public training institutions to 20% by 2013 and 30% by 2016</li> <li>• At least one college of technology in each province, expanding access to new demand-driven diplomas and higher diploma programs</li> <li>• Trained human resource reserve of 300,000 suitable for highly paid jobs in a wide range of skills</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Improved quality and relevance of training programs</li> <li>• Improved entrepreneurial ability of trainees</li> <li>• Enhanced employability</li> <li>• Strengthened capacities of the existing training instructors in keeping with advancing technology and emerging labor market requirements</li> </ul>

*continued on next page*

<sup>106</sup> Footnote 10 (ADB. 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia - Sri Lanka*. Manila.)

<sup>107</sup> Footnote 10 (ADB. 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia - Sri Lanka*. Manila.)

Table 57 continued

Focus Area	Details
Systemic reform	<ul style="list-style-type: none"> <li>• Uniformity in national standards of training institutions and training courses</li> <li>• Established national competency standards</li> <li>• Improved coordination between training institutions, industry partners, instructors, and trainees</li> </ul>

Source: Adapted from ADB. 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.

The TVET sector has considerably more experience with involving the private sector in the provision of education and training. In comparison with basic education, there are more examples and greater appreciation as to how PPPs can facilitate the TVET institutes to develop and offer internationally recognized and market-oriented skills development programs to meet the new demand for a skilled workforce. Table 58 highlights some of these possible arrangements.

**Table 58: Issues and Possible Public–Private Partnership Responses in Technical and Vocational Education and Training in Sri Lanka**

Subject	Access and Equity	Quality and Relevance
Issue or challenge	<ul style="list-style-type: none"> <li>• Increase private and nongovernment organization participation in skills development.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the employability of TVET graduates, especially those seeking foreign employment.</li> <li>• Enhance the capacity of both academic and administrative staff.</li> <li>• Provide better quality assurance and quality control systems.</li> </ul>
Possible PPP response <sup>a</sup>	<ul style="list-style-type: none"> <li>• Establish a private sector training broker agency to do training needs analysis and training placements for enterprises, as well as to place public trainees in internships.</li> <li>• Establish university colleges under the infrastructure build–operate–transfer model.</li> </ul>	<ul style="list-style-type: none"> <li>• Study the feasibility of introducing a training levy—nationally or sectorally—administered by the industry skills councils.</li> <li>• Use the Skills Development Fund to <ul style="list-style-type: none"> <li>➤ build partnerships between public training providers and private enterprises, including foreign job opportunities;</li> <li>➤ develop capacities of private training providers and nongovernment organizations; and</li> <li>➤ establish service-level agreements for industry-based training in the key sectors of tourism, health, light manufacturing, marine engineering, and construction.</li> </ul> </li> </ul>

PPP = public–private partnership, TVET = technical and vocational education and training.

<sup>a</sup>For further details on the TVET sector, see ADB's Skills Sector Enhancement Project (RRP SRI 42251) under the Summary Sector Analysis, pp. 1–6 (<https://www.adb.org/sites/default/files/linked-documents/42251-018-ssa.pdf>).

Source: Authors' compilation.

Box 19 provides two examples of current PPP initiatives in the TVET sector.

### Box 19: Examples of Public–Private Partnerships in Service and Infrastructure Contractual Arrangements in Technical and Vocational Education and Training

**Service contract.** The Institute for Construction Training and Development is an organization set up by the Government of Sri Lanka to develop and promote the domestic construction industry, contractors, professionals, and the workforce. It has two large training centers: the Construction Equipment Training Center and the Operator Training Center. The institute is currently seeking guidance and support to enter into a partnership with a private operator (preferably foreign) to improve its machinery fleet; deliver more market-oriented courses; and secure job opportunities, preferably in high-demand areas abroad.

**Infrastructure contract.** The Sri Jayawardanapura Hospital was a gift of the Government of Japan to the Government of Sri Lanka. It is run by an independent board of directors but with a relationship with the Department of Health. The hospital has partnered with the Ministry of Youth Affairs and Skills Development to set up a university college to train qualified youth in health-related courses such as biomedical equipment training. The ministry and the hospital will share costs. This university college training center has been set up by the ministry. This training project started in October 2013.

Source: Authors' compilation.

## 3. Higher Education

The Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016 specifically states that, “the right to pursue higher studies by all students who pass the advanced level has to be protected (under University Education for Knowledge).” As a first step, the number of students to be enrolled into the universities will be increased by commencing new courses and expanding the present facilities (page 119). In addition, “the state will promote PPPs and private sector participation in developing higher education facilities. Universities are encouraged to use state-of-the-art technology in lecture rooms and laboratories of higher education institutions to modernize the existing infrastructure facilities in these institutions” (page 122).

The key findings of a recent ADB higher education study (2016) point to the need for policy actions to enhance the overall efficiency of the higher education sector with interventions at both the national and university levels that include the promotion of greater participation from the private sector, enhancing the learning environment and improving the quality and relevance of course curricula, and increasing the capabilities for research and development.<sup>108</sup>

<sup>108</sup> ADB. 2016. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia: Sri Lanka*. Manila (p. 67).

In Sri Lanka, public universities account for 34% of the country's research and development activities, but they work largely in isolation from industry.<sup>109</sup> Uni-Consultancy Services provides a good example of a possible university–industry collaboration. Uni-Consultancy Services is an association affiliated with the faculty members of the University of Moratuwa (UOM), registered under the Companies Act No. 17 of 1982 as a Company Limited by Guarantee and operating on the premises of the UOM. Established on 14 May 2001, its primary objective is the effective and efficient use of the UOM's vast expertise, knowledge, and experience to meet the requirements of Sri Lankan industry by promoting sustainable development through an environment that is conducive to research and development. Its clientele includes both domestic and foreign organizations. Uni-Consultancy Services is an international leader committed to building the country through foreign and other consultancies that engage the vast technology resource base at the UOM, at other universities in Sri Lanka, and at foreign universities through the transfer of technology to public and private sector institutions, both locally and abroad. Long-term goals include (i) providing opportunities for technology transfer to industry and organizations, (ii) offering advisory services, and (iii) serving as a catalyst for product development in Sri Lankan industries.<sup>110</sup>

In common with recent international trends in higher education financing, it is assumed that there will be a decline in public expenditure on higher education, whether in terms of per-student expenditure or as a share of education sector budget. New and innovative approaches will be required to address the revenue shortfall either through the introduction of cost recovery measures or through the implementation of higher fees. Other revenue measures might include the adoption of student loan programs that provide assistance to students from low-income families, greater emphasis on income generation from third parties such as corporations, and commercial strategies to recruit foreign (fee-paying) students. Box 20 provides two examples of successful PPP initiatives in higher education.

The ambitious national higher education vision is to “be an international hub of excellence in higher education by 2020.” To that end, the strategic management plan has 13 goals, most of which require forms of PPP if the targets are to be attained. Table 59 summarizes nine of these goals that have a clearly outlined need for a partnership approach.

<sup>109</sup> Footnote 12 (ADB, 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.)

<sup>110</sup> Source: University of Moratuwa extracted from ADB, 2016. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia: Sri Lanka*. Manila (p. 103).

### Box 20: Examples of Public–Private Partnerships in Higher Education in Sri Lanka

The University of Moratuwa has a public–private partnership (PPP) for a mobile communication lab fully funded by a telecom mobile operator. It also has a food processing lab, electronics lab, biomedical engineering lab, and transport lab using the PPP model. In addition, there are also projects fully funded by the private sector, including in dye and molds and a rapid prototyping facility for electronics. The university also has a fully owned private arm, Uni-Consultancy Services, registered under the Companies Act. Uni-Consultancy Services provides consultancy for information technology (IT), architecture, engineering, education, and other areas. The university gets 15% of funds generated by the firm, which currently has a staff of around 100. Shareholders are members of the university staff. In the delivery of education, the university has partnered with an IT service provider to conduct the Bachelor of Information Technology external degree program.

The Sri Lanka Institute of Information Technology (SLIIT) is the country’s largest IT degree-awarding institute and is recognized by the University Grants Commission under the Universities Act. SLIIT was established in 1999 to educate and train professionals required by the fast-growing IT industry. Although it was established with government funds, it is now a fee-levying, degree-awarding higher education institute managed independently by a board of directors. The degrees offered are Bachelor of Information Technology, Bachelor of Electronics Engineering, Bachelor of Business Administration, and several other bachelor’s and postgraduate degrees. The institute has formed partnerships with a number of foreign universities, including prestigious schools in Australia and the United Kingdom, such as the University of Queensland and Sheffield Hallam University. SLIIT has around 4,200 enrolled students, including foreign students. Graduates are in high demand in the job market, both in Sri Lanka and abroad. It can be cited as one of the very successful higher education institutes operated independently in Sri Lanka.

Source: Authors’ compilation.

Table 59: Examples of Higher Education Partnership Objectives in Sri Lanka

Goal Statement	Stated Partnership Objectives
Increased opportunities and access to higher education	Facilitate nonstate higher education sector to expand access through the academic stream to reach annual intake of 10,000 by 2015.
Converted and new world-class universities	Establish at least five new world-class foreign universities by 2015.
Improved satisfaction of stakeholders	Improve satisfaction of industry and employers by 20% annually.
Excellence in research, publications, and commercialization	Promote public–private partnership in research and development and commercialization of new products.
Empowered universities and institutes with freedom to be competitive and unique	Allow universities to use their earnings more freely for development of infrastructure, quality, and research and for enhancing free education.
Increased entrepreneurship of graduates	Encourage visiting professors from the private sector, and allow academics to work in the private sector for at least 6 months.

Source: Government of Sri Lanka. 2013. *The National Higher Education Strategic Management Plan of Sri Lanka*. Colombo.



## E. Conclusion and Recommendations

From the perspective of private sector development and PPPs, there is still much that can be achieved to support improving key indicators across the education and skills sectors. The Ministry of Finance and Planning, along with relevant education agencies, need to grow their capacity and capability to identify, plan, and design PPP arrangements as well as determine the overall feasibility and acceptability of the provision and contributions of public finance to the PPP modes of investments and operations, which include considerations of the costs and terms of financing from both public and private sources.

PPP arrangements can be employed to address certain challenges in basic and higher education. However, as was evidenced in the previous examples of Bangladesh and Nepal, for the following six key reasons, such arrangements are particularly appropriate and conducive for rollout in TVET: (i) the private sector has more capacity and expertise to deliver TVET-related services and infrastructure; (ii) the public sector has already expended time in the conceptualization and structure of possible PPP TVET projects; (iii) the TVET sector is more open to recovery of investment through charging fees to the trainee, industry, or the government through the student stipend; (iv) the “users” (industry, the parents, and the students) are more disposed to pay for vocational training as it is of shorter duration, and thus less costly and quicker to access a return on the training investment; (v) the introduction of fees and charges to access basic and higher education is very politically charged; and (vi) the government is under considerable strain to address the demand-side pressures in secondary education and TVET.

The proposed reforms for private education outlined in this section recognize that the government has a number of policy instruments at its disposal to meet its educational and wider public policy objectives: funding; regulation; ownership of education institutions (be they schools, training facilities, or colleges); and provision of information. These proposed reforms are grouped under the following six main themes:

- (i) improve the way private schools, institutions, and universities are regulated;
  - (ii) improve the information that is available to students, parents, and regulators to support informed educational decision making;
  - (iii) improve the way private schools, institutions, and colleges are funded;
  - (iv) increase access to finance for private institutions;
  - (v) strengthen the capacity and capability of the private education and training sector; and
  - (vi) finance educational opportunities.<sup>111</sup>
- (i) **Improve the way private education and training are regulated.** The objectives of government regulation in education and training are laudable. However, the current lack of regulation of private education and training is still restricting private investment in education, reducing diversity and innovation in the sector, driving up the costs of delivering education, and leading frustrated operators to leave the system.

<sup>111</sup> M. Latham. 2002. *A Handbook on Private Sector Participation in Education: A Review of Possible Ways and Means*. Reading, UK: The Centre for British Teachers (pp. 31–32).

A key plank in the proposed reform approach is the possible introduction of a new system for licensing private education and training operators across the basic education, TVET, and higher education arenas. Under this system, private operators would be given more freedom to manage their institutions, while at the same time being subject to different levels of reporting and accountability, depending on their circumstances and the subsector in which they operate. For example, the government could introduce a tiered licensing system, where the degree of regulation and accountability depends on whether the school receives public subsidies and whether it is an education provider operating under a government contract.

Such licensing could be further streamlined by allowing private sector organizations to play a greater role in the licensing process. Under such a system, private education associations and/or other private sector bodies could be given the authority to license private education and training providers, if these organizations meet certain criteria. A key current constraint on the expansion of existing private provision is the lack of available land for development. A significant proactive move could involve a government review of the land zoning requirements, with an eye to streamlining the process for private operators to obtain approval to establish an education or training operation.

- (ii) **Improve information as a means of regulating the private education sector.** Well-informed consumers are an important building block in an effective regulatory framework. Access to timely, high-quality information upon which to base schooling, policy, and regulatory decisions can assist market processes such as parental choice to be more effective regulatory tools. There is limited information available on variables such as fees and programs and few independent measures of quality upon which parents and students can make decisions. A number of measures could be introduced to improve the information available, including requiring private schools to disclose information to regulators and the general public (e.g., fees, performance indicators, exam results) as a condition of licensing, and maintaining a directory of private education operators in Sri Lanka that is posted on the internet.<sup>112</sup>

Under the National Higher Education Strategic Management Plan of Sri Lanka, the government proposes establishing a quality assurance and accreditation agency. The results of this agency's reviews could be made available to the general public, schools, and the Ministry of Higher Education. The government could also facilitate the development of private sector associations as they would offer a good avenue for much of the information dissemination outlined above.

- (iii) **Improve the funding of private education and training operators.** The government could consider the possible introduction of a formula-driven, student-based funding system or an explicit voucher scheme as the main method of funding both private and public schools, training institutions, or colleges. Funding levels could be determined based on multiple factors such as grade

<sup>112</sup> For further details on these possible options, see Chapter 5 in M. Latham. 2002. *A Handbook on Private Sector Participation in Education: A Review of Possible Ways and Means*. Reading, UK: Centre for British Teachers (pp. 31–32).

level, the operator's location, family income, or other measures of socioeconomic status. Alternatively, the Government of Sri Lanka could contract out the management of public education and training facilities to private operators. Under such a scheme, the responsible ministry would contract with a private individual or firm (for-profit or not-for-profit) to operate for an agreed fee. Although the entity would be privately operated, it would remain public, and students would not pay fees.

- (iv) **Increase access to finance for institutions.** The key issues standing in the way of the private sector relate to financing and affordability. At present, education entrepreneurs have a limited range of available sources of finance. Banks are often not interested in providing finance in areas such as education, which are still seen as social in nature. Even where banks do lend to the education sector, they are typically not interested in financing long-term investments. To help address this problem of lack of access to finance, the government could (a) improve the regulatory environment and funding policies for private operators, which would encourage investors of all sizes to invest in education and training; and (b) institute a program of providing soft loans to prospective private operators who meet certain quality standards. Clearly, such an option would entail some cost and risk to the government, but it could be a catalyst for private sector involvement in financing education.

The government is already taking steps to encourage greater foreign investment in private education in Sri Lanka. The higher education sector is leading the way with its professed goal of attracting investments and foreign exchange and the provision of investor-friendly policies, including 99-year leased lands, tax concessions, duty-free imports, and speedy approvals.

- (v) **Strengthen capacity and capability in private education and training.** Changing the regulatory structure may not, in and of itself, change the way policies are implemented in the field. This is especially true given the decentralized regulation of education and training in Sri Lanka. To assist in changing the "heavy-handed" regulatory culture within the agencies, a number of initiatives could be undertaken, including the development of a resource and training program outlining good practice in regulation, with a focus on approaches to "light-handed" regulation and the provision of training and mentoring in good regulatory practice for public officials and private education representatives.
- (vi) **Finance educational opportunities.** Addressing the twin challenges of improving quality and meeting the growing demand for education at all levels will require the commitment of considerable resources to the Sri Lankan education system. Government spending on education now accounts for 9% of the country's budget. Clearly, at least some proportion of new expenditure on education will need to be found within existing resources. A range of options are available to help release this additional funding. While financing is not a key area of focus for this review, it is important to highlight these issues, given their potential impact on the growth of the country's private education and training subsectors. The above proposals would generate new resources for priority educational spending, while at the same time increasing both the efficiency and equity of education spending.

# VIII. SUMMARY, CONCLUSION, AND RECOMMENDATIONS

## A. Why Invest in Education and Training in South Asian Countries?

### 1. A Changing Context

In the current century, human capital has become more precious because knowledge itself has become a key resource for development and competitiveness. A well-educated and highly skilled population is vital for creating, sharing, and using knowledge. Further, education at all levels contributes to this development; a country's competitiveness in a knowledge economy is supported by early childhood education and primary education providing the initial foundations; secondary education with TVET developing more specialized skills and behaviors; and higher or tertiary education imparting people with the ability to innovate, disseminate, and apply knowledge. Three shifts are happening across the education system: (i) from a previous focus on getting children to complete their basic education to a focus on equipping all youth with a skill and access to lifelong learning, (ii) from a school-centered to learner-centered approach, and (iii) from an emphasis on education and training inputs to outcomes. Table 60 highlights five of the key forces in the education and training context that are driving these changes.

**Table 60: Understanding the Changing Context in Education and Training**

Driving Forces	Particulars of the Change
Technological changes	<ul style="list-style-type: none"><li>• Computers have replaced many human tasks.</li><li>• Technologies have shortened the production cycle and increased productivity.</li><li>• There is increased demand for a highly skilled workforce.</li></ul>
Trends in migration	<ul style="list-style-type: none"><li>• About 3% of the world's population (210 million) is composed of skilled workers, of whom 5 million cross an international border annually.</li><li>• About 740 million (mostly unskilled workers) migrate within their own countries annually, mostly from rural to urban locales.<sup>a</sup></li><li>• Issues arise with regard to provision of education and skills for these migrants and their children.</li></ul>
Demographic trends	<ul style="list-style-type: none"><li>• Asia's population is estimated to increase by 22% from 2.8 billion (2010) to 3.4 billion in 2050.</li></ul>

*continued on next page*

Table 60 continued

Driving Forces	Particulars of the Change
Changes in employment	<ul style="list-style-type: none"> <li>• Countries are seeing their population's types of employment change: for example, in South Asia, between 1996 and 2006, the percentage of workers employed in agriculture dropped from 60% to 49%, while employment in services increased from 27% to 34%.<sup>b</sup></li> <li>• The gross domestic product contribution from commodity exports is decreasing, while contribution from the services sector is increasing. New jobs are being created in labor-intensive, low-technology products, while others are creating jobs in skill-intensive, high-technology manufacturing and services.</li> <li>• These structural changes require change in the nature and the skills content of jobs, and emerging skill shortages can threaten to undermine the growth of an economy.</li> </ul>
Changing population profiles	<ul style="list-style-type: none"> <li>• Increasing economic liberalization, rising regionalization, and intraregional trade that establishes a common single market with a free flow of labor and reduced tariffs, and shift of manufacturing from the People's Republic of China to South Asia are driving consumerism in the region.</li> <li>• The consumer class is growing at the same pace as the region's gross domestic product. Approximately 102 million households in the region are projected to achieve middle-class status (that is, an annual income of more than \$3,000) by 2015, up from about 75 million today,<sup>c</sup> while consumer expenditures are expected to grow rapidly.</li> <li>• These developments create investment opportunities in industries such as organized retail, consumer products, health care, education, transportation, and telecommunication.</li> </ul>

<sup>a</sup> UNDP. 2009.

<sup>b</sup> Wang. 2013.

<sup>c</sup> Boston Consulting Group. 2012.

Sources: United Nations Development Programme. 2010. *Human Development Report 2009*. [http://hdr.undp.org/sites/default/files/reports/269/hdr\\_2009\\_en\\_complete.pdf](http://hdr.undp.org/sites/default/files/reports/269/hdr_2009_en_complete.pdf); Y. Wang. 2013. *Education in a Changing World: Flexibility, Skills, and Employability*. Washington, DC: World Bank; and Boston Consulting Group. 2012. *Private Equity in Southeast Asia*. Singapore.

## 2. New Challenges for Education Planners

ADB's *Key Indicators 2014* has a special chapter on Poverty in Asia: A Deeper Look in which it states that—based on a conventional measure of the \$1.25-a-day poverty line—the region, while still home to 733 million extremely poor, remains on track to eradicate extreme poverty by 2030. Yet, this poverty line underestimates the cost required to maintain a minimum living standard by the poor in Asia and the Pacific. This chapter goes further to stress that—when based on an average of national poverty lines for less, developed economies in the region and when the added effects of vulnerability to risks (such as shocks and disasters) and food insecurity are considered—the number of extreme poor in the region in 2010 more than doubles to about 1.75 billion by 2020. Further, looking ahead, projections tentatively show that, by 2030, some 700 million people in Asia and the Pacific could still suffer from extreme poverty.<sup>113</sup>

<sup>113</sup> ADB. 2014c. Special Chapter on Poverty in Asia: A Deeper Look. In *Key Indicators for Asia and the Pacific 2014*. Manila.

Two Millennium Development Goals—the achievement of universal primary education and the promotion of gender equality and empowerment of women—are key pillars in this drive to eradicate poverty. Table 61 benchmarks where the countries in South Asia are in comparison with the “cutoff values” for six critical poverty, education, and gender indicators.

**Table 61: South Asia Country Poverty, Education, and Gender Indicators**

Country	\$1.25 a Day Poverty (%)	Primary Enrollment (%)	Reaching Last Grade of Primary (%)	Ratio of Boys to Girls Primary	Ratio of Boys to Girls Secondary	Ratio of Boys to Girls Tertiary
Cutoff value	2	95	95	0.95	0.95	0.95
Bangladesh			No data			
Bhutan						
India						
Maldives			No data			
Nepal						
Sri Lanka						

Legend: Early achiever (green), On track (yellow), Off track—slow (white), Off track—no progress (red).

Source: ADB estimates based on ADB, UNESCAP, and United Nations Development Programme method for assessing the Millennium Development Goals (ADB. 2013. Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda, Asia-Pacific Regional MDGs Report 2012/13. Manila. <https://www.adb.org/sites/default/files/publication/30414/asia-pacific-regional-mdgs-report.pdf>).

Alongside the challenges of meeting these MDG indicators, governments are faced with new driving forces that are fracturing their traditional education structures and are calling for a new system that is flexible, inclusive, and has the ability to enable more people to acquire education and training on an ongoing basis—a system that has curricula that recognize emerging demands for new skills and the ability to adapt to changes necessary to prepare students for employment. Table 62 provides a summary of three overarching questions and nine sub-questions that are being asked with regard to the new system’s flexibility, skills preparation, and graduates’ employability.

**Table 62: Questions on Flexibility, Skills Preparation, and Employability**

Flexibility	Skills	Employability
Is the current system flexible and responsive to individual, social, and economic needs?	Is the current system preparing its citizens with the requisite competencies and skills?	Is the current system preparing its graduates appropriately for the transition from education and training to the workplace?

*continued on next page*

Table 62 continued

Flexibility	Skills	Employability
<ul style="list-style-type: none"> <li>• Is the structure sufficiently flexible to support all who need skills to access the opportunity?</li> <li>• Is the duration of study appropriate, and is the scheduling appropriate for the learner to access?</li> <li>• Does the system allow second and ongoing chances for access?</li> </ul>	<ul style="list-style-type: none"> <li>• Do the post-basic education subsectors teach skills that meet the needs of the labor market?</li> <li>• Are employers and trainees sufficiently involved in designing curriculum, teaching, and providing feedback?</li> <li>• Are soft skills included in the curricula in the different subsectors?<sup>a</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Is there an incentive scheme supported by the public and private sectors that provides training to the unemployed?</li> <li>• Is there a program to support learners select a relevant pathway?</li> <li>• Is there an integrated career information system?</li> </ul>

<sup>a</sup>The International Labour Organization proposes the concept of “portable skills,” i.e., skills that are transferable between jobs and easily recognized by employers. Core “soft skills” include cognitive and problem-solving skills; social skills such as ability to work in teams; communication and the ability to read, write, and handle information; the appropriate personal and professional attitudes and values; and learning—the ability to acquire new knowledge.

Source: International Labour Organization. 2007. *Portability of Skills*. [http://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_gb\\_298\\_esp\\_3\\_en.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_gb_298_esp_3_en.pdf).

## B. Growth of Public–Private Partnerships in Education and Training

### 1. Toward a New Paradigm

Over half a century ago, “education for all” was stated to be an ambition of the international development community. Yet, while progress has undoubtedly been made, 72 million children still lack access to school and an even larger number leave school without the requisite minimum education and training skills. Nearly 2 decades ago at Jomtien, participants recognized that the classic approach of partnership between donors and recipient governments was both inadequate to meet the challenge; that “new and revitalized partnerships at all levels will be necessary”; and that these partnerships would need to involve government, NGOs, the private sector, local communities, religious groups, and families.<sup>114</sup>

Defining partnerships means engaging in a semantic minefield since these arrangements come in a very diverse range—from a formal contractual agreement to work together over a long time period to a loose, short-term arrangement to accomplish a particular purpose. Further, these PPPs embrace public, private, and civil society stakeholders and, within this partnership, there are two types of partners: the actors or doers, and the stakeholders or recipients that are affected by the initiatives.

Definitions of PPP differ in regard to scope and formality of arrangements: for some, it is a risk-sharing relationship, whereas for others, it is more of a cooperative venture between the public and private sectors. Most definitions, however, stress that a PPP involves a strong contracting arrangement by the state that is deployed to acquire a specified service, of a

<sup>114</sup> Article 7 of the World Conference on Education for All 1990.

defined quantity and quality, at an agreed-on price, from a specific provider, for a specific period.<sup>115</sup>

Several types of contracts, depending on the specific services that are provided, can be analyzed using this definition. The contracts observed in practice indeed vary in their degree of complexity. In the case of education, services can be construction of infrastructure; management, maintenance, and services contracts; or education services and education operations.<sup>116</sup> Education operations contracts are, in general, complex. Delivery of education can be measured through the number of children enrolled, but school attendance does not mean that students are learning. Observing final outputs, such as test scores, is often difficult and requires specific data collection efforts. Moreover, learning depends heavily on family background, a factor that the school cannot control.

In short, PPP contracts are difficult to establish and usually require long-term commitments. Each type of contract works differently depending on the technical capacity and the degree of development of each country's rule of law, because countries differ in these aspects. Less complex contracts can probably work more efficiently in low-income countries; more complex contracts require more legal and technical development.<sup>117</sup>

## 2. Important Aspects of Public–Private Partnerships

Recent years have seen an expansion and broadening of the private sector's role in the financing and provision of education services in many countries. A key trend has been the emergence of more sophisticated forms of nonstate involvement in education through PPPs. These PPPs pull together the public sector, business, and civil society in a manner that is different from the traditional method of public sector provision. But what are these partnerships, and who is involved in them? What do they do, and who brings what to this new arrangement?

Partnerships are not privatization, which involves the permanent transfer of control from a public agency to one or more private parties. Rather, the aim of PPPs is twofold: (i) to promote improvements in the financing and provision of services from both the public and private sectors, but not to increase the role of one over the other; and (ii) to improve existing services provided by both sectors with an emphasis on system efficiency, effectiveness, quality, equity, and accountability. Critically, PPPs involve the public and private sectors working together to achieve important educational, social, and economic objectives.<sup>118</sup>

Partnerships bring together the three partners—the public sector, business, and civil society—in a manner that differs from either traditional public provision and business contracts or mere philanthropy. In a partnership, the public sector is generally defined as

<sup>115</sup> For further details, see Chapter 2 Conceptual Framework (pages 10–11) in ADB. 2012. *Public–Private Partnership Operational Plan 2012–2020: Realizing the Vision for Strategy 2020—The Transformational Role of Public–Private Partnerships in Asian Development Bank Operations*. Manila.

<sup>116</sup> Footnote 39 (N. LaRocque. 2008. *Public–Private Partnerships in Basic Education: An International Review*. Reading, UK: Centre for British Teachers.).

<sup>117</sup> For further details on definitions, see the concluding chapter in H. A. Patrinos et al. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank (pp. 59–68).

<sup>118</sup> H. A. Patrinos et al. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank (p. 18).



government, while the private sector is defined as everything that is not the public sector, ranging on a continuum from the for-profit business community to the nonprofit groupings that are subsumed under civil society. In open entry market conditions, not-for-profit organizations need to be able to compete with their commercial counterparts, and do so.

The capacity of not-for-profit suppliers of schooling is currently limited, but this is so primarily because there is a paucity of opportunities for provision. The names of Steiner and Montessori are enough to indicate that not only are there suppliers who would seek to provide an alternative to public sector supply, there are also potential niche providers should the government wish to encourage them. In summary, there are a number of key features, including:

- (i) Not all situations are suitable for PPPs, and it is important to determine from the outset how the objectives of all the partners—the doers and the recipients—are mutually attainable.
- (ii) Regulation and accountability systems are still lacking, so it is important to establish clear guidelines and detailed agreements on each of the partners' roles and responsibilities and the penalties for noncompliance.
- (iii) There needs to be a wide assessment of needs and agreement on the desired results and outcomes that embrace all the shareholders, from the implementers to the end users.
- (iv) The benefits of PPPs range from enhanced capacity, leveraging of greater resources, and broader ownership by all the actors, including the sharing of risks. Yet there are also risks to PPPs, including loss of interest, higher transaction costs, and failure to meet mutual obligations.<sup>119</sup>

#### a. Key Lessons Learned

How quickly PPPs can be implemented will depend on whether governments adopt the right policy, regulatory, and institutional reforms. To ensure that such partnerships can succeed will require tackling several key constraints. Table 63 provides a summary of six major constraints experienced in the development and delivery of PPPs in infrastructure and brief example of the means to address them.

**Table 63: Summary of Public–Private Partnership Constraints and Some Means of Mitigation**

Focus Area	Constraint	Means of Mitigation
Building consensus for PPPs	<ul style="list-style-type: none"> <li>• There is little consensus among stakeholders on the benefits of involving the private sector in infrastructure, especially in education and training, in part because of ideological opposition and in part owing to limited experience with private participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Moving ahead successfully with PPP projects requires continued efforts to build awareness of the positive experiences with PPPs, consult with policy makers and other key stakeholders on the range of options for PPPs, and address stakeholders' concerns up front during the planning and design stage.</li> </ul>

*continued on next page*

<sup>119</sup> H. A. Patrinos et al. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank (p. 29).

Table 63 continued

Focus Area	Constraint	Means of Mitigation
Moving toward cost recovery	<ul style="list-style-type: none"> <li>Prices for infrastructure services in South Asia generally cover only a small share of the costs.</li> <li>Public and political opposition to private sector involvement often rests on concerns about price increases and exclusion of the poor.</li> </ul>	<ul style="list-style-type: none"> <li>To be politically acceptable, a move toward cost recovery is likely to be gradual and must be accompanied by efforts to reduce inefficiency.</li> <li>The design of PPP projects should include innovative ways to deliver subsidies to the poor.</li> <li>To ensure that PPP projects are viable, governments may need to provide some funding during the transition to full cost recovery through user charges.</li> </ul>
Improving transparency	<ul style="list-style-type: none"> <li>Several South Asian PPPs awarded on the basis of memorandums of understanding in the 1990s attracted criticism and went into renegotiations.</li> <li>The award of licenses encountered delays and lower investor interest because of a lack of clarity on bidding criteria and the evaluation process.</li> </ul>	<ul style="list-style-type: none"> <li>Need to ensure that governments' procurement policy encourages competition and transparency for all stakeholders.</li> <li>Objectives of transactions need to be explicit; use well-defined selection criteria; and be designed to achieve fair, cost-effective, and timely outcomes.</li> </ul>
Enhancing government capacity	<ul style="list-style-type: none"> <li>Wide-ranging institutional structures have evolved across the countries of South Asia to help procure private provision of infrastructure. But sector ministries and their agencies tasked with developing PPP projects generally have limited capacity to design and implement those projects, particularly in assessing commercial issues, allocating risk, and managing procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Several countries pursuing broad PPP programs have set up dedicated, cross-sectoral professional units to support their implementation, with responsibilities ranging from disseminating information and preparing guidelines to designing and implementing transactions.</li> <li>These units can guide and complement the efforts of line ministries and provincial governments in developing frameworks for PPPs, methodologies for evaluating PPP options and associated fiscal costs, standard contracts, guidance on managing the bid process, and tools for monitoring and evaluation.</li> </ul>
Fostering effective regulation	<ul style="list-style-type: none"> <li>Private investors' perception of regulatory risk in South Asia has been among the main factors limiting their investments in infrastructure.</li> <li>The region's experience with independent regulators in power and telecommunication has been mixed.</li> <li>Concerns have often arisen about the lack of clarity in roles, high levels of discretion, and uncertainty in regulatory rules.</li> </ul>	<ul style="list-style-type: none"> <li>Clear separation of policy and regulatory functions and an institutional framework that fosters independent and effective regulatory oversight are critical.</li> <li>To enhance the effectiveness of regulatory institutions, their autonomy, accountability, and independence should be written into law.</li> <li>Also a priority is technical assistance to build regulatory capacity.</li> </ul>

continued on next page

Table 63 continued

Focus Area	Constraint	Means of Mitigation
Easing financing constraints	<ul style="list-style-type: none"> <li>Financial markets are shallow, and there are limited options for financing long-term projects.</li> </ul>	<ul style="list-style-type: none"> <li>To ease financing constraints, key priorities include developing longer-term bond markets; developing investment policies and regulatory guidelines that encourage banks, insurance companies, pension and mutual funds, and other financial institutions to participate in financing infrastructure projects; and encouraging the use of innovative financing instruments to mitigate lenders' risks.</li> </ul>

PPP = public-private partnership.

Source: Author's summary drawn from detailed work that can be accessed from Chapters 4 and 5 (pages 31–73) from the Public Private Infrastructure Advisory Facility's publication by E. Farquharson et al. 2011. *How to Engage with the Private Sector in Public-Private Partnerships in Emerging Markets*. Washington, DC: World Bank.

## C. Findings and Recommendations

The main findings and policy implications of basic and post-basic education and training in South Asia are:

### 1. Findings

#### a. Demand for and Supply of Formal Education

The analyses presented here have highlighted several important trends regarding gains in access toward universal primary education, transition into the post-primary levels of schooling, and improvements in gender equality. The World Bank publication (2014) summarizes some of these gains: South Asia's primary net enrollment rate rose from 75.0% in 2000 to 89.0% in 2010, closer to that of regions such as Latin America and the Caribbean (94.0%) and East Asia and the Pacific (94.8%). Between 1999 and 2010, the number of out-of-school children aged 8–14 fell from 35 million to 13 million—an impressive achievement in a decade. The region has also made great progress in enrolling girls in both primary and secondary school. The number of out-of-school girls in the region has dropped 59% over the past decade.<sup>120</sup>

But despite an increased commitment to education and continuous progress, the stock of human capital in South Asia is still low, and the countries urgently need to continue upgrading the skills of their populations at a speed that will allow them to catch up quickly with East Asia and the rest of the world over the medium term. Indeed, these gaps may be widening rather than closing relative to some East Asian countries.<sup>121</sup>

<sup>120</sup> H. Dunder, T. Bêteille, M. Riboud, and A. Deolalikar. 2014. *Student Learning in South Asia: Challenges, Opportunities, and Policy Priorities*. Directions in Development. Washington, DC: World Bank (p. 1).

<sup>121</sup> For further details on these issues, see Chapters 2–4 in the Regional Office for South Asia (UNICEF ROSA). 2011. *Disparities in Education in South Asia: A Resource Tool Kit*.

### b. Different Rates of Progression

Progress has been unequal over time across countries within the region. Sri Lanka is clearly an outlier with its early achievement of universal primary education, and Maldives is rapidly catching up with Sri Lanka. Among all other South Asian countries, Bhutan and Nepal, which started with the lowest educational levels, showed a faster pace of improvement, yet not rapid enough to catch up with Bangladesh, India, and Pakistan.

The gender gap has diminished substantially at the primary education level in most of the countries and even disappeared in some of them. The obvious challenge is to repeat this achievement at levels beyond primary education, where the gap is still sizable. A large gender gap is apparent in wages for given levels of education and work experience.

The evidence suggests that investments in formal education are profitable in all the countries and at all levels of education. Despite well-founded concerns about the low quality of education, having some schooling, even an incomplete primary education, provides individuals with a significant wage gain. The primary issue for all is access to educational opportunities. Yet despite increased investments in education over time, the returns to investment in higher secondary and tertiary-level education have remained high, and even increased relative to lower levels of schooling, suggesting a rising relative demand for higher levels of education.<sup>122</sup>

## 2. Recommendations

The private sector is already playing a considerable and critical role in supporting the delivery of education in South Asia. National governments show an increasing understanding that a healthy and growing private education sector can play an even larger role in helping address ongoing challenges of expanding access, improving quality, and increasing access to funding in all of the education and training subsectors. It is important, though, for governments to determine which PPP arrangements are best suited for the attainment of different policy objectives. In light of these policy objectives, it is also important to consider how best to deploy the policy instruments that a government has at its disposal to meet its educational and wider public policy objectives: funding, regulation, ownership of education institutions, and the provision of information.

Theoretically, PPP arrangements can provide the following range of services separately or in various combinations: (i) infrastructure facility services, including the design, building, and maintenance of education and training facilities; (ii) noneducational services, such as catering, transport, or provision of hostel facilities; (iii) educational services, such as manager or teacher training; (iv) private management of public facilities using the existing staff and facilities; (v) private operation of public institutions with the private provision of teaching and nonteaching services, including employment of the staff; and (vi) provision of teaching services in private entities to public-funded students. A key decision needs to be made about which PPP arrangement is best suited for the attainment of what policy objective(s).<sup>123</sup>

<sup>122</sup> For further details on these issues and constraints, see the Overview section in H. Dunder, T. Béteille, M. Riboud, and A. Deolalikar. 2014. *Student Learning in South Asia: Challenges, Opportunities, and Policy Priorities*. Directions in Development. Washington, DC: World Bank (pp. 9–14).

<sup>123</sup> For further details on these PPP arrangements, see Section 2 (pages 5–11) in ‘Public Private Partnerships in Secondary School Education in India - A Background Paper prepared by the World Bank Group in support of International Conference on Public Private Partnerships in Secondary Education, 29 and 30 August 2011 ([http://www.wefuk.org/Docs/PPP\\_Background\\_Paper.pdf](http://www.wefuk.org/Docs/PPP_Background_Paper.pdf)).

A government has four key policy instruments—funding; regulation; ownership of education institutions (be they schools, training facilities, or colleges); and the provision of information—that can be used to strengthen the nonstate players and to enhance the role that this partner can play for the benefit of the whole society. Table 64 outlines possible PPP reform initiatives under the two broad headings of organizational reform and funding reform.

**Table 64: Possible Public–Private Partnership Reform Initiatives**

Area	Recommendation	Brief Details
Organizational reform	Improve regulation and oversight	<ul style="list-style-type: none"> <li>Review the way that private education sector is regulated.</li> <li>Seek ways by which regulatory reform has the potential to deliver gains in efficiency, quality, and equity for education and training as well.</li> </ul>
	Strengthen capacity and capability	<ul style="list-style-type: none"> <li>Develop a resource and training program outlining good practice in regulation, with a focus on approaches to “light-handed” regulation.</li> <li>Provide training and mentoring in good regulatory practice for public officials and private sector representatives.</li> </ul>
Funding reform	Improve the funding for operators	<ul style="list-style-type: none"> <li>Consider the possible introduction of a formula-driven, student-based funding system or an explicit voucher scheme as the main method of funding both private and public schools, training institutions, or colleges.</li> <li>Target funding levels on factors such as grade level, the operator’s location, family income, or other measures of socioeconomic status.</li> <li>Consider contracting out the management of public education and training facilities to private operators who operate for an agreed fee under payments that are linked to performance.</li> </ul>
	Increase access to finance	<ul style="list-style-type: none"> <li>Seek innovative ways to address challenges relating to financing and affordability, including the limited range of available sources of finance and the commercial sector’s disinterest in financing long-term investments in education.</li> </ul>

Source: Authors’ representation.

This chapter concludes with six specific recommendations for reforming the PPP ecosystem, while Appendix 1 offers PERFECT—A Summary of PPP Framework Requirements.

### a. Recommendation 1: Improve Regulation and Oversight

One immediate way to support growth in private education is to improve the regulation of private education subsectors. Six key reform activities are:

- (i) Adopt a light-handed, flexible, and targeted approach to regulating the private education and training subsectors.
- (ii) Introduce a new system for licensing private education and training operators across basic education, TVET, and higher education arenas.
- (iii) Make operators delivering education and training under contract to operate under performance-based contracts with the responsible ministry.
- (iv) Streamline the registration and ongoing accreditation processes by allowing approved private sector organizations to play a greater role.
- (v) Prepare a list of the rules to which private operators must adhere in order to be registered and to maintain their operations.
- (vi) Review the current land zoning requirements, with an eye to streamlining the process for private operators to obtain approval to establish an education or training operation.

### b. Recommendation 2: Strengthen Capacity and Capability

Given the decentralized nature of the regulation of the education and training subsectors and the fragmentation of the system across many departments, changing the regulatory structure will not lead of itself to any change in the way policies are implemented in the field. A proactive approach is required to assist in changing the regulatory culture. This would include the adoption of initiatives such as the development of a resource and training program outlining good practice in regulation, with a focus on approaches to “light-handed” regulation, and providing training and mentoring in good regulatory practice for public officials from the different government agencies as well as for private education sector representatives. Two other important areas must be addressed if the private sector is to play a partnership role: (i) increase access to information about the private provision for use by the government, the providers, parents, and students; and (ii) build trust between the public and private sectors. Table 65 provides a summary of constraints for these areas as well as eight specific initiatives for addressing them.

**Table 65: Constraints and Initiatives to Access Information and Build Trust**

Aim	Constraints to Public–Private Partnership	Possible Means for Mitigation
Increasing access to information	<ul style="list-style-type: none"> <li>• Information from different sources ranges from nonexistent to inconsistent and available only with a time lag.</li> <li>• Information is collected by a diverse range of departments and agencies.</li> <li>• There is insufficient information available on significant variables (e.g., fees, programs and measures of quality)</li> <li>• Often, no independent and common benchmark to assess the quality of private provision.</li> </ul>	<ul style="list-style-type: none"> <li>• Give one agency per subsector responsibility for collecting information on the private sector.</li> <li>• Publish information in a suitable, organized manner, and publish an annual private report for the subsectors.</li> <li>• Require private operators to disclose information as a condition of licensing.</li> <li>• Maintain a directory of private education operators by subsector.</li> </ul>

*continued on next page*

Table 65 continued

Aim	Constraints to Public–Private Partnership	Possible Means for Mitigation
Building trust	<ul style="list-style-type: none"> <li>• There is a lack of linkages through which the government can draw attention and support from the private sector to fulfill its national education policy objectives.</li> <li>• Opportunities for dialogue between the public and private sectors are lacking.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the development of private sector associations, as they would offer a good avenue for carrying out much of the information dissemination.</li> <li>• Develop an overarching private education development strategy and a policy investment framework.</li> <li>• Stipulate in these documents the private sector enrollment targets for each subsector.</li> <li>• If possible, establish a private education and training task force comprising representatives of both sectors with a mandate to prepare this strategy and framework.</li> </ul>

Source: Authors' representation.

There is presently a clear lack of trust between the public and private sectors, as well as an absence of mechanisms upon which to build this vital trust. Dialogue is required to develop and attain this framework. Such a dialogue (whether in the form of a national forum or consultative mechanism) is necessary to provide the required focus on broad policy themes, a suitable climate for public–private relations, and access to the required information. The potential outcomes from this dialogue include improved information for decision making, a broader policy consensus, and greater accountability of the public and private decision makers.<sup>124</sup>

### c. Recommendation 3: Improve the Funding for Operators

The funding system for public and private education and training operators does not treat similar students at public and private institutions in the same way. Governments could consider the possible introduction of a formula-driven, student-based funding system or an explicit voucher scheme as the main method of funding both private and public schools, training institutions, or colleges, with funding levels being based on a number of factors such as grade level, the operator's location, family income, or other measures of socioeconomic status.

Alternatively, governments could contract out the management of public education and training facilities to private operators under a scheme in which the responsible ministry would contract with a private individual or firm (for-profit or not-for-profit) to operate for an agreed fee. Although the entity would be privately operated, it would remain public, and students would not pay fees. Below is a summary of guiding principles in contracting for the delivery of education services that could be addressed by this task force.<sup>125</sup>

<sup>124</sup> M. Latham. 2002. *A Handbook on Private Sector Participation in Education: A Review of Possible Ways and Means*. Reading, UK: Centre for British Teachers (p. 16).

<sup>125</sup> Footnote 39 (J. Fielden and N. LaRocque. 2008. *The Evolving Regulatory Context for Private Education in Emerging Economies. Discussion Paper*. Washington, DC: World Bank / International Finance Corporation.)

- (i) Provide an enabling policy and regulatory environment and a strong legal framework.
- (ii) Split the purchaser and provider roles within the government department.
- (iii) Ensure the capacity of the contracting agency.
- (iv) Employ a transparent and competitive process for the selection of preferred providers.
- (v) Employ a staged process for the selection of preferred providers.
- (vi) Establish appropriate performance measures.
- (vii) Include performance incentives and sanctions for nonperformance in contracts.
- (viii) Introduce an effective contract monitoring framework.
- (ix) Employ operational type contracts that give providers maximum flexibility to manage, including the power to select, employ, and remunerate staff, and dismiss nonperforming staff.
- (x) Introduce longer-term contracts with providers.
- (xi) Secure an independent entity to evaluate the contractor's performance.

#### **d. Recommendation 4: Increase Access to Finance**

The key issues standing in the way of the private sector relate to financing and affordability. At present, education entrepreneurs have a limited range of available sources of finance since banks are reluctant to provide finance to a sector that is perceived as social in nature. To help address this problem of lack of access to finance, the government could consider a number of innovative options including (i) improving the regulatory environment and funding policies for private operators, which would encourage investors—small and large—to invest in the education and training subsectors; and (ii) in partnership with commercial banks, institute a program of providing loans that are underwritten by the government to prospective private operators who meet certain quality standards. Clearly, such an option would entail some cost and risk to the government, but it could be a catalyst for private sector involvement in financing education.

#### **e. Recommendation 5: Finance Educational Opportunities**

A range of options are available to help release additional funding, which includes reprioritizing spending within education ministries and education subsectors and shifting money within the overall government budget; increasing greater cost recovery at the TVET and higher education levels; adopting innovative finance and delivery mechanisms, such as vouchers and contracting out the management of public education and training institutions to the private sector, which result in savings over current spending; and making greater use of contracting out for the provision of noncore services such as hostel facilities, building construction, and maintenance to the private sector and for the provision of services within the Ministry of Education (school assessment and certification, printing, etc.).





# REFERENCES

- Asian Development Bank (ADB). 2008a. *Education Sector in Bangladesh: What Worked Well and Why under the Sector-Wide Approach*. Manila (p. 4).
- . 2008b. *Public-Private Partnership Handbook*. Manila.
- . 2009. *Special Evaluation Study: ADB Assistance for Public-Private Partnerships in Infrastructure Development—Potential for More Success*. Manila (SES: OTH2009-31). <http://www.oecd.org/derec/adb/47166423.pdf>.
- . 2010. *Public-Private Partnerships in ADB Education Lending, 2000-2009*. Manila.
- . 2012a. Democratic Socialist Republic of Sri Lanka: Education Sector Development Project. *ADB Concept Paper*. Manila.
- . 2012b. *Public-Private Partnership Operational Plan, 2012-2020 (Realizing the Vision for Strategy 2020: The Transformational Role of Public-Private Partnerships in Asian Development Bank Operations)*. Manila.
- . 2013. Skills Development Project Report. Manila (38176-015). <http://www.adb.org/sites/default/files/project-document/77339/38176-015-nep-rrp.pdf>.
- . 2014a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia*. Manila.
- . 2014b. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia*. Manila.
- . 2014c. Special Chapter on Poverty in Asia: A Deeper Look. In *Key Indicators for Asia and the Pacific 2014*. Manila.
- . 2015a. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Bangladesh*. Manila.
- . 2015b. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Nepal*. Manila.
- . 2015c. *Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.
- . 2015d. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Bangladesh*. Manila.
- . 2015e. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Nepal*. Manila.
- . 2015f. *Innovative Strategies in Technical and Vocational Education and Training for Accelerated Human Resource Development in South Asia—Sri Lanka*. Manila.

- K. Akyeamong. 2005. Cost and Financing Secondary Education in Ghana: A Situational Analysis. In K. M. Lewin. 2008. *Strategies for Sustainable Financing of Secondary Education in Sub-Saharan Africa*. Center for International Education, University of Sussex.
- S. C. Andersen. 2008. Private Schools and the Parents That Choose Them: Empirical Evidence from the Danish School Voucher System. *Scandinavian Political Studies*. 31 (1).
- T. Andrabi, J. Das, and A. Khwaja. 2006. A Dime a Day: The Possibilities and Limits of Private Schooling in Pakistan. *World Bank Policy Research Working Paper Series*. No. 4066. Washington, DC.
- J. Angrist et al. 2002. Vouchers for Private Schooling in Colombia: Evidence from a Randomized Natural Experiment. *American Economic Review*. 92 (5). pp. 1535–58.
- J. Angrist, E. Bettinger, and M. Kremer. 2006. Long-Term Educational Consequences of Secondary School Vouchers: Evidence from Administrative Records in Colombia. *American Economic Review*. 96 (3).pp. 847–862.
- Asia Foundation. 2010. *Promoting Public–Private Partnership in Bangladesh*. Dhaka.
- M. Aslam. 2007. The Relative Effectiveness of Government and Private Schools in Pakistan: Are Girls Worse Off? Research Consortium on Education Outcomes and Poverty. *Working Paper*. No. 4. Oxford: Department for International Development of the United Kingdom.
- M. Aslam, G. Kingdon, and M. Söderbom. 2008. Is Female Education a Pathway to Gender Equality in the Labor Market? Some Evidence from Pakistan. In M. Tembon and L. Fort, eds. *Girls' Education in the 21st Century: Gender Equality*. Washington, DC: World Bank.
- M. P. Aryal. 2014. *Nepal—Second Higher Education Project: P090967—Implementation Status Results Report: Sequence 14*. Washington, DC: World Bank.
- C. Bangay and M. Latham. 2013. Are We Asking the Right Questions? Moving beyond the State vs Non-State Providers Debate: Reflections and a Case Study from India. *International Journal of Educational Development*. 33 (3). pp. 244–252. May.
- Bangladesh. Bureau of Educational Statistics, August 2011.
- M. Barber. 2013. The Good News from Pakistan: How a Revolutionary New Approach to Education Reform in Punjab Shows the Way Forward for Pakistan and Development Aid Everywhere. *Reform Magazine*. England.
- F. Barrera-Osorio. 2006. The Impact of Private Provision of Public Education: Empirical Evidence from Bogotá's Concession Schools. *Impact Evaluation Series*. No. 10. Washington, DC: World Bank.
- F. Barrera-Osorio and D. Raju. 2009. *Evaluating a Test-Based Public Subsidy Program for Low-Cost Private Schools: Regression-Discontinuity Evidence from Pakistan*. Washington, DC: World Bank.
- R. Batley et al. 2004. *Non-State Providers of Basic Services*. Edgbaston, Birmingham: International Development Department, School of Public Policy, University of Birmingham.
- A. S. Bedi and A. Garg. 2000. The Effectiveness of Private versus Public Schools: The Case of Indonesia. *Journal of Development Economics*.
- Board of Investment of Sri Lanka. 2012. *Sri Lanka Guide on Education*. Colombo.

- P. Brady and R. Perera. TVET Sri Lanka Addressing the Knowledge Age. Colombo. (TA 7746-SRI). Unpublished.
- D. Brewer et al. 2007. *Education for a New Era. Design and Implementation of K-12 Education Reform in Qatar*. California: RAND Corporation.
- F. Caillods and K. Lewin. 2001. *Financing Secondary Education in Developing Countries: Strategies for Sustainable Growth*. Paris: UNESCO–International Institute for Education Planning.
- Center for Education Reform. 2004. Strong Laws Produce Better Results. *CER Special Report*. Washington, DC.
- S. Colverson and O. Perera. 2011. Is There a Role for Public–Private Partnerships? *Policy Brief*. Winnipeg: International Institute for Sustainable Development.
- D. Cox and E. Jimenez. 1991. The Relative Effectiveness of Private and Public Schools. *Journal of Development Economics*. 34.
- A. Deep. 2009. Developing an Enabling Environment for Public–Private Partnerships. Presentation at the Public–Private Partnerships Seminar, Dubai, 13 April 2009, Harvard Kennedy School.
- J. Delmon. 2009. *Private Sector Investment in Infrastructure: Project Finance, PPP Projects, and Risk*. Washington, DC: Kluwer and Public Private Infrastructure Advisory Facility.
- E. Di Gropello, ed. *Meeting the Challenges of Secondary Education in Latin America and East Asia*. Washington, DC: World Bank.
- D. Dohmen. 2009. *Financing of Technical and Vocational Education and Training (TVET) in Bangladesh*. Dhaka: International Labour Organization.
- Department of the Parliamentary Library. 2002. Public Private Partnerships: An Introduction. *Research Paper*. No. 1 2002–03. Commonwealth of Australia, Canberra.
- Department for International Development of the United Kingdom. 2011. *Preliminary Study into Low Fee Private Schools and Education*. <http://r4d.dfid.gov.uk/Project/61152/Default.aspx>.
- . 2013a. *Study into the Potential Long-Term Viability and Expansion of Gyan Shala through Private Sector Investment*. <http://r4d.dfid.gov.uk/Project/61154/Default.aspx>.
- . 2013b. *Formative Study into the Role of the Private Sector in Primary Education in Bangladesh*. CFBT Education Trust. UK. <http://r4d.dfid.gov.uk/Project/61157/Default.aspx>.
- H. Dunder, T. Béteille, M. Riboud, and A. Deolalikar. 2014. *Student Learning in South Asia: Challenges, Opportunities, and Policy Priorities*. Directions in Development. Washington, DC: World Bank.
- E. Farquharson et al. 2011. *How to Engage with the Private Sector in Public–Private Partnerships in Emerging Markets*. Washington, DC: World Bank and Public–Private Infrastructure Advisory Facility.
- J. Fielden and N. LaRocque. 2008. The Evolving Regulatory Context for Private Education in Emerging Economies. Discussion Paper. *World Bank Working Paper Series*. No. 154. Washington, DC: World Bank / International Finance Corporation.
- J. Fitz and B. Beers. 2002. Education Management Organizations and the Privatization of Public Education: A Cross-National Comparison of the USA and Britain. *Comparative Education*. 382. pp. 137–154.

- R. French and G. Kingdon. 2010. *The Relative Effectiveness of Private and Government Schools in Rural India: Evidence from ASER data*.
- V. Gauri and A. Vawda. 2003. Vouchers for Basic Education in Developing Economies: A Principal–Agent Perspective. *World Bank Policy Research Working Paper Series*. No. 3005. Washington, DC: World Bank.
- B. Gill et al. 2007. *Rhetoric versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools*. Santa Monica: Rand Education.
- Government of Bangladesh. 2008. *National Strategy for Accelerated Poverty Reduction (FY2009–2011)*. Dhaka.
- . 2009. *National Education Policy*. Dhaka.
- . 2011. *National Skills Development Policy*. Dhaka.
- Government of Bangladesh, Ministry of Planning, Bangladesh Bureau of Statistics. 2008. *Bangladesh Labor Force Survey 2008*. Dhaka.
- . 2010. *Policy and Strategy for Public–Private Partnership*. Dhaka.
- Government of Nepal. 2010. Council for Technical Education and Vocational Training. *TVET Journal*. Kathmandu.
- Government of Nepal, Ministry of Education and Sports. 2009 and 2010. *Nepal Education at a Glance (BS2055/56–2066/67)*. Kathmandu.
- Government of Nepal, Ministry of Education and Sports, Council for Technical Education and Vocational Training. 2012a. *A Glimpse of Technical and Vocational Education and Training in Nepal, Year 5*. Volume 1. Bhaktapur.
- . 2012b. *A Profile of Technical and Vocational Education Providers*. Volume III. Kathmandu.
- . 2013. *Proposed Modalities of Polytechnic Institutes in Nepal*. Kathmandu.
- Government of Nepal, Ministry of Education and Sports, Department of Education. 2000–2013. *Flash Reports 1*. Kathmandu.
- . 2013a. *Flash 1 Report 2013*. Bhaktapur.
- . 2013b. *School Level Education Statistics of Nepal, Consolidated Report 2012 (2069)*. Kathmandu.
- . 2013c. *School Leaving Certificate Result Trend: The History of Student Passing Percentage in Nepal*. Kathmandu: Sparrow SMS.
- Government of Nepal, Ministry of Education and Sports, National Center for Educational Development. 2010. *Teachers Development Policy Guideline*. Bhaktapur.
- Government of Nepal, National Planning Commission. 2011. *White Paper on Public–Private Partnership (PPP)*. Kathmandu.
- Government of Sri Lanka. 2013. *The National Higher Education Strategic Management Plan of Sri Lanka*. Colombo.
- Government of Sri Lanka, Central Bank of Sri Lanka. 2013. *2012 Annual Report*. Colombo.
- Government of Sri Lanka, Department of Census and Statistics. 2010. *Household Income and Expenditure Survey 2009/10*. Colombo.
- Government of Sri Lanka, Ministry of Education. 2010. *Schools Census 2010*. Colombo.

- Government of Sri Lanka, Ministry of Education, Data Management Branch. 2011. *Sri Lanka Education Information*. Colombo. [http://www.moe.gov.lk/english/images/publications/Education\\_First\\_SL/Education\\_First\\_SL.pdf](http://www.moe.gov.lk/english/images/publications/Education_First_SL/Education_First_SL.pdf).
- Government of Sri Lanka, Ministry of Education, Policy and Planning Branch. 2013. [http://www.moe.gov.lk/english/images/publications/Education\\_First\\_SL/Education\\_First\\_SL.pdf](http://www.moe.gov.lk/english/images/publications/Education_First_SL/Education_First_SL.pdf).
- Government of Sri Lanka, Ministry of Finance and Planning. 2010. *Mahinda Chinthana: Vision for the Future Development Policy Framework, 2010–2016*. Colombo.
- Government of Sri Lanka, National Education Commission. 2009. *National Policy Framework on Higher Education and Technical and Vocational Education*. Colombo.
- Government of Sri Lanka, Tertiary and Vocational Education Commission. 2013a. *TVEC Corporate Plan 2012–2016*. Colombo.
- . 2013b. *TVEC Corporate Plan 2013–2017*. Colombo, Sri Lanka.
- E. Hanushek and L. Woessmann. 2007. *Education Quality and Economic Growth*. Washington, DC: World Bank.
- R. Hatcher. 2006. Privatization and Sponsorship: The Re-Agenting of the School System in England. *Journal of Education Policy*. 21 (5). pp. 599–619.
- C. M. Hoxby. 2000. Does Competition among Public Schools Benefit Students and Taxpayers? *The American Economic Review*. 90 (5). pp. 1209–1238.
- C. Hsieh and M. Urquiola. 2006. The Effects of Generalized School Choice on Achievement and Stratification: Evidence from Chile's School Voucher Program. *Journal of Public Economics*. 90. pp. 1477–1503.
- R. Johanson. 2009. A Review of National Training Funds. *SP Discussion Paper*. No. 922. Washington, DC: World Bank.
- G. Kingdon. 2005. Private and Public Schooling: The Indian Experience. *Working Paper*. PEPG-05-15, Program on Education Policy and Governance. Cambridge, MA: Harvard University. <http://www.ksg.harvard.edu/pepg/PDF/events/MPSPE/PEPG-05-15geeta.pdf>.
- . 2007. The Progress of School Education in India. *Oxford Review of Economic Policy*. 23 (2). pp. 168–195.
- N. LaRocque. 2006. *Contracting for the Delivery of Education Services: A Typology and International Examples*. Wellington: Education Forum. <http://www.educationforum.org.nz>.
- . 2008. *Public–Private Partnerships in Basic Education: A Toolkit*. Washington, DC: World Bank. Draft.
- . 2008. *Public–Private Partnerships in Basic Education: An International Review*. Reading, UK: CfBT Education Trust.
- M. Latham. 2002. *A Handbook on Private Sector Participation in Education: A Review of Possible Ways and Means*. Reading, UK: Centre for British Teachers.
- McKinsey Center for Government. 2013. *Education to Employment: Designing a System that Works*. New York.
- MDG Achievement Fund. 2013. *Final Evaluation: Bangladesh. Millennium Development Goals (MDGs) Achievement Fund Secretariat*. Dhaka.

- A. Molnar et al. 2006. *Profiles of for-Profit Education Management Organizations*. Tempe, Arizona: Commercialism in Education Research Unit.
- J. G. Mora. 2005. Public–Private Partnerships in Latin America: A Review Based on Four Case Studies. Paper presented at the Conference on Mobilizing the Private Sector for Public Education. Harvard University, Cambridge, MA. 5–6 October.
- D. Moran and R. Batley. 2004. *Literature Review of Non-State Provision of Basic Services*. Edgbaston, Birmingham: Governance Resource Centre, School of Public Policy, University of Birmingham.
- K. Muralidharan and M. Kremer. 2006. *Public and Private Schools in Rural India*. Cambridge, MA: Department of Economics, Harvard University.
- National Alliance for Public Charter Schools. [www.publiccharters.org](http://www.publiccharters.org).
- National Education Commission. 2010. *Summary of Policy Recommendations, National Policy Framework on Higher Education and Technical and Vocational Education*. Submitted to His Excellency the President on 14 June 2010. Colombo.
- National Planning Commission. 2011. White Paper on Public–Private Partnership (PPP). Kathmandu.
- Organisation for Economic Co-operation and Development (OECD). 2011. *Science, Technology and Industry Scoreboard*. Paris: OECD Publishing.
- R. Palter, J. Walder, and S. Westlake. 2008. How Investors Can Get More out of Infrastructure. *The McKinsey Quarterly*.
- H. A. Patrinos. 2005. Education Contracting: Scope of Future Research. *Program on Education Policy and Governance Report*. No. 05-23. Cambridge, MA: Harvard University.
- H. A. Patrinos and N. LaRocque. 2007. *Enhancing Accountability in Schools: What Can Choice and Contracting Contribute?* Washington, DC: World Bank.
- H. A. Patrinos and S. Sosale. 2007. Mobilizing the Private Sector for Public Education: A View from the Trenches. *Directions in Development Series: Human Development*. Washington, DC: World Bank.
- H. Patrinos, F. Barrera–Osorio, and J. Guaqueta. 2009. *The Role and Impact of Public–Private Partnerships in Education*. Washington, DC: World Bank.
- B. Pokhrel. 2012. Public–Private Partnership in Education in Nepalese Perspective. Private and Boarding Schools’ Organizations of Nepal. *Spotlight News*. 5 (18). 30 March (Chaitra 17, 2068).
- D. Robalino, D. Margolis, F. Rother, D. Newhouse, and M. Lundberg. 2013. Youth Employment. A Human Development Agenda for the Next Decade. *Social Development and Labour Discussion Paper*. 1308. Washington DC: World Bank.
- M. Riboud, Y. Savchenko, and H. Tan. 2007. *The Knowledge Economy and Education and Training in South Asia*. Washington, DC: World Bank.
- E. Sadka. 2006. Public–Private Partnerships: A Public Economics Perspective. *IMF Working Paper*. WP /06/77. Washington, DC: International Monetary Fund.
- L. Steer, J. Gillard, E. Gustafsson–Wright, and M. Latham. 2015. *Non-State Actors in Education in Developing Countries*. Center for Universal Education at Brookings.
- Sri Lanka Children’s Secretariat. 2012. *Data Source National Survey on ECCD in Sri Lanka*. [http://www.childwomenmin.gov.lk/web/images/pdf/eccd\\_report.pdf](http://www.childwomenmin.gov.lk/web/images/pdf/eccd_report.pdf).

- P. Srivastava and G. Walford. 2007. *Private Schooling in Less Economically Developed Countries*. *Oxford Studies in Comparative Education*. Cambridge University Press.
- M. Tansen. 2013. *Public-Private Partnership (PPP) in the Technical and Vocational Education and Training (TVET) Sector in Bangladesh: Challenges and Prospects*. <http://www.periglobal.org/public-private-partnerships/document/document-public-private-partnership-ppp-technical-vocational-ed>.
- Tertiary and Vocational Education Commission. 2013. *TVEC Corporate Plan 2013-2017*. Colombo.
- J. Tooley and P. Dixon. 2005. *Private Education Is Good for the Poor: A Study of Private Schools Serving the Poor in Low-Income Countries*. Washington, DC: Cato Institute.
- UK Audit Commission 2003. *Private Finance Initiative in Schools: The Quality and Cost of Buildings and Services Provided by Early Private Finance Initiative Schemes*. London.
- UNESCO. 2007. *Non-State Providers and Public-Private-Community Partnerships in Education*. Paris.
- . 2009. *Global Education Digest*. Paris.
- . 2012. *Education for All Global Monitoring Report*. Paris.
- . 2013a. *Education for All Global Monitoring Report*. Paris.
- . 2013b. *Strengthening Nepal's Education System*. Kathmandu.
- UNESCO Institute for Statistics. 2006. *Teachers and Education Quality: Monitoring Global Needs for 2015*. Montreal.
- . 2007. *Global Education Digest 2007*. Montreal.
- . 2012. <http://www.uis.unesco.org> (accessed 20 June 2014).
- . 2013. *World Development Indicators Database*. <http://data.worldbank.org/indicator>
- Uni-Consultancy Services. 2010. *Demand for Higher Education in Sri Lanka*. Colombo: Board of Investment of Sri Lanka. Colombo.
- UNICEF. 2012a. *Early Childhood Care and Education*. Bangkok.
- . 2012b. *Children and Education Budget in Bangladesh*. Dhaka.
- . 2012c. *Progress for Children—A Report Card on Adolescents*. New York.
- United Nations Conference on Trade and Development. 2013. *Least Developed Countries Report 2013: Growth with Employment for Inclusive and Sustainable Development*. New York and Geneva.
- United Nations Development Programme. 2009. *Human Development Report*. New York.
- . 2010. *Human Development Report*. New York.
- University Grants Commission (Nepal). 2001-2011. *Annual Reports*. Bhaktapur.
- . 2012. *Education Management Information System Report on Higher Education, SY 2010/2011*. Bhaktapur.
- University Grants Commission (Sri Lanka). 2011. [www.ugc.ac.lk/en/university-statistics-2010.html](http://www.ugc.ac.lk/en/university-statistics-2010.html).
- . 2012. *Sri Lanka University Statistics 2011*. Colombo.



- .n.d. *Admission to Undergraduate Courses in the Universities of Sri Lanka 2011–2012*. Colombo.
- A. Verspoor and J. Bregman. 2008. *At the Crossroads: Choices for Secondary Education in Sub Saharan Africa*. Washington, DC: World Bank.
- Y. Wang. 2000. *Public–Private Partnerships in the Social Sector: Issues and Country Experiences in Asia and the Pacific*. Tokyo: Asian Development Bank Institute.
- . 2013. *Education in a Changing World: Flexibility, Skills, and Employability*. Washington, DC: World Bank.
- L. Woessmann. 2005. Public–Private Partnerships in Schooling: Cross-Country Evidence on Their Effectiveness in Providing Cognitive Skills. Paper presented at the Conference on *Mobilizing the Private Sector for Public Education*. Harvard University, Cambridge, MA. 5–6 October.
- World Bank. 2004. *World Development Report 2004: Making Services Work for Poor People*. Washington, DC.
- . 2008. *Whispers to Voices: Gender and Social Transformation in Bangladesh*. *Bangladesh Development Series*. Dhaka.
- . 2013. Sri Lanka Rising Up the Ranks While Sharing Prosperity. [www.worldbank.org/en/results/2013/04/10/sri-lanka-rising-up-ranks-sharing-prosperity](http://www.worldbank.org/en/results/2013/04/10/sri-lanka-rising-up-ranks-sharing-prosperity).
- . Private Participation in Infrastructure Project Database. <http://ppi.worldbank.org/> (accessed 15 June 2014).
- World Conference on Education for All 1990. Article 7.

# APPENDIX: PERFECT—A SUMMARY OF PUBLIC-PRIVATE PARTNERSHIP FRAMEWORK REQUIREMENTS

Public Sector	Private Sector
<b>P = Political economy</b>	
<ul style="list-style-type: none"> <li>• Policy makers need to understand the architecture options for PPP policies and the various building blocks and how they can fit together or not.</li> <li>• Political commitment is needed to support the envisaged reform process, but this is often challenged by public sentiment.</li> </ul>	<ul style="list-style-type: none"> <li>• The level of private sector participation is a result of the choice of market structure, i.e., the type and level of competition allowed, market entry rules, and the resulting price regulations.</li> <li>• Whether PPPs are used and which type depends on the government's decision about market reform.</li> </ul>
<b>E = Economic management</b>	
<ul style="list-style-type: none"> <li>• There is need for sound fiscal management with a clear regime for assessing fiscal risks upfront and for managing fiscal risk during implementation.</li> <li>• The decision of public procurement versus PPP needs to be taken on the basis of an impartial and comprehensive value-for-money assessment.</li> </ul>	<ul style="list-style-type: none"> <li>• Government guarantees and availability payments are vital ingredients for making a PPP investable.</li> <li>• Actual payment of such guarantees is also dependent upon the creditworthiness of the issuing municipality, state, or country.</li> </ul>
<b>R = Regulatory framework</b>	
<ul style="list-style-type: none"> <li>• Institutional quality and capacity, an adequate legal framework, the rule of law, and the existence of a regulatory framework are proven drivers for PPPs.</li> <li>• These create business opportunities for private sector investors as they (i) determine the quality and speed of the transaction process; (ii) set prices, ultimately deciding upon cost recovery and financial return; and (iii) provide legal certainty on the contractual arrangements and enforcement of the rule of law.</li> </ul>	<ul style="list-style-type: none"> <li>• A clear outline of the main conditions that are required to support effective reform when additional providers are brought into the state system is required, including               <ul style="list-style-type: none"> <li>➤ processes in place for market entry,</li> <li>➤ quality assurance and intervention,</li> <li>➤ support for innovation in provision,</li> <li>➤ freedom of informed choice, and</li> <li>➤ the scaling up of high-quality providers.</li> </ul> </li> </ul>
<b>F = Financial access</b>	
<ul style="list-style-type: none"> <li>• PPPs require long-term finance, but domestic funding is often constrained.</li> <li>• Developing capital markets is essential for countries wishing to crowd in the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term finance that is commensurate with the long-term tenure of most PPP arrangements is essential.</li> <li>• Ability to access local capital markets is crucial for mitigating the foreign exchange risks for PPPs.</li> </ul>

*continued on next page*

Appendix continued

Public Sector	Private Sector
<b>E= Enabling environment</b>	
<ul style="list-style-type: none"> <li>Any intervention needs to ensure that the environment is designed to maximize improvements in educational outcomes, including               <ul style="list-style-type: none"> <li>identifying local need,</li> <li>outlining potential roles,</li> <li>enacting a transparent competitive process,</li> <li>establishing appropriate performance measures and sanctions, and</li> <li>building the capacity of the contracting agency.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A predictable regulatory regime and the rule of law bring in cash flow certainty and fast dispute settlement.</li> <li>Private sector investors rely on the transaction being structured based on a fair balance between private and public interest to commit to improve efficiency</li> <li>The risk–reward ratio must be adequate.</li> </ul>
<b>C= Capacity building</b>	
<ul style="list-style-type: none"> <li>The entire PPP delivery process, from upfront fiscal assessment to transaction execution, demands a high level of capacity in the public sector.</li> <li>Capacity is essential so the public interests are safeguarded when structuring the PPP, as well as later on when performance is being monitored.</li> <li>Delivery of PPPs requires an institutional setup with clear roles and responsibilities across the various ministerial and implementing agencies.</li> </ul>	<ul style="list-style-type: none"> <li>The private sector is diverse and disparate and it requires proactive support to ensure that the private providers have the capacity to be reliable partners.</li> <li>Planned reviews and adjustments need to be in place as things inevitably happen that were not predictable at contract signing.</li> <li>How far PPPs sustain their service delivery over the long term depends on capacity to ensure cost recovery and maintain the original demand factors.</li> </ul>
<b>T= Transactional sustainability</b>	
<ul style="list-style-type: none"> <li>A transparent procurement framework needs to clamp down on corruption and market distortion and enable a fair competition.</li> <li>Transparency and proactive advocacy help to manage social and political risk and to communicate the nature and impact of a PPP on average citizens.</li> <li>Ensuring the quality of performance and monitoring contract compliance are vital to guard the public interest and avoid rent seeking at society's expense.</li> <li>There is a critical need for a good rule of law to settle resulting disputes smoothly and quickly.</li> </ul>	<ul style="list-style-type: none"> <li>Transaction advisors are required to ensure that the right legal, technical, and financial experts are involved; economic and technical feasibility studies are prepared and their results are assessed free from political pressure; outreach to potential additional investors is effective; and that the deal is structured in a fashion that financial closure is likely to occur.</li> <li>PPP units can help overcome coordination challenges as a single point of contact.</li> </ul>

PPP = public–private partnership.

Source: Authors' representation.

## **Innovative Strategies for Accelerated Human Resource Development in South Asia**

*Public-Private Partnerships for Education and Training*

*Special Focus on Bangladesh, Nepal, and Sri Lanka*

South Asia remains one of the fastest-growing regions in the world but concerns are rising that its workforce lacks the skills and education to drive its economy into the 21st century. Providing access to quality education and skills training is now a priority of policymakers in the region. But even though government spending on education has increased significantly in recent years, it has not resulted in effective education outcomes. This report is one in a series of four publications that examines how education and training systems in the region can be improved. In particular, it looks at the role that the private sector can play in improving standards through investments in education and training.

### **About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



**ASIAN DEVELOPMENT BANK**

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

[www.adb.org](http://www.adb.org)