THE PRIVATIZATION OF EDUCATION IN DEVELOPING COUNTRIES. EVIDENCE AND POLICY IMPLICATIONS

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ABSTRACT

This working paper reviews key findings from empirical research on the effects of specific modes of privatization of the school provision, particularly in developing countries. The overall question is: can the common good of education be provided by the private sector in a more efficient or optimal way than by the state? The paper presents first a definition of privatization. It then elaborates on the multiple modes that privatization may take in the schools sector in relation to diverse policy goals and reviews findings from prior research on this issue. Third, it discusses some methodological issues that commonly arise when reviewing international evidence. Finally, the paper presents a synthesis of findings and offers lessons learned particularly intended for policy-makers, planners, and administrators.
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INTRODUCTION

In several spheres of societal life, such as compulsory education, the state traditionally holds a strong monopoly in almost all developed countries, with private actors playing only a minor role. In most of these countries, the provision of compulsory education is strongly dominated by public institutions, or at least by public funding, as often private providers can benefit from public funding if complying with public regulations and requirements. Even though many national constitutions include the right to private education, in practice, the public monopoly in compulsory education has remained almost unchallenged.

In developing countries a different picture emerges. States may be committed in theory to educating everyone but unable to put this commitment into practice. The reasons why many countries have failed to reach the Education for All goals in 2015 may vary and include the fragility or failure of some states, situations of national conflict or crisis, and a lack of financial, human and institutional capacity. With an ever-increasing demand for education and limited state capacity, the private sector has been called on increasingly to participate in the provision of education. This participation takes many forms: for-profit initiatives, diverse kinds of public-private partnerships, allowing local communities to take the lead by organizing what is a privately run school provision or generating low-cost alternatives to public schools, often outside of any government supervision. The resulting picture may be further complicated by politics as in countries where the state is well resourced and stable, policy-makers may see in some modes of privatization an opportunity to improve access to education and its efficiency.

Against this backdrop, this paper reviews key findings from empirical research on the effects of specific modes of privatization of the school provision, particularly in developing countries. The overall question is: can the common good of education be provided by the private sector in a more efficient or optimal way than by the state? The paper presents first a definition of privatization. It then elaborates on the multiple modes that privatization may take in the schools sector in relation to diverse policy goals and reviews findings from prior research on this issue. Third, it discusses some methodological issues that commonly arise when reviewing international evidence. Finally, the paper presents a synthesis of findings and offers lessons learned particularly intended for policy-makers, planners, and administrators.

Background and definition

Broadly speaking, privatization refers to policies promoting liberalization and deregulation that lead to the establishment of a market in education or, at least, to competition between public and private providers of education (Lubienski & Lubienski, 2006). Countries embark on privatization convinced that the efficiency of the school system will increase in two ways: by reaching the unreached, thus improving access to education, and by improving learning outcomes by way of fostering competition.

Exploring the concept

Privatization has its roots in a liberal perspective of the role of the state in education, according to which centralized education systems are often criticized for being largely inefficient. As argued by Friedman (Friedman, 1962), this liberal view assumes that private providers operating under market discipline would provide parents with choice, and that competition would lead to ever-increasing quality standards and also drive out of the market those operators unable to provide the service parents want. In their seminal work, Politics, Markets and America’s Schools, (Chubb & Moe, 1988), the authors documented that in the United States the autonomy of private schools leads to better performance in terms of clearer goals, stricter requirements, greater stress on academic excellence and more harmonious, interactive, and teaching-oriented relations between principals and teachers and among teachers themselves. In view of this, and in a context where states suffer from far-reaching public debt (Klitgaard, 2007) a retraction of the state’s responsibility for traditional public services such as education is – at least from a liberal perspective- considered a legitimate and necessary strategy.

While state governance aims at supplying education as a public good to the population (UNESCO, 2015), the provision of education as a private good through the market results from the equilibrium between provider and consumer choice. Private education providers can govern education by deciding which products they offer and which prices they charge. Consumers of these products, i.e. students and parents indirectly, have the option to choose which

1 Technically speaking it is a quasi-market as most requirements to have a real market in the education sector cannot be matched (see Glennerster, 1991; Grand, 1991)).
kind of education products they purchase and how much they will spend, and thus feel empowered to ask for better services. Instead of a rather standardized and homogeneous provision of a normally free state education aiming at social integration and the creation of human capital, market governance seeks to satisfy individual interests and needs and is driven by profit motives.

One implication of privatization is that it leads to a remarkable growth in the creation and advancement of national assessment and quality assurance systems, seeking to improve the quality of information that consumers have to make better choices, both at individual and collective levels (Benveniste, 2002).

The privatization of education raises the question as to what extent the public functions of education are threatened if schooling is provided by private companies as opposed to the state. Market failure entails the risk that education may no longer be provided at a satisfactory level, and that inequalities could increase tremendously if only privileged groups can afford good education (Henry M. Levin, 2001). Others, however, would argue that a strong public education system must be a precondition for social equity. Deregulation in the form of privatization and institutional autonomy in education are catalysts for social inequalities while a centralized education system is deemed to inhibit the inheritance of educational opportunity over generations. This is in line with Esping-Andersen's argument that there is always a trade-off between socio-economic efficiency and equality in the welfare state (Esping-Andersen & Van Kersbergen, 1992; Kolberg, 1992).

Modes of privatization
Privatization in education usually unfolds in three ways, sometimes simultaneously but not always. These three ways are:

a. The outsourcing of specific state activities to private providers;
b. The introduction of market-based or other self-regulatory governance instruments sometimes involving forms of deregulation of the education sector;
c. The provision of schooling by private organizations, either partially state-funded and in compliance with public regulations, or independently.

Each of these approaches may be taken simultaneously; they can also be balanced against each other, or may occur in just one of these modes. While they are independent, some are complementary: one example is in allowing more private schools to enter a market at the same time as giving students more choice regarding enrolment in these schools. Other modes may be substituted: e.g. offering vouchers to attend private schools, or offering parents tax credits to offset against private school fees (Belfield & Levin, 2002). This review focuses solely on the third mode of privatization, that of the provision of schooling by private organizations. In fragile states and where the coverage of basic education is still limited, if it exists at all, private initiatives have been gaining credit in the international debates about progress in education in developing countries.

Framing the analysis of the effects of privatization
The effects of the privatization of education have been discussed extensively but are scientifically unsettled. While some studies argue that privatization is a catalyst of social inequality (Weiß, 1986) (Meier, Polinard, & et al., 2000) (Campbell, 2005), others contend that it encourages overall educational efficiency (Coleman, Hoffer, & et al., 1982) (Chubb & Moe, 1988; Witte & Rigdon, 1993).

This lack of evidence may be due to several methodological issues, beyond the obvious risks of ideology contamination. First, the equivalence of the concept may be at stake—even in developed countries, the concept of private schooling may include different school provision. Private schools are a heterogeneous reality: from elite schools to low-cost, fee-paying, community-run schools. Second, they may be subject to diverse kinds of state regulations, operating on a continuum that ranges from open free markets and quasi-markets to restricted or rather marginal niches. Third, they may not cater necessarily for the whole spectrum of students but be selective, or not. Fourth, private schools may be created for different purposes, ranging from the expectation of raising financial gains to serving communities who are under or non-served by the state having very diverse modes of operation. Often research reviews have failed to account for all these nuances and present a picture in which all varieties of private schools, contexts and policy goals are merged.

What clearly emerges from this debate is that privatization entails an efficiency-versus-equity trade-off in education, which has to be seen as a continuum rather than as an inevitable choice. The perspective introduced by such a possible trade-off is useful not only for research but also to inform with evidence the policy-making process. Such a perspective is used in the rest of the paper which aims to summarize empirical evidence about the strategic use of privatization to transfer the provision of basic education from the state to private providers with these overall policy goals:

1. Increasing access to and participation in basic education
2. Improving learning outcomes
3. Improving equity in educational opportunities
What the evidence says

1. Increasing access to and participation in basic education

It may seem unrealistic to think that markets could help to increase access to education when one realizes who risks being excluded, i.e. populations that suffer from socio-economic disadvantage and can hardly afford to pay tuition. However, where government schools are failing or simply non-existing, low-cost private schools have emerged and look like a promising avenue to deliver basic education to the poor (Mehrotra & Panchamukhi, 2007).

Low-cost private schools have developed somehow spontaneously over the past 15 years in many developing countries worldwide: in Asia (India, Pakistan), Africa (Nigeria, Ghana, Kenya) and Latin America (Colombia, Chile). More recently, they have also emerged in Malawi, South Africa, Tanzania and Uganda (Nambissam, 2012). The business model of low-cost private schools is similar in all these countries: low fees but also poor infrastructure; often multi-grade; and low-paid, young teachers often recruited from the local community with minimum qualifications if any (Kremer & Muralidharan, 2008; Ohba, 2013) (Schirmer, Johnston, & Bernstein, 2010). The business model is based on low input costs to keep prices affordable for low-income families and competes with government-owned? or supported schools by being closer to home and having longer opening hours. Often they fail to become registered because they cannot meet the requirements set by governments (Härmä, 2015), for example, in Nairobi only 11 per cent of low-cost schools were registered with the Ministry of Education (Ngware et al., 2013). Yet this does not mean that private schools are necessarily of lower quality than public schools: studies reviewed by Ashley et al. (Ashley et al., 2014) pointed to stringent regulations that often “provide either a deterrent effect or allow for rent-seeking” (p. 37).

Overall, the evidence base supporting the assumption that private schools geographically reach the poor remains weak, even though they are increasingly present in rural areas (Ashley et al., 2014). This is hardly surprising as private schools are run for profit and must be established in areas where there is a significant demand for fee-paying educational services. More international evidence is needed to assess whether private schools successfully complement state school provision.

2. Improving learning outcomes and overall efficiency

In developing countries, students in private schools seem to achieve better learning outcomes than their counterparts in government schools even when accounting for the socio-economic status background (Härmä, 2015). Yet some studies question the size and the significance of the difference (Goyal & Pandey, 2009; Wadhwa, 2009), especially given difficulties in controlling for unobservable variables, e.g. parental engagement (Ashley et al., 2014). The reasons for this difference have been attributed to significantly lower student-teacher ratios (Akaguri, 2014) (Tooley, Dixon, & Stanfield, 2008) (Tooley & Dixon, 2005) (Härmä, 2011) and to reduced teacher absenteeism compared to government schools (Chaudhury, Hammer, Kremer, Muralidharan, & Rogers, 2006) (Kingdon & Banerji, 2009) Andrabi et al., 2008. Ashley et al. (Ashley et al., 2014) also found evidence of higher levels of teaching activity and greater use of effective approaches to teaching in private schools, compared to their state counterparts.

Better learning might be explained first by the greater accountability of teachers in private schools. Indeed, private schools are characterized by a strong principal-agent relationship between schools (agents) and parents and pupils (principals) (Chubb & Moe, 1988; Weiß, 1986) (Manna, 2002). Lubienski (Lubienski, 2006) shows that higher educational achievements at private schools are mainly attributable to better teaching conditions, such as smaller class sizes, better-qualified teaching staff, and higher parental participation. The collection of tuition fees provides parents and pupils with stronger customer power and implements a service culture that responds to individuals’ preferences. The greater autonomy of private schools strengthens the influence and the demands of parents and pupils since these schools can cater to these demands (Chubb & Moe, 1988). As private schools are accountable to parents, head teachers are more demanding of teachers and may establish incentives schemes (Aslam & Kingdon, 2011) (Kremer & Muralidharan, 2008). Private schools’ budgets are higher than public schools’ due to the receipt of tuition fees and further private funding. These higher financial resources may lead to better teaching conditions and consequently to better educational achievements.

3. Reduce inequalities of educational opportunity

It is often claimed that the privatization of education fosters social inequality in education. Analyses of the social stratification of private schools show that private school students are far more likely to come from higher socio-economic backgrounds than students at public schools (Campbell, 2005; Meier et al., 2000; Weiß,
Parents from socio-economic backgrounds are more likely to be able and willing to pay tuition fees at private schools (Buddin, Cordes, & al., 1998). Although there is evidence of poor children attending private schools, they remain a small minority and often welfare sacrifices are made to face the costs (see the review by (Ashley et al., 2014)). According to rational choice institutionalism, the decision of parents for or against private school depends on cost-benefit-risk analyses. For parents from higher socio-economic backgrounds, the benefits of private school are higher since the higher education standards help to maintain or even increase social status (Weiß, 1986). Witte (Witte, 1992), for example, shows that pupils from lower socio-economic backgrounds have lower prospects of succeeding at private schools than pupils from higher socio-economic backgrounds. For the latter, the expenditure of tuition fees is less daunting, and the risk of loss of status is low due to the better prospects of success. There is a tendency toward segregation along the lines of social class at public and private schools (Ambler, 1994; Buddin et al., 1998; Fairlie & Resch, 2002; H.M. Levin, 1998; Wrinkle, Stewart, & al., 1999).

Additionally, it can be said that: “… educational choice tends to intensify class segregation … throughout the effects of different preferences and information costs” (Ambler, 1994). In countries where the provision of education is largely privatized, higher social strata will turn to private schools, while lower social strata will remain in public schools (H.M. Levin, 1998) (Campbell, 2005). There exists a risk of increasing segregation along social and ethnic lines within the schooling system. This risk has become a fact in the governance reforms that some BRICS countries have undertaken, as a forthcoming UNESCO report will underline. Inequalities in some increased not only among urban populations but more dramatically between urban and rural populations (UNESCO, Forthcoming).

In line with the Coleman-Hoffer thesis (Coleman & Kilgore, 1982), empirical findings (Schlicht-Schmälzle, Teltemann, & Windzio, 2011) suggest that deregulation of education - at least institutional privatization and school autonomy - increases educational achievement of all students, fostering the educational efficiency of national education systems. Nevertheless, it also becomes evident that higher status groups benefit more strongly from deregulation, raising the degree of educational inequality. These results suggest there is an efficiency-versus-equality trade-off that governments must consider when deregulating and allowing for the privatization of the education system. Even with financial privatization, we can observe an efficiency-versus-equality trade-off. This means that it remains a normative question whether it is preferable to have equality on a lower general level of education or a higher level of education at the expense of more inequality. These preferences will probably depend mainly on moral principles, i.e. education as a civil right (de-commodification and centralization) versus individual freedom (marketization and autonomy).

Conclusions and policy implications

As many developing countries struggle to guarantee access to good quality education to all children, developing the private provision of schooling is often regarded as a promising avenue. In particular, low-cost private schools seem to rise for several reasons related to failures in the government provision of schooling (Rolleston & Adefeso-Olateju, 2014), be that due to insufficient school numbers that usually translate into longer journeys (Ngware et al., 2013) (Stern & Heyneman, 2013) or, frequently, because parents perceive that private schools provide better quality than public schools (Härmä, 2011; Rolleston & Adefeso-Olateju, 2014) or are simply more convenient because of opening hours (Ngware et al., 2013).

Evidence on the effects of privatization is scarce and ambiguous and drawing universal conclusions from context-specific empirical research is difficult. On the one hand, teaching in private schools often appears to be of better quality and may account for better academic outcomes. On the other hand, the development of private provision of education as it is - even when low-cost - seems unlikely to address the issue of poor children who cannot access schools and may even increase segregation and reinforce inequalities in educational opportunity. There are only a few country examples of policy shifts and reforms that have resulted in strong privatization of the school provision. In Chile (Hsieh & Urquiola, 2003) and Sweden (Carnoy, 1998; Plank & Sykes, 2003) privatization efforts have led to increased inequalities in learning results and, markedly in the case of Sweden, to a fall in PISA scores (Wiborg, 2015).

Therefore, should the state be held accountable and responsible for ensuring collective goods, even if tasks are delegated to other actors (Genschel & Zangl, 2007), or not. There is, in this respect, a great deal of evidence indicating that the quality of governance is important in broadly contributing to better social and economic outcomes (Acemoglu & Robinson, 2012; Rajkumar & Swaroop, 2008). The education sector is no exception, and governance quality matters a lot for educational development. Analyses of the extent to which low-income countries improved their respective primary completion rates over the past decade suggest the quality of national governance (measured by comparative perceptions of political stability, government accountability and effectiveness in delivering services) is key (Richards & Vining, 2015). The Millennium Development Goal of universal primary education by 2015 was not
actively promoting school choice does not address the issue of quality. Due to the uniqueness of schooling as a public good, market-like incentives are not working well when applied to education, “short-circuiting” the intentions that reformers had to drive school improvement (Lubienski, 2006). Policy-makers should not adhere to the idea that school choice will lead to a better quality provision for all although it may do so for a handful of the more privileged. Neither should they close their eyes to the potential impact of privatization and school choice on the overall governance of education, as it will affect existing regulatory frameworks, functions of public bodies and the distribution of power. The supplementary education industry is a case in point with its diverse forms of situated marketization, and impacts on established governance structures (UNESCO, Forthcoming).

To sum up, here are some possible policy implications based on the review.

1. Government provision of education is failing the expectations and needs of citizens in many countries. Even allowing for variation among countries and individual schools, low-cost private schools appear to be achieving greater levels of quality provision than government schools, even controlling for students’ socio-economic background. However, while quality might be better than in the public sector, it is far from what the state should consider acceptable. Therefore, governments must use strategically low-cost private schools as an interim solution while plans are implemented to raise the number and the teaching quality of public schools. In this scenario, one possible role for donor programmes is to ease the development of private schools and help governments to set up an effective regulatory framework (Härmä, 2015). Such a programme should put in place a governance mechanism 1) fully capable of responding to the new targets, strategies and policy objectives and 2) fully contextualized and responding to local conditions.

2. Actively promoting school choice does not address the issue of quality. Due to the uniqueness of schooling as a public good, market-like incentives are not working well when applied to education, “short-circuiting” the intentions that reformers
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