Report No. 31841-CO

Colombia
Contracting Education Services

August 7, 2006

Colombia and Mexico Country Management Unit
Education Unit, Human Development Department
Latin America and the Caribbean Region

Document of the World Bank

ABBREVIATIONS AND ACRONYMS

AE	Alternative Education
ASEDCOPRICH	Association of Private Schools of Chocó
BOO	Build-Own-Operate
BOT	Build-Operate-Transfer
CADEL	Local Education Administrative Center (Centro Administrativo de Educación Local)
CAFAM	Caja de Compensación Familiar (one of the family compensation funds systems)
CDCC	Comité Departamental de Cafeteros de Caldas (Coffee Growers Committee of the Department of Caldas)
CONACED	Catholic Confederation of Education
DBFO	Design-Build-Finance-Operate
DepEd	Department of Education, Philippines
DET	Department of Education and Training, United Kingdom
DNP	National Planning Department, Colombia
EMO	Education Management Organization
ESC	Educational Service Contracting, Philippines
FAPE	Fund for Assistance to Private Education, Philippines
FUNDAEC	Fundación para la Aplicación y Enseñanza de las Ciencias (Foundation for the Application and Teaching of the Sciences)
FyA	Fe y Alegría
GAO	Government Accountability Office, United States
ICFES	Instituto Colombiano para el Fomento de la Educación Superior (Colombian Institute for the Promotion of Higher Education)
MEN	Ministry of National Education, Colombia
MOE	Ministry of Education, New Zealand
PFI	Private Finance Initiative, United Kingdom
PPP	Public-Private Partnership
RFP	Request for Proposal
SAT	System of Tutorial Learning
SER	Sistema de Educación Rural (Rural Education System)
SGP	General System of Participation

Vice President:	Pamela Cox
Country Director:	Isabel Guerrero
Sector Director:	Evangeline Javier
Lead Economist:	Ariel Fiszbein
Sector Leader:	Mark Hagerstrom
Sector Manager:	Eduardo Vélez Bustillo
Task Team Leader:	Harry Anthony Patrinos

TABLE OF CONTENTS

TABLES

FIGURES

BOXES

Acknowledgements

This report was prepared by a team led by Harry Anthony Patrinos (Task Team Leader), under the overall guidance of Isabel Guerrero (Country Director, LCC1C), Eduardo Velez Bustillo (Sector Manager, LCSHE), Ariel Fiszbein (Lead Economist, LCSHD) and Mark Hagerstrom (Sector Leader, LCSHD). The report is based on background papers prepared by Felipe Barrera (FEDESARROLLO), April Harding (LCSHH), Norman LaRocque (New Zealand Business Roundtable and Education Forum) and Martha Laverde (LCSHE). Important contributions were provided by Jose-Ginés Mora (Universidad Politécnica de Valencia), Michael Latham (CfBT Education Services), Peter Moock (EASHD) and Trine Lunde (LCSHD). Peer reviewers for this task are Luis Crouch (RTI), April Harding (at the time of the concept review meeting), Benjamin Loevinsohn (SASHD), Robert Taylor (CASDR) and Tito Yepes (LCSFP). Gabriela Falconi (LCSHD) coordinated the production of this report. Alina Garduño Lozano (LCSHD) provided support. At the concept review stage useful comments were also received from Vicente Paqueo and David Gould. At the decision meeting stage comments were also received from Alberto Chueca (LCCCO).

During several missions to Colombia, the team met with and received support, guidance and encouragement from the main counterparts: Minister of Education Cecilia María Vélez White, Juana Inés Díaz (Vice-Minister for Basic Education), Abel Rodríguez (Secretary of Education in the Administration of Bogotá), Isabel Segovia, Martha Franco, Carlos Medina, Rodrigo Acosta and Mateo Samper. The team also gratefully acknowledges interviews and site visits at various public, private and concession schools in Bogotá, compensation funds (*Cajas de compensación*), and the Secretaries of Education from Antioquia, Medellín, Valle del Cauca, Cali, Cartagena, Cundinamarca and Chocó, as well as with the directors and technical team from FUNDAEC and the missionary education. The team benefited from access to decrees, resolutions, reports, surveys and actual contracts used in several departments and municipalities, including Antioquia, Bogotá, Cali, Cartagena and Medellín, as well as from MEN and the Episcopal Conference.

EXECUTIVE SUMMARY

One of the top priorities articulated in Colombia's National Development Plan is more rapid progress in basic education coverage and quality. In fact, despite the significant progress made throughout the last decades, the average schooling level of the adult population in Colombia continues to lag behind several countries in the region. Moreover, despite increases in educational spending and the decentralization of the 1990s, enrollments at the primary and secondary school levels are not yet universal.

The Government of Colombia is strengthening the legal framework for contracting with private providers for the delivery of education services. In this context, the Colombian Ministry of National Education requested the World Bank to provide technical assistance on the practice of contracting education services. This report presents: (a) a summary of international experience in education contracting; (b) a description of some of the relevant experiences of education contracting in Colombia; and (c) a review of policy options. This review of educational experiences in Colombia and beyond provides information useful for both the government and the general public in debating and finding ways of advancing educational development.

As evidenced by international experience, contracting for the delivery of education services has many potential benefits. In particular, contracting may: raise efficiency of service delivery and spending; allow governments to tap specialized skills otherwise not available; allow governments to overcome salary constraints and civil service restrictions; permit quicker response to new education needs and facilitate adoption of innovations; enable competition among providers; promote economies of scale for the provision of education services; improve the quality of services; allow governments to focus on functions for which it has the comparative advantage; allow for closer targeting of spending and service delivery; increase access to education, especially for groups poorly served; and increase transparency by making cost of services more visible when specified in price of contract.

At the same time, poorly formalized or executed contracting can generate high costs for society. Specific contract design elements and accountability clauses are crucial to the contracting process.

Contracting is likely to work best when the services to be delivered are easily specified, where performance can be monitored and when sanctions and penalties can be imposed for non-performing contractors. It also requires a redefinition of the role of public agencies and a set of specific skills on the part of the civil servants responsible for oversight of the education sector. From a political standpoint, it is most easily implemented when the contracted services are additional to those already in place.

Over the past few years Colombia has gained considerable experience in contracting with the private sector for services in education. In fact, contracting has been used by several local governments to address problems of coverage and quality. The implementation and management of contracts vary, depending on the territorial unit in which they operate, the type of contracting parties and the type of contract. Colombia's broad contracting experience contrasts with the inadequate information regarding the impact of the different types of contracts.

The review of the available evaluations of contracting experiences, particularly about international cases, indicates that:

- Contracting with schools to enroll publicly funded students is used extensively and has proven to be a successful strategy for rapidly expanding access to education, while avoiding large public sector capital costs. The expansion of this model can generate high benefits for Colombia.

- Contracting for support services (meal provision, facility maintenance) is also used extensively in other countries, with positive results and relatively simple implementation processes. Therefore, the expansion of this type of contracting, when appropriate, can result in benefits for the country.

- Contracting for management services refers to contracting made by some governments with private organizations for the management of public schools in areas such as financial management, staff management, long-term planning and direction. This type of contracting is difficult to implement, because of the challenge of identifying measurable and verifiable performance criteria. There is significant international experience with contracting for management services, with positive preliminary evidence on its benefits in terms of efficiency and operation. In Colombia there are important, well documented experiences with this model. The expansion of this model can bring about benefits, for example, in cases of weak management among some territorial entities. In all cases, it would be highly advisable to establish a technical impact evaluation of this type of contracting.

- Contracting a private actor to operate a public school has proven controversial in some countries, and the results of the few evaluations are inconclusive. Colombia has some experience with this model. The bidding method used by a few departments and municipalities for the selection of providers based on educational performance of eligible schools may lead to good results in terms of quality of education. The long term nature of the school concession contract in some municipalities has generated legal stability and security in the process and possibly appealed to qualified providers, which reflects one of the positive aspects of this type of contracting. In addition, it is highly advisable to conduct a rigorous technical evaluation of both existing and future experiences, and then, based on the results of the evaluations, to consider expansion, improvement and generation of new contracts if shown to be necessary.

- A few countries are experimenting with contracts for private financing and construction of schools. This model has so far shown only moderate success and there is no experience yet in Colombia. Implementation should only be considered with caution.

- An extension of the private finance model is contracting for private actors to run schools, as well as finance and build them. The model has not yet been tried in education, however, Bogotá's current education plan calls for this. Given the potentially high returns– upfront capital for construction and potential cost savings in operation – it is a model worth considering. To this end, there is a need for a strategy for involving providers and financiers (a sort of consortium), including market testing, structure of the deal, revenue stream projections, type and number of contracts to issue, and evaluation of a pilot before widespread implementation.

- Contracting for professional services (curriculum design) is also fairly easy to specify and monitor, and Colombia has significant experience in this area. It might be worthwhile that efforts to improve curriculum design and other services through contracting be further explored, especially the innovative models used in rural areas.

Colombia's new legal framework provides ample opportunity for applying different contracting options to expand and improve service delivery, including contracting education services.

- Law 715 reflects an effort to improve equity and efficiency in the use of financial transfers to territorial entities for education and health, and allocates resources for education services according to

the number of enrolled students (capitation). It also justifies contracting with the private sector when education services provided by public schools are clearly insufficient.
- Decree 4313 regulates key aspects of contracting for education and offers a general framework for its development.

Colombia can consolidate the gains made in education contracting by improving existing programs and by expanding these programs to cover more municipalities and departments.

If contracting is in fact expanded, it would be advisable to provide support to all territorial entities to learn from and apply the lessons learned on effective approaches to contracting adopted by municipalities and departments experienced in this process. Given the success and experience with several contracting options, it would be important to focus efforts on:

- Promoting learning across municipalities and departments; for example, MEN or the departments could facilitate exchanges between municipalities that have experience with contracting to help other municipalities interested in such initiatives and promote forums for learning across entities and could assist in the creation of associations of entities.

- It would be highly advisable that those municipalities deciding to take up any of the contracting options receive technical assistance or additional financial resources from the national Government.

- The MEN could also assist with promoting and conducting technically rigorous impact evaluations as agreed by the public sector and the private parties involved.

- Continuing to focus on access to education for vulnerable populations.

A greater potential use of the different contracting options by municipalities and departments may entail more technical assistance from the central Government, particularly the MEN. Therefore, a program of technical assistance might include legal advice; assistance in setting up evaluations of the pilots; and workshops. A key role played by the central government is warranted in terms of providing an appropriate framework, collecting the experiences of similar initiatives, providing technical assistance when needed, and helping with the evaluation.

There are some broad principles to guide the design and implementation of education services contracts. These include providing an enabling policy, regulatory environment, and a coherent legal framework; splitting the purchaser and provider roles within the government education department; ensuring the capacity of the contracting agency; employing a transparent and competitive process for selecting preferred providers; employing a staged process for selecting preferred providers; establishing appropriate performance measures; writing into every contract performance incentives and sanctions for nonperformance; introducing an effective contract-monitoring framework; paying special attention to key aspects of the contract such as validity terms and flexibility/rigidity in contracts with providers;; and hiring an independent entity to evaluate contractor performance.

1. EDUCATION SECTOR CONTEXT AND REPORT OVERVIEW

1. The Colombian Ministry of National Education (MEN) requested the World Bank to provide technical assistance on the practice of contracting education services. The technical assistance was undertaken in partnership with MEN and the National Planning Department (DNP). This report constitutes a central part of this technical assistance, and includes a variety of components designed specifically to respond to the Government's request to: (a) obtain a summary of international experience in education contracting; (b) analyze some of the experiences of education contracting in Colombia; and (c) design a methodology for the impact assessment of models of contracting.

Objectives

2. Human development continues to be a high priority for Colombia, as indicated by the government's strategy for the improvement of children's education, skills formation and health care. Increased efficiency, however, will be essential to the achievement of these human development objectives, as additional resources are limited by tight fiscal conditions and the already high proportion of income the country devotes to social expenditures.

3. This report seeks to analyze some of the international and national experiences relating to contracting. Findings are placed in an international context. The results provide information useful for both the government and the general public in debating and finding ways of advancing Colombia's educational development under a tight budgetary regime.

Background

4. Due to the increased educational spending and the decentralization of the 1990s, the gross primary enrollment rate is now over 100 percent, while the net primary enrollment rate was only 82 percent in 2002, a decrease from 84 percent in 2000. In 2002, the net secondary enrollment rate was only 54 percent and in higher education it was only 20 percent of 18-23 year-olds. Enrollment rates among children 7-11 years of age are high, at 94 percent (slightly higher for females, 95 percent, than for males, 93 percent). However, for 12-17 year-olds, enrollment rates are only 75 percent and have not changed much over the last four years (MEN 2002).

5. While overall promotion rates at the primary level have been increasing over time, the transition from first to second grade is only 73 percent, and actually declined from 1997-1998 to 1998-1999. In urban areas the promotion rate is almost 86 percent, while in rural areas it is only 56 percent. Promotion rates improve in subsequent years, but during this period repetition and dropout also took their toll. First grade repetition rates reached almost 10 percent in 1999, up from 1998. In rural areas the repetition rate is 13 percent, versus 7 percent in urban schools (MEN 2002).

6. The level of education of the adult population continues to increase, from 6.7 years in 1996 to 7.4 years in 2001 – an 11 percent increase (MEN 2002). In regional capitals the average level of schooling is 8.4 years, but only 4.6 years in the rest of the country. However, there is equity between men and women. Unfortunately, 7 years of schooling compares unfavorably to more advanced countries. Within the region, there are several countries with more years of schooling than Colombia (Figure 1.1).

7. The World Bank report on education in Latin America, *Closing the Gap in Education and Technology* (de Ferranti and others 2003), underscores the importance of improving the region's capacity to take advantage of opportunities created by global knowledge-based technological progress and international trade. One of the top priorities articulated in Colombia's national development plan is more rapid progress in basic education coverage and quality. Over the years, Colombia has achieved

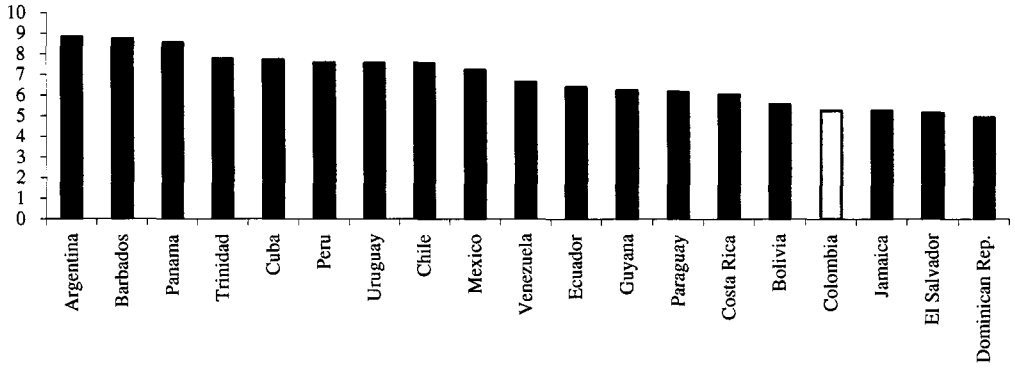
undeniable progress in education. But, despite substantial education spending, Colombia has not achieved universal good quality education (Figure 1.2).

8. In an effort to reduce poverty and income inequality, Colombia's strategy for enhancing social equity addresses three main challenges: (1) increasing the efficiency of spending; (2) improving the targeting of spending; and (3) consolidating the social protection system. The government's *Revolución educativa* (MEN 2002) supports these broad social goals. The strategy addresses the lack of universal basic education coverage and the need to improve the quality and efficiency of the education system.

9. Law 715 was recently passed in an effort to improve equity and efficiency in the use of financial transfers to territorial entities for education and health. Law 715 restructured the inter-governmental transfer system by combining two previous transfers to departments and municipalities, and creating a unified transfer. This is the General System of Participation (*Sistema General de Participaciones*). The new system separately allocates funds to education (58.5 percent), health (24.5 percent) and other sectors (17 percent). The system also delinks the funds from increases or decreases in government revenues. The government allocates resources for education to departments, districts and certified municipalities.

Figure 1.1 Years of Schooling (15 years and older)

Figure 1: Years of Schooling (15 years and older)

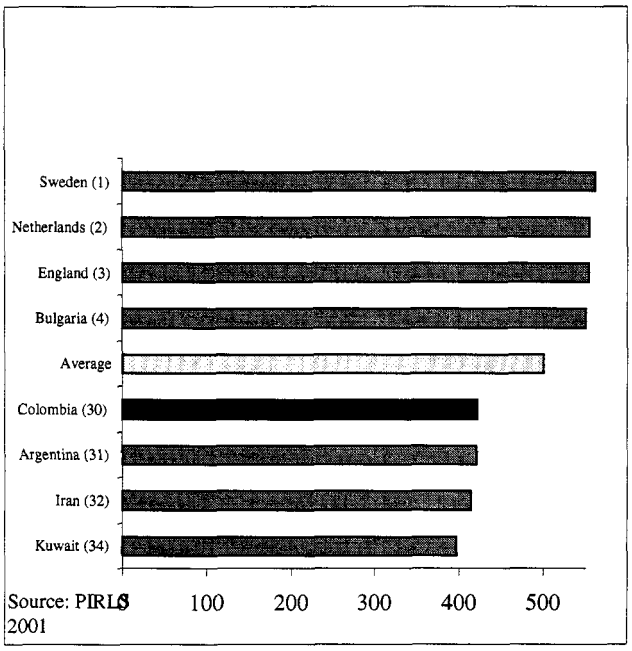


Source: Barro and Lee 2000

10. The provision of public education is the responsibility of departments, districts and certified municipalities. Likewise, they administer resources, schools and teachers, and are responsible for the evaluation of teachers, according to central guidelines and regulation. The central government will co-finance (up to 80 percent) the evaluation of student achievement every three years. The new system allocates resources in the education sector according to the number of enrolled students (capitation) .

11. This report is intended to provide information and knowledge to central and local authorities in charge of implementing the policy. Decree 4313 of 2004 regulates the options for contracting education services. Thus, the review of experience in Colombia and beyond should be useful for local policy makers.

Figure 1.2: Average Reading Achievement Scores in Colombia



Report Content

12. This report analyzes relevant experiences of contracting for service delivery in Colombia. It begins with a review of international experience. It also suggests a methodology for the impact assessment of models of contracting.

Summary of International Experiences

13. MEN requested a review of international experience in contracting education services that is relevant for Colombia. Although substantial experience has been found regarding contracting for social services, such as health care, child care, and administration of welfare programs, contracting for education is less common. In education, private provision of publicly funded services is more often arranged through vouchers or subsidies. Yet, contracts for education and education-related services, just like other social services, can be powerful instruments for ensuring accountability in service delivery.

14. Chapter 2 reviews the international experience with the wide range of services being contracted for in education systems throughout the world – from simple contracts for a private company to provide meals to school children, to very complex contracts for private operators to run entire schools. The contracts vary greatly, as do the policy objectives they are used to pursue. The types of contracts are outlined in Table 1.1.

Table 1.1: Contract Types according to Primary Objectives

What is contracted for	Objectives
Management	Improve quality of school management Enhance accountability of management
Professional services (curriculum design)	Improve quality of specific services Increase focus of school managers and administrators on core education related responsibilities
Support services (meals; transportation)	Reduce cost of support services Improve quality of support services Increase focus on school managers and administrators on core education related responsibilities
School Operation	Reduce public sector service constraints Enhance autonomy of management Increase operational efficiency Increase responsiveness to parents/ community
Education of specific students (enrolment)	Rapidly increase access to education Increase access to education for target group (poor children, special needs)
Provision of infrastructure services	Spread out/ delay public expenditure of capital (accelerate school construction)
Provision of infrastructure and education services	Harness operational efficiency gains to accelerate capital investment and school construction

Source: World Bank

15. Although contracting in the education sector is less common than in the health sector, the review of international experience reveals that – when it is used – it is often successful in helping governments improve access, quality and "value for money" in running their school systems. However, the design and management of contracting initiatives (especially for more complex services) has proven a serious challenge to governments throughout the world. Hence, Chapter 2 includes some "good practice" principles for education contracting, gleaned from this international experience. These guiding principles are summarized in Appendix B, for ease of reference.

Review of Experiences in Contracting for Educational Services in Colombia

16. There are many experiences in contracting in Colombia. This report uses the information gathered by MEN, the selected territorial entities and some providers of services to review some of the experiences accrued in this country. Some of the most important initiatives under way in Colombia include:

- Bogotá School Concessions program is an important example of private management of public schools, contributing 26,000 places (Plan de Desarrollo Distrital 2002-2006), through the transfer of the administration of new schools in marginalized areas to private providers of education services;

- Contracting for public education services for poor students in private schools;

- Contracts with mission schools in remote areas of the country.

Designing an Impact Assessment Methodology

17. A proposed methodology for evaluating the impact of selected Colombian examples of contracting is included in Appendix A of this report. The impact evaluation methodology follows accepted international practice. In general, the best evaluations use designed experiments that randomly assign benefits and include a true control group. In the absence of that specific design, or some form of natural experiment, it is proposed that technically rigorous evaluation methodologies, such as propensity score matching, local average treatment effects, regression discontinuities, and so on, be used. Appendix A elaborates on the design and rationale for each element of the proposed methodology.

2. REVIEW OF INTERNATIONAL EXPERIENCE

18. Contracting is used to deliver public services of many kinds in most countries. Although much is known about this process, initiating contracts for services that traditionally have been publicly provided is often a formidable political and technical challenge. Just how hard most governments still find effective management of the process can be gauged by the plethora of "how-to" manuals and the huge consulting industry specializing in public services contracting.

19. Although substantial experience has been acquired with contracting for social services such as health care, child care and administration of welfare programs, contracting for education services is less common. In education, private provision of publicly funded services is more often arranged through vouchers or subsidies. In that case, accountability of the schools is pursued through some combination of parental choice, regulation and eligibility criteria for participation in the program. Yet, contracts for education, just like other social services, can be powerful instruments for ensuring accountability in service delivery.

20. This chapter reviews international experience with several types of contracts for delivery of education services. The focus is on understanding the different types of contracts, their uses, and their effectiveness as instruments for ensuring provider accountability. Key features of the external environment that influence the effectiveness or appropriateness of contracting are also discussed. For some important types of contracts, there is little or no evaluated experience in education. In these cases, the discussion is supplemented by information acquired from contracting for other social services, especially health care.

21. The key findings are summarized in the concluding section. A few of the most important insights for policymakers in education are summarized:

a) Contracting for support services (meal provision, facility maintenance) and professional services (curriculum design) is fairly easy and can generate substantial improvements in quality and efficiency.

b) Contracting for management services is harder, due to the difficulty of identifying management's contribution to school performance. Potential improvements are often limited by constraints related to public sector employment and human resources management.

c) Contracting with schools to enroll publicly funded students is relatively easy—and a good strategy for rapidly expanding access to education.

d) Contracting a private actor to operate a public school can generate positive results but is technically challenging—and requires governments to:

   - Understand and closely monitor changes in school performance
   - Know costs very well, to be able to set appropriate prices.

e) Contracting for private financing and construction of schools by itself has shown moderate success, and implementation is extremely demanding for governments.

f) Contracting for private actors to operate schools, and finance and build them, may generate efficiency gains that multiply the funds available for school construction.

g) Implementing contracting is more feasible when an initiative (new schools or new services) does not threaten jobs.

h) The political challenges of designing and implementing contracting are just as great as the technical and managerial challenges – successful initiatives reflect adequate attention to the political economy aspects of contracting.

22. An overview of principles for design and implementation is provided in Appendix B.

Background

23. This chapter presents global experience in contracting with private actors worldwide. Only instances in which a government entity does the contracting are discussed, and the experiences of private organizations contracting for education services are not included.

24. Whenever possible, this review examines contracts as instruments of accountability and how the use of contracting is linked to education outcomes or performance. To do this, available information on education contracting experiences is synthesized. Most of the literature is descriptive or assesses success in terms of implementation and achievement of specified goals. None of the studies identified here compare contracting to other instruments (subsidies, vouchers, public school expansion) in terms of relative cost-effectiveness in achieving identified objectives. Many well-performing education systems rely extensively on publicly funded private provision via subsidies or vouchers (for example, Belgium, Netherlands). Hence it is not the public funding-private provision model that is under examination—but rather contracting as a specific instrument compared to other mechanisms designed to ensure accountability in providing education that meets public goals. Throughout this chapter, contracting refers to the process whereby a government procures education or education-related services, of a defined volume and quality, at an agreed price, from a specific provider for a specified period where the provisions between the funder and the service provider are recorded in a contract.

25. Many forms of contracting are used in education—depending on which services are procured or bought from the private sector (Table 2.1). In some cases, governments buy inputs, services involved in the production of education services such as management or curriculum design or the use of a school facility. In other cases, governments contract with an organization to run a public school, undertaking all the activities involved in this process. In still other cases, governments contract with a private organization to provide education to a specific student (paying for enrollment), thus buying an output. The challenges and potential benefits of contracting for services that are inputs, processes, or outputs are very different. Therefore, each type of service is discussed separately. Box 2.1 gives an overview of the full range of inputs, processes and outputs involved in producing education. Only some of these inputs are delivered under contracts.

Table 2.1: Types of Contracts in Education

What government contracts for	Definition	Contract types
Management, professional services (input)	Government buys school management services or auxiliary and professional services.	Management contracts Professional services contract (curriculum design)
Operational services (process)	Government buys school operation services.	Operational contracts
Education services (output)	Government buys student places in private schools (contracts with school to enroll specific students).	Contract for education of specific students
Facility availability (input)	Government buys facility availability.	Provision of infrastructure services contracts
Facility availability and education services (input and output bundle)	Government buys facility availability combined with services (operational or outputs).	Provision of infrastructure contracts with education services contracts

Source: World Bank

Contracting Experiences

26. The global experience with contracting for each type of education service is discussed in this section: management, professional, and support services; operational services; education services; facility availability; and both facility availability and education services.

Management services

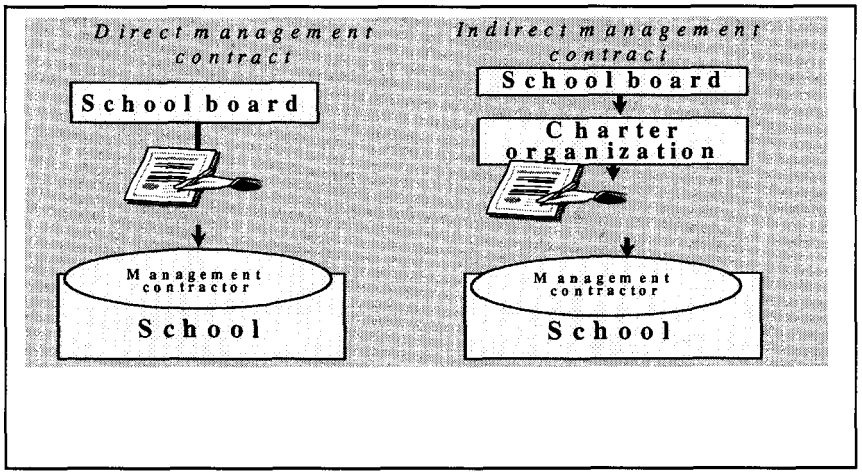
27. Weak management is a critical constraint to improving public school performance in many education systems. To address this, some governments have brought in private organizations to manage public schools. Management contracts may entail managing a single school or an entire district. Management responsibilities usually fall into the following categories: financial management, staff management, long-term planning, and leadership. Non-managerial personnel remain in public employment.

28. The potential benefits of management contracts relate to: the ability to tap professional skills and new ideas from the private sector; freedom for managers to manage; reduced constraints from public service employment; competition among organizations bidding to win the management contract; ability to write performance requirements into the contract; and ability to change management if performance is unsatisfactory.

a) United States

29. Private management of public schools in the United States takes either of two forms (Box 2.1). The first is direct contracting, whereby school oversight boards contract directly with an education management organization (EMO) to manage a public school. The second, indirect contracting, involves EMO management of charter schools under contract to the organization holding the school charter.

Box 2.1. U.S. Management Contract Models



Source: World Bank

30. The schools remain publicly owned and funded (hence, students do not pay fees). Under this model, the private management organization is paid a fixed management fee or a fixed amount per student. In either case, the contractor is held responsible for various aspects of school performance, and payments are linked to performance. Typically, private management organizations are brought in to run the worst performing schools in a school district. In 2003, 51 EMOs managed 463 public schools, 80 percent of them charter schools. Three times as many U.S. schools as in 1998 are now under private management (Table 2.2), and they enroll 200,000 students (Molnar and others 2004). In the United States, almost all the private organizations managing public schools are organized as for-profits. The most striking example of private management of public schools is in Philadelphia, Pennsylvania, where for-profit and not-for-profit management organizations are contracted to run 70 of the worst performing schools.

Table 2.2: Growth in Number of Schools under EMO Management, United States, 1998/99–2003/04

Year	Number of schools	Percentage increase
1998/99	135	n.a.
1999/00	230	70.4
2000/01	285	23.9
2001/02	368	29.1
2002/03	406	10.3
2003/04	463	14.0

Source: Molnar and others 2004:9
n.a.=not applicable

b) United Kingdom

31. The management of a small number of public schools has been contracted out to the private sector. In 2000, King's College in Guildford was established as a partnership between 3Es Enterprises (a not-for-profit company) and Surrey County Council. In September 2002, the management of Abbeylands School in Surrey County was turned over to Nord Anglia, a private company. The management contract was awarded for seven years through a competitive tender. The company's objective is to transform the school from a low-achieving school to a successful, sought-after school during the term of the contract.

c) Latin America

32. Governments in several Latin American countries contract with an international education organization, Fe y Alegría (FyA), to operate schools for publicly funded students. FyA provides management services only to some of the schools—while the school's staff members are in the public sector. In most cases, FyA also employs staff – these experiences are described in the next section, on contracting for operational services.

Professional Services

33. Public and private schools in 11 countries across the Middle East, Europe, and North America have contracted for curriculum design and implementation services with the Sabis Network, founded in 1886 in Beirut, Lebanon. In 2003, Sabis network schools enrolled some 25,000 students. Sabis-affiliated schools follow the Sabis Educational System, an internationally focused curriculum. Sabis schools operate a longer school day than most other schools and put heavy emphasis on testing.

Support Services

34. Noninstructional activities, including maintenance, pupil transportation and school meals are often very costly in public schools. In the few cases where good cost analysis has been done, these services have often been found to cost significantly more in public schools than private. The proportion of staff not involved in instruction is often high in public schools, and in several countries, salary studies have found that support staff wages are higher in public schools than for similar jobs in the private sector. In response, policymakers in many countries have expanded contracting for support services as a way of improving cost-effectiveness, so as to free up resources and time of school staff and education officials to be devoted instead to education. Usually contracts are tendered for multiple schools—so that contract management expertise can be developed in a single place, and contracts are sufficiently large to attract many bidders.

35. The potential gains of contracting for support services come from the ability to: obtain management services from companies with primary expertise in these specific activities; allow school staff to focus on education issues; take advantage of specialized firms' better organization and more efficient provision, in particular, to take advantage of economies of scale—because these companies usually provide services for many schools.

36. In some countries, strong public sector unions have led to relatively high wages for public school support staff—and in these cases, the ability of the support service companies to hire labor privately is seen as a significant cost advantage.

37. Some contracting for support services is done in virtually every public education system. Food services, for example, are rarely run by public school authorities in industrial countries. Virtually all school-bus service in England and New Zealand is provided by contractors, as is 80 percent in Canada.

Insights

38. Contracting for professional and support services is straightforward and usually successful. Contract content and oversight are critical when buying input services. For simple input services, the services are relatively easy to specify in contractual terms, and performance can also be monitored easily. In other words, the quality of services is contractible.

39. In addition, it is easy to use competitive pressures as a complementary instrument to induce providers to perform. Because there are almost always multiple potential providers of these input services, contract awarding can be competitive; and contract cancellation is a credible threat. Because an organization can deliver these input services to multiple schools under many contracts, economies of scale can be achieved. The benefits (cost reduction, quality enhancement) that come from specialization are also fairly easy to obtain.

40. If services are initially provided by public sector staff, the transition to contracting can be bumpy. The early phases of contracting can be daunting for officials unfamiliar with the process and lacking the requisite skills. Smaller school districts usually experience more problems than larger districts in the early phases of contracting.

41. Support services contracting, though challenging politically, usually generates demonstrably positive results, including: cost savings; quality improvement; and more time for school officials to devote to education. For the same reasons, professional support services such as curriculum design, teacher training, and certification appear to be relatively easy to implement successfully.

42. Contracting for management services can work—but it is harder. Although management services contracting also allow competition, scale economies, and specialization, these services are inherently more difficult to contract for. Specifying and monitoring the performance of managers, as distinct from the organization overall, is difficult. Because many other factors contribute to school performance besides the quality of management, simply attributing changes in school performance to contracted managers is not appropriate.

43. Evaluated experiences with management contracts in schools are limited. A 1996 U.S. Government Accountability Office (GAO) report detailed the mixed success of school management contracts in the United States in the first half of the 1990s. It found that school management contracts had yielded some benefits. For example, students in schools with contracted management received more individualized instruction and greater access to computers. Their school buildings were cleaner, attendance rates improved, and suspension rates declined. However, the GAO report found little improvement on standardized achievement test scores in the schools examined (GAO 1996).

44. A 2002 study by the GAO found that little rigorous research existed on the effectiveness of contracting for school management and that, as a result, no conclusions could be drawn about the effect these companies' programs were having on student achievement, parental satisfaction, parental involvement, or school climate. Although students in these schools had demonstrated academic improvement, further research was required to determine whether these gains were due to the quality of management or other factors (GAO 2002).

45. A third GAO study, carried out in 2003, compared student achievement results at some privately managed and traditional schools in six U.S. cities. The study covered a small number of schools and examined only selected grade levels. Data on achievement were obtained from school report cards and EMO annual reports. The study yielded mixed results, with no consistent pattern of superior student performance between privately managed schools and demographically similar traditional public schools (GAO 2003).

46. More rigorous studies of management contracting experiences in other social services (for example, hospitals, clinics) have found that management contracts are effective in improving aspects of management, and financial management in particular (Dor 1994; Loevinsohn and Harding 2004). Nevertheless, efficiency and quality gains are limited by the constraints on managers' ability to manage personnel that remain in public employment.

47. Most countries have found that the gains from contracting for input services have built up over time, as governments become better at contracting. The body of knowledge and expertise supporting such contracting has also developed substantially in the education sector in the past 10 years.

Operational Services

48. In some countries, private actors are contracted to handle a broader range of responsibilities—in essence, to run a public school. In these operational contracts, the private actors both manage and staff the public school.

49. These initiatives are most often aimed at freeing schools from public service constraints or giving schools "autonomy" and harnessing the interest and knowledge of motivated parents and other community members to improve oversight quality of the school. In many cases, the communities also contribute to the construction, upkeep, or improvement of school facilities (either in-kind or financially). Contracting is sometimes initiated as a response to motivated community organizations or the presence of a nonprofit education organization. The best documented cases of contracting for operational services include U.S. charter schools and Fe y Alegría in Latin America.

a) United States

50. There is a common perception in the United States that some public school performance problems are generated by public sector administration restrictions. In response, 40 states have established contractual regimes for organizing public schools—under which the government enters into contracts with community-based, nonprofit or "charter" organizations to operate public schools. Charter organizations are usually established as a result of parent and community initiatives. As private entities, the organizations are free from many regulations that apply to traditional public schools such as geographic enrollment restrictions and teacher union contracts. The contract between school board and charter organization is a performance contract that details the school's mission, program, goals, students served, and methods of assessing and measuring success. As noted above, the charter organizations often contract management companies to manage the schools.[1]

51. School charters are granted by local governments, usually for terms of three to five years. Charter organizations are accountable to this oversight agency to produce positive academic results and adhere to the charter contract. A school's charter can be revoked if guidelines on curriculum and management are not followed or standards are not met. At the end of the term of the charter, the entity granting the charter will usually renew the school's contract. The quid pro quo for charter schools' increased autonomy is responsibility for performance improvements and compliance with reporting requirements.

52. In general, charter school initiatives seek to create choice among schools within the public system; establish accountability focused on results rather than use of inputs; encourage innovative teaching practices; create new professional opportunities for teachers; and encourage community and parent involvement in public education. The first charter school law was passed in 1991. The number of charter schools in operation throughout the United States has increased from just 100 in 1995 and 1,100 in 1999, to 2,996 in 2003.

[1] These experiences are not discussed as the entity initiating the contracting is private rather than governmental.

a) United Kingdom

53. Since 2000, the UK has been implementing a program similar to the US charter schools, called City Academies. Under this program, the government has been implementing contracts with sponsoring organizations to take over the operation of under-performing schools. Sponsors come from the private or voluntary sectors, Church or other faith groups. They must commit to contribute 20 percent of capital costs up to a maximum of $3 million (equivalent). The Government pays the remaining 80 percent. Each City Academy focuses on a particular area of the curriculum. They have significant freedom over management structures and have flexibility on length of school day and the school year. The first wave of 17 schools opened in September 2002 with more planned in 2005. City Academies face challenges familiar to those of many Charter Schools - they are taking over "failing" schools in financially deprived inner-city areas.

b) Latin America

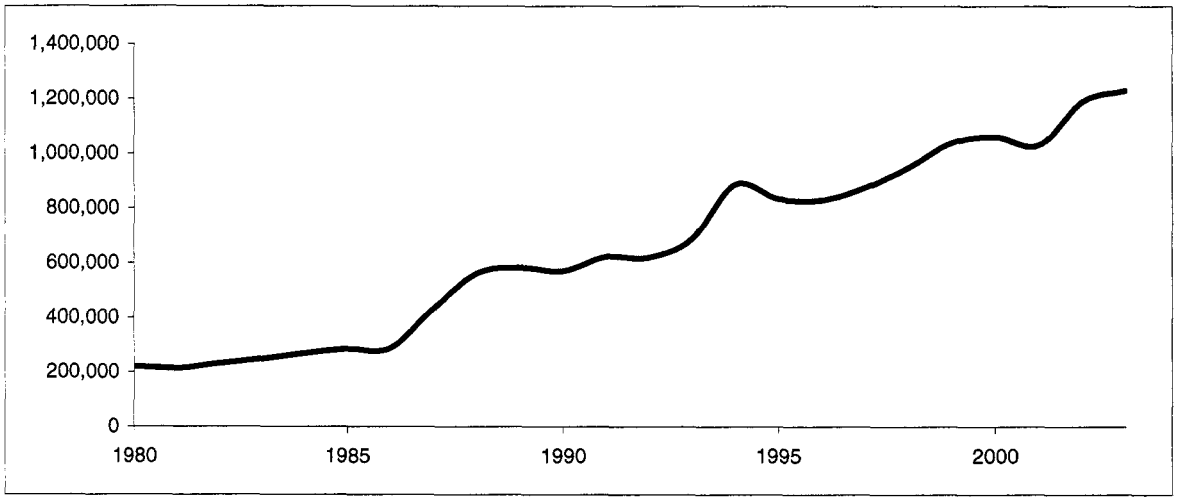
54. Fe y Alegría is a nongovernmental organization controlled by the Jesuit Order of the Catholic Church that operates formal preschool, primary, secondary, and technical education programs in the poorest communities in Latin America. The program began in Venezuela in 1955 and has since spread to 14 other countries (including Spain). FyA's primary mission is to provide quality education to the poor, to ensure that students complete at least the basic cycle of schooling, and to establish schools that operate on behalf of community development. Governments in a number of Latin American countries have entered into contracts with FyA to operate public schools, primarily in poor areas.

55. The typical arrangement is: government pays the salaries of teachers and the principal; foundations, international agencies, and voluntary fees from the local community pay for the land, construction, and maintenance of schools; the community invites FyA to open a school and builds the school; and FyA trains and supervises teachers, manages the school, and helps the school operate as a community development center.

56. A national office coordinates the network of FyA schools in each country, while overall coordination is provided from headquarters in Venezuela. Most FyA schools are located in rural areas, but some are in or near urban slums. Schools generally enjoy broad autonomy, despite being publicly funded and regulated. They can usually appoint school directors and teachers without state or teacher union interference. Parents are expected to participate in their children's studies and to be actively engaged in school programs.

57. The central curriculum is supplemented with locally developed materials. FyA schools do not charge compulsory fees. In 2003, more than 1.2 million students were in the FyA network—up from just 220,000 in 1980 (Figure 2.1). About 450,000 students were in formal education programs in 2002. More than 31,000 people worked for FyA in 2002, 97 percent of them lay persons and 3 percent members of a religious order.

Figure 2.1: Total Number of Students in Fe y Alegría Schools



Insights

58. A good deal of research has been done on the impact of contracting charter organizations to run schools in the United States. However, virtually every charter school initiative also introduced school choice—hence, the effects of the contract structure and process cannot be disentangled from the effect of introducing competition among schools for students. Taken together, the findings are inconclusive. A few studies have found significant performance improvements, several have found either no impact or deterioration in school performance (LaRocque 2004).

59. Unit costs in FyA schools are higher than in public schools when the community contribution is factored in, but it has also been shown (Swope and Latorre 2000: 104–105) that:

- schools in the FyA network were successful in reducing grade repetition and dropouts. FyA schools in most countries have lower repetition and definitive dropout rates than other public schools (Table 2.3); and

- progression and retention rates were 44 percent and 11 percent higher, respectively, in FyA schools than in other public schools. The main indicator of school performance is schooling retention—largely because most countries where FyA operates do not have standardized tests (McMeekin 2003).

Table 2.3: Repetition and Dropout Rates in FyA Schools and Other Public Schools

Country	Gross repetition rates (percent)		Gross dropout rates (percent)	
	Fe y Alegria	Public Schools	Fe y Alegria	Public Schools
Peru	25.4	32.5	9.9	25.7
Bolivia	20.4	72.9	9.0	26.8
Venezuela	22.0	40.2	16.2	38.7
Nicaragua	24.1	39.1	13.8	10.0
Ecuador	7.2	12.8	29.2	38.6
Guatemala	20.5	18.0	22.3	38.2
Colombia	21.3	19.2	10.5	8.0
El Salvador	29.0	20.2	39.7	40.4
Paraguay	27.4	33.9	8.4	5.0

Source: Swope and Latorre 2000: 104-105

60. Operational services contracting is most often tried in "problem" areas. In the United States, for example, it is used most often in schools identified as "failing." In Latin America, governments most often contract with Fe y Alegría to run rural schools for hard-to-reach populations. Both models rely heavily on parent and community participation as a complement to the accountability pursued via the contract.

61. Evidence of these contracting initiatives is relatively weak. Nevertheless, contracting for operational services appears to be a viable mechanism for improving schools which are experience performance problems, and for ensuring service delivery to "hard-to-reach" populations.

Education Services

62. Instead of engaging a private entity to operate a public school, some governments contract for enrollment of students in private schools, in essence, buying *outputs*. By enrolling students in existing schools, governments can quickly expand access without upfront expenditure for constructing and equipping new schools. Other governments contract for enrollment to access specialized services such as alternative education not available in the public sector.

a) New Zealand

63. In the mid-1990s, the New Zealand Ministry of Education (MOE) raised school requirements to provide adequate education to children who do not learn under traditional methods. Public schools, in response, have been searching for innovative ways to educate these "alienated" children. Starting in 1997, with MOE support and oversight, some schools, individually or in groups (consortiums), began to contract with private organizations that specialize in alternative education (AE). The programs offer students a learning pathway to prepare them to return to mainstream secondary education or to move into tertiary education or employment upon reaching 16 years of age.

64. The management and delivery of AE varies according to local needs, and AE programs are delivered on or off the school site. Schools, as the contracting agent, are responsible for the quality of AE programs delivered by providers and for the students' education outcomes. The providers are not-for-profit, community-based organizations or for-profit education providers. To be eligible to contract, prospective providers must be accredited by the Qualifications Authority.

65. When a school hires an external AE provider, both parties sign a contract enumerating their respective responsibilities. For the education of AE students—which costs much more than regular education services—schools receive funds meant to cover both operating and capital costs. Schools may not charge any additional fees. The MOE closely monitors school performance via six-monthly reports.

66. Although the number of students under the AE program remains small relative to the total number of students in New Zealand, the program has grown from 400 student places in its first year of operation (1998) to 1,820 places in 2003. In total, more than 3,100 students were enrolled in AE at some time during 2003. At the start of 2004, AE providers numbered 200—up from around 120 in 2001.

b) Philippines

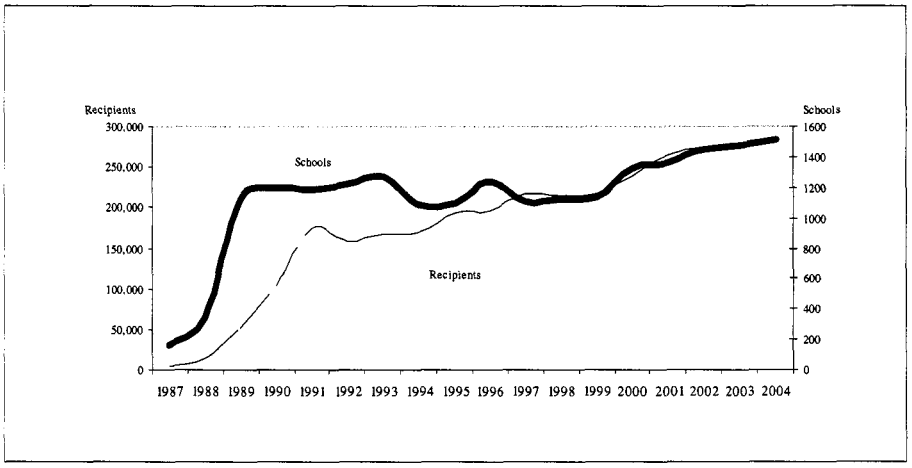
67. Since 1998 under the Educational Service Contracting (ESC) scheme, the Philippines government has used contracting to support the enrollment of low-income students in private high schools in localities where public schools are full. Eligible schools must be certified and charge relatively low fees. Family income for eligible students cannot exceed US$1,280. The per-student payment to private schools is set at $71 and cannot exceed the unit cost of delivery in public high schools. Schools cannot charge the students any additional fees.

68. Instead of administering the contracts directly, the Department of Education (DepEd) has delegated contract management responsibilities to a private nonprofit organization, the Fund for Assistance to Private Education (FAPE). In 2003, FAPE received $900,000 to operate the ESC and other privately funded schemes and to undertake other responsibilities. One of these "other" tasks is administration of the certification program, which includes:

- Assessing schools in relation to minimum standards for government-recognized secondary schools.
- Determining the extent of compliance with requirements for administration, faculty, curriculum and instruction, facilities, student services, and administrative support.
- Assisting ESC schools in identifying their weaknesses.

69. The certification program involves an institutional self-assessment, as well as a FAPE-led review of documentation, interviews, class observations, and an inspection of facilities. Evaluation criteria include an examination of the school's mission and goals, school plant and equipment, laboratory facilities, faculty and staff, the school's instructional program, student services, and performance indicators.

Figure 2.2: Educational Service Contracting Recipients and Schools, Philippines (Total Numbers)



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

70. Institutions with ratings higher, equal to, or insignificantly lower than the overall regional average are recommended for certification. Institutions that fail to meet requirements are either put on probation or disqualified from the ESC program. In 2003, there were 280,216 ESC-funded students in 1,517 participating schools (Figure 2.2). The number of students was up from just 4,300 in 1986 (a further increase of 50,000 was planned for 2004), while the number of participating schools has grown from just 158 in 1986. In 2002, ESC contracts covered 22 percent of students in the private high schools (equal to 13 percent of all private school enrollments). The 2004 budget for ESC was $26,600,000—nearly double the 2003 budget of $13,500,000. A recent assessment of the certification procedure in one region of the country showed that less than 10 percent of schools were below standard (FAPE 2004: 10).

c) Spain

71. Most provincial governments in Spain contract with private primary and secondary nonprofit schools (*Centros concertados*) to enroll publicly funded students. Nationwide, these schools enroll about 30 percent of primary and secondary students. To be eligible for these contracts, schools must abide by conditions set in provincial legislation. The conditions center on norms for school operation rather than elements of school performance. Public reimbursement covers tuition, but participating schools may charge additional nontuition fees on a voluntary basis.

Insights

72. Contracting for education services or enrollment ties funds to individual student enrollment. Unlike other forms of contracting, it allows targeting (or variation in levels of financial support) for specific students and groups (for example, low-income, disadvantaged, or "problem" students).

73. Contracting for education services also makes it possible to harness private schools' investments in their school capital assets by sending publicly funded students to these schools. If contracted schools are willing to cross-subsidize from private pay to publicly funded students (as many nonprofit schools are), this form of contracting makes it possible for publicly funded students to benefit from the higher fees paid by other privately funded students. In this way, publicly funded students can receive a potentially higher quality education than they would if the cost of their education was restricted to the amount of public funding available to pay for their education.

74. This form of contracting also utilizes competitive pressures from either parental selection (Philippines, Spain) or competitive tender (New Zealand). In the Philippines and New Zealand, external quality review is required for eligibility. The accountability impact of contracting is complemented by the influence of already functioning school governance and oversight arrangements (for example, school board, board of trustees, parent committees).

75. In all three country cases discussed, the existence of these schools meant that the government could take advantage of this capacity without building their own facilities, staffing them, and putting in place administrative capacity for oversight.

76. Programs are growing, and few serious problems have emerged. However, no rigorous impact-evaluation studies have been done. The certification and accreditation programs generate enough quality information to demonstrate that quality is usually not lower than in public schools and may be better. If allowed, extra fees can reduce access for students from low-income families.

Facility Availability

77. In utilities and many other public service sectors, governments have sought to mobilize private investment in needed capital stock. Contracting for provision of facilities is appealing because it relieves governments of having to finance capital "upfront" and all at once. In sectors such as electricity and telecommunications, where users pay partly or totally for the services provided with the new facilities, this form of contracting can greatly speed capacity development by tapping private demand to support private investment in needed public services. In the case of services such as education or sometimes health care, the government may be the major or only purchaser of services to be provided in the new facility. In these cases, contracting for private finance and construction of facilities allows the government to pay for capital investment over time through a stream of payments over the term of the contract.

78. Such social service facilities often have little or no value if converted to another use. Hence the value of the significant capital investment is completely determined by the government's stream of payments. This reliance on a single customer, subject to changing political and policy priorities, makes private capital investment in social service facilities extremely risky for potential investors. Commercial banks lending rates for the development of social service infrastructure are often *double* their rates for loans to utilities.

79. Contracting for private actors to finance and build schools is therefore much more challenging than all the other types of contracting discussed above. Much of the process and contract content revolves around minimizing the risk related to the government payments and making the investment safer and hence appealing to private investors.

80. The United Kingdom, starting in 1997, pioneered initiatives to contract with private consortiums to provide school facilities. A consortium is a group of private actors that come together to perform contracted services. In the UK, consortia often include a construction company; a facility management company; and an operator of schools. Based on successful experience in hospitals, prisons, and other social sectors, the government believed that, by expanding the private sector's role to include financing, building, owning, and running school facilities, it could get better "value for money" and could give education authorities more time to focus on their core responsibilities of running schools.

81. The reader should keep in mind that even in traditional facility development private actors are significantly involved in school design and construction (Box 2.3). The U.K. government emphasized the benefit of involving private actors in financing public infrastructure, and the multisector initiative was called the "Private Finance Initiative" (PFI). Government agencies implementing a project to involve the private sector in school infrastructure establish a long-term contract for the availability and maintenance of education facilities. The contracted services may include financing, designing, building or renovating, and keeping the school in good working order.[2] As noted above, the contracts allowed the U.K. government to avoid a large, upfront capital outlay by instead providing the private consortium a steady stream of payments to repay the capital investment over the contract life as well as cover operating costs.

82. Canada, Australia, and other countries have implemented similar PFIs to expand private involvement in financing and providing infrastructure. The decision to require the private groups to finance facility development has meant that only for-profit entities are involved in the project—because the nonprofit sector has very limited ability to fund large capital developments.

Box 2.2: Private Finance Initiative versus Traditional Facility Development

> When governments wish to expand public infrastructure, including schools, the most common method is public sector procurement and contract management. Private organizations are hired to design, build, and equip the public facility. In contrast, under the Private Finance Initiative (PFI) model in the United Kingdom, private sector consortiums bid to receive the contract to *finance*, design, build, and *maintain* school facilities. Here, the main difference is in the private sector's responsibility for finance as well as owning and maintaining the building throughout the term of the contract, with all related risks.

83. Under different types of PPPs to provide facilities, the scope of private sector responsibilities varies. Similar types of arrangements often have different names. For example, build-operate-transfer (BOT) arrangements are often referred to as design-build-finance-operate (DBFO) (Table 2.4). Under the most common type of PPP arrangement—BOT—the private sector finances, designs, constructs, and operates a public school facility under a contract with the government for a given period (for example, 25 to 30 years). At term, ownership of the school facility transfers to the government.

[2] Because of the long-term relationship between the private consortium and the government as purchaser of services, the projects are often referred to as public-private partnerships (PPPs).

Table 2.4: Range of Private Participation in Infrastructure Options

Type of partnership	Features
Traditional design and build	Government contracts with private partner to design and build a facility to specific requirements.
Operations and maintenance	Government contracts with private partner to operate a publicly owned facility.
Turnkey operation	Government provides financing. Private partner designs, constructs, and operates facility for specified time period. Public partner retains ownership of facility.
Lease-purchase	Private partner leases facility to government for specified time period; ownership then vests with government.
Lease or own-develop-operate	Private partner leases or buys facility from government. Private partner develops and operates facility under contract to government for specified time period.
Build-own-transfer	Private partner obtains exclusive franchise to finance, build, operate, maintain, manage, and collect user fees for fixed period to amortize investment. At end of franchise, title reverts to public authority.
Build-own-operate	Government either transfers ownership and responsibility for existing facility or contracts with private partner to build, own, and operate new facility in perpetuity.

84. Although arrangements can differ widely, infrastructure-focused PPPs have a number of characteristics in common:

- The private consortium is selected via a competitive tender process.
- Private sector partners invest in school infrastructure and provide related noncore services (for example, building maintenance).
- The government retains responsibility for delivering core services such as teaching.
- Arrangements between the government and its private partner are governed by long-term contracts—usually 25 to 30 years. Contracts specify the services the private contractor must deliver and the standards that must be met.
- Service contracts are often bundled, with the private sector taking on several functions such as design, building, maintenance, and employment of some noncore staff.
- Payments under the contract are contingent upon the private operator's delivering services to an agreed performance standard.

85. PFIs in the education sector have been used extensively in the United Kingdom, where virtually all new schools and tertiary education institutions are built under PFI arrangements, rather than traditional procurement methods. Under a PFI program, a capital project such as a school, hospital, or housing estate is designed, built, financed, and managed by a private sector consortium, under a contract that typically lasts for 30 years. Contracts can be structured differently. The most commonly used structure is DBFO. Under DBFO, a private sector partner (usually a consortium of companies) takes on the provision and long-term operation of a facility in line with the education authorities' specifications. The private consortium is paid regularly from public money, based on its performance throughout the contract period

for the provision of the facility.[3] If the consortium misses performance targets, its payment is reduced. By the end of 2003, 102 education PFI deals had been signed, with a value of about $3.6 billion. The largest education PFI was the Glasgow Schools Project, with a value of $400 million.

86. The New Schools Project in the Australian state of New South Wales consists of two main components. First, private actors have committed to finance, design, and construct nine new public schools in the state between 2002 and 2005. These new schools will be built to meet or exceed Department of Education and Training (DET) school design standards. Second, the private sector will provide cleaning, maintenance, repair, security, safety, utility, and related services for these school buildings, furniture, fittings, equipment, and grounds until December 31, 2032. In return, the DET is committed to monthly performance-related payments to the contractor during the operational phase of the project. At the end of the contract period, ownership of the buildings will be transferred to the public sector. Axiom Education consortium, selected via a competitive tender process, includes investment banker ABN Amro, commercial construction company Hansen Yuncken, property group St. Hilliers, and facilities management firm Spotless. The New Schools Project in New South Wales is part of a broader move toward PPPs in Australia. They have also been used in higher education, with the University of Southern Queensland and Swinburne University of Technology both using PFIs to construct education infrastructure. A recent report by Standard and Poor's showed increasing investor interest in PPPs, with projects valued at $3.7 billion in the pipeline.

87. The Canadian province of Nova Scotia used a PPP model to build 39 schools in the late 1990s. The government pursued the PPP model because it could not afford the upfront investment to build the many schools required and outfit them with the state-of-the art technology it wanted. The government therefore spread out the capital payment over the term of the contract. The first contract was signed in 1998. Under the PPP model, schools were privately designed, built, financed, and maintained. Contracts were allocated through competitive bidding, and the government leased the PPP schools for a period of 20 years. Most of these contracts expire between 2017 and 2020. Incentives were built into contracts to ensure quality construction and maintenance. PPP schools make up 14 percent of the square footage in Nova Scotia's school system.

88. A KPMG (Meek 2001) review of the scheme was unable to say whether or not these PPP projects achieved value for money partly because the bureaucracy had never prepared a public sector comparator against which to compare PPP outcomes. The KPMG report recommended several steps to improve the PPP procurement process, including:

- Adopting common policies and procedures to guide and support PPP procurement across government departments.
- Improving project prequalification.
- Clarifying roles and defining responsibilities within government.
- Improving project planning.
- Establishing a process for due diligence review of PPPs.

[3] Note that the contractor's performance relates to the provision of facility related services – not to education services.

Insights

89. Contracting for facility availability undoubtedly has benefits. Under these contracts, facilities can be delivered more than quickly than under traditional procurement. Implementing such contracting requires detailed quantification of capital costs, and reasonably good capital planning processes. Building these capabilities within the public education sector often has positive effects throughout the sector – not just in the case of the facilities involved. Contracting for private actors to provide facilities usually require capital works replacement over the life of the project - which prevents underinvestment in facility maintenance and upkeep.

90. In many countries, this category of education expenditures is often "squeezed out" by escalating wage expenditures, and result in facilities that deteriorate and become unusable or very costly to repair. As a result, private involvement in facility financing and construction often generates buildings that are better maintained, and don't require costly renovations.

91. However, the long-term purchasing commitments required to contract for private finance and construction of a facility is hard for many governments to manage, and the associated repayment risks can make loans obtained by the private consortiums very costly.

92. Many governments find it hard to set and maintain service prices sufficiently remunerative to allow consortiums to pay back (equity or debt) capital payments. This difficulty is compounded by hidden or poorly quantified capital costs for public facilities, leading to charges that payments for privately provided infrastructure are exorbitant.

93. Efficiency gains (cost savings) from contracting for facility provision may be limited. This is due to the high cost of borrowing for social infrastructure and the limited range of cost savings associated with private design, construction, and operation versus traditional public procurement. For most social services, the more significant cost savings from private participation are to be found in operating the services. Capital costs, including maintenance, rarely exceed 15 percent of total service costs in education and health, for example.

94. Contracting for facility finance and construction will likely preclude participation of nonprofit organizations, due to their constrained access to the large amounts of long-term finance needed (Box 2.3).

Box 2.3: Capital Constraints for Nonprofit Sector

Sources of capital funding in nonprofit provision of social services, include:

- Publicly guaranteed or subsidized bonds
- Public subsidies
- Private finance with government guarantee (or quasi-guarantee)
- Retained earnings
- Donations
- Long-term loans (restricted to large, corporate nonprofit organizations)

Because the first three rely on public sector support, their use may defeat the purpose of mobilizing nongovernmental finance. The last three are limited in size in most countries.

Facility Availability and Education Services

95. Another important form of contracting used in social services (but not yet education) is contracting private actors to provide *and* operate facilities—that is, to undertake all the activities associated with delivering the needed services. In other social sectors, particularly health care, a number of governments have implemented this type of contract. In essence, the governments implement simultaneously two forms of contract with the same operator—a contract for facility financing, development, and availability, as well as a long-term contract for services. The rationale governments mention most often for this form of contracting is to obtain needed capital investment, while at the same time providing the operator with powerful incentives to organize and deliver services as efficiently as possible. The efficiency gains the private consortium can capture from both constructing and operating the schools may make up for their higher costs of borrowing relative to government.

96. Examples in health care are outlined below.

97. Australia has always had many private for-profit and nonprofit hospital companies. These facilities have historically relied on privately insured patients for most of their business. In the early 1990s, Australia was just emerging from a recession, with State budgets and borrowing highly constrained. At the same time, demand for hospital services was growing rapidly. In response to this gap, a number of Australian states decided to open up to private providers the provision (and financing) of public facilities and services. At least 15 contracts were initiated. A typical example of this approach in Australia is described below.

98. Following a funding reform, which calibrated hospital funding more closely to average costs for services, the Mildura Base Hospital was not able to operate within the 1992–97 budget (Ulrich 2002). Neither the facility nor the campus was felt to be adequate for efficient delivery of modern health care services. The government of Victoria decided to implement a contract for the private sector to build, own, and operate (BOO contract) a new facility to replace the old hospital. A public tender was held, and Ramsey Health Care won. The old public hospital was closed, and its employees were transferred to the new 153-bed hospital under a 15-year contract with an option for a 5-year extension. Mildura Base Hospital provides public hospital services on behalf of the Victorian government to the community of Mildura and the Sunraysia district. The government reimbursed the operator with a two-part payment: an annual payment based on the forecast mix of clinical needs with a funding cap at a specified patient level; and a block grant to cover such costs as teaching. To ensure service quality, the operator was obliged to maintain the hospital's accreditation, provide monthly reports on clinical indicators, and have high-volume treatments reviewed by external peers. Results for the Mildura Base Hospital have been generally positive. Capital costs for the new hospital were 20 percent less than public hospitals; financial and operating performance targets have been met; and patient volumes increased 30 percent in the first year of operations.

99. Results in Australia more broadly have also been positive. It is generally agreed that one of the benefits was the streamlining of the process of planning, designing, and building a health facility. The usual public sector approach took longer and was more complicated. The space requirements estimated by public sector planners tended to be more generous than the more commercially attuned space requirements recommended by private operators. The result was often more spacious and costly buildings than the private sector equivalents. The relationship between space and cost is not often appreciated by the governments in Australia because "capital" is seen as "free." Private consortiums constructing hospitals also had greater flexibility in introducing measures to provide cost savings (for example, better organization of staff) that were not possible in the public sector.

100. The government of Valencia (Spain) engaged in direct negotiation for *Unión Temporal de Empresas*, a private consortium to build, own and operate a $75-million hospital for 10 years. The hospital is to be transferred back to the Valencia Health Department (VHD) upon expiration of the contract. The contract requires the consortium to privately finance and construct a new hospital on public land and manage the hospital. For the first 10 years, the VHD pays the consortium an annual capitation fee for area residents and a fee for each service provided to patients from outside the catchment area. The capitation payment increases upon exercise of the 5-year extension option. The contract stipulates an additional $50 million in investment over the contract period, a 6 percent limit on profits, a surgery-waiting list of less than 90 days, and compliance with other performance indicators. Although no evaluation is available, the contract model is considered successful, and the government is preparing to implement contracts for the construction and operation of eight more hospitals in Valencia by 2007.

101. The Berlin (Germany) government could not afford to replace its hospital, Berlin-Buch, which was faced with mounting double-digit losses, dwindling patient volumes, aging facilities and significant overstaffing. It decided to contract a private operator to run the old hospital and to build a replacement hospital. In 2001, Helios won the competitive tender. The award was based on both quantitative (capital expenditure commitments) and qualitative factors (capacity to operate a tertiary care hospital) as indicated in the quality of its proposal and relevant experience. The government provided the existing facilities to Helios lease-free through 2008, thus giving Helios an incentive to complete the replacement building by then. Helios purchased the land for the replacement building and three historical buildings. The resulting $270-million build, own, and operate (BOO) hospital was privately financed without any public funds. The operator received a contract from the health insurance funds (the services purchasers) for a specified period to maintain patient volumes long enough to amortize the construction of a new facility.

Insights

102. The benefits realized by contracting for facility availability combined with operation include the benefits noted above (for facility availability) as well as those associated with more efficient organization of service provision. Operating costs in both health and education services constitute 70-85 percent if total costs. Hence, potential efficiency gains in the operation of services are significant.

103. There are also some problems. Setting prices for acute, inpatient care is notoriously difficult, and, not surprisingly, many problems arose in setting reimbursement rates for services—and especially for dealing with subsequent cost increases. Some of these problems were resolved in the price-setting provisions in later contracts by integrating the lessons learned by the managers of the earlier contracts. Combined contracts in education are likely to be easier in this regard because pricing education services is much less technically complex than pricing acute, inpatient care services.

104. That said, however, one important feature of contracting for education services is the mechanism for setting the reimbursement prices for services. The contracting agency must identify the process they will use to set the reimbursement price for services before initiating the tender. Prices are set usually on one of three bases: direct negotiation; cost-plus pricing; or competition based pricing. If the services are widely available in a market setting – as food and transportation services often are – then the contract price can be set in reference to the market price. In this case, the contracting agency, using the market price, engages in a direct negotiation with the preferred provider to set the price – based on the prevailing market price. Another option if for the contracting agency to set the price in advance based on known costs (cost-plus pricing). Finally, it is also common for tenders to include a provision that proposals will at least partly be based on the price for which the bidder offers to provide the service (competition-based pricing).

105. Contract management under this form of contracting is clearly challenging. It is "best practice" for private participation initiatives to be managed centrally – often in a PPP unit attached to the finance ministry or treasury. This centralization enables the concentration and rapid development of needed expertise related to managing the "transaction" or capital part of the initiative. However, in the case of social services – the service purchasing contract is integrally connected to the feasibility and attractiveness the proposed private involvement. Hence, it is critical for officials from both the centralized unit and the sectoral ministry to work together effectively in the design of the two contracts. However, their very different priorities, training and perspectives— often make it difficult for staff of these two entities to collaborate. The contracting process itself can be expensive, which can lead to disenchantment and dampen interest on the part of potential private operators and investors. Then, too, unsuccessful bidders have to absorb the considerable cost of bidding.

106. Despite these challenges, comprehensive contracting combines the advantages of contracting for facility availability and services, and synergies should come from having the service provider design and build a facility where it can deliver high-quality services at the lowest possible cost.

107. Like contracting for facility availability only, combined contracts share many of the problems noted above. The government must make a long-term service purchasing commitment to enable the private consortium to borrow funds for the capital investment. Good contracting, in particular the contractual provisions for price-setting and payment processes, can minimize the risks associated with the service payments—but the private consortium will still face higher borrowing costs than governments.

108. Because of the risks associated with long-term purchasing of services, sophisticated price-setting arrangements must be specified in the contract to ensure that the private consortium will be able to repay the funds borrowed, as well as cover operating costs. Nevertheless, contracting for a private consortium to undertake both activities generates greater potential gains because private actor incentives are better aligned and cost savings in both areas can be harnessed.

Conclusions

109. Governments throughout the world use contracting to ensure delivery of publicly funded education services. Contracting for the delivery of education services can have many positive effects – outlined in the Chapter 4 on Policy Options.

110. At the same time, it is clear that contracting, if done badly, can generate poor results. In some cases, contracting for facility availability may be more expensive than traditional procurement methods (for example, because of the cost of awarding and managing contracts and lack of competition or the higher cost of private borrowing). It may also create opportunities for "pay-offs" and other forms of corruption in contract awards. If badly handled, contracting may even reduce already low levels of government accountability and control.

111. Political economy. The beneficiaries of education contracting initiatives are usually dispersed (for example, poor children; students in poorly performing schools). Those opposed to contracting, due to perceived or real threats to jobs (teachers and other employees) or potential loss of political power (teachers and public sector unions) are a coherent, and often well organized group. They are usually fairly effective in mobilizing to stop contracting initiatives – when they wish to do so. Hence, a key aspect in the success of designing and implementing contracting is for policy makers to take these political interests into account – both in designing contracting initiatives that are perceived as less threatening; performing stakeholder analysis.

112. A detailed review of guiding principles in contracting for the delivery of education services is included in Appendix A of this report.

3. CONTRACTING FOR THE DELIVERY OF EDUCATION SERVICES: THE COLOMBIAN EXPERIENCE

113. The Colombian Education Development Plan for 2002-2006 sets out three priorities: extending coverage; improving quality; and increasing the efficiency of education. In this context, the Government of Colombia has developed a regulatory framework by means of Decree 4313 of 2004 that regulates the contracting with private providers for the delivery of education services. This chapter discusses the Colombian experience on the subject, based on a documentary review and fieldwork carried out during the second semester of 2004.

114. This chapter is divided into four sections. The first section provides a description of the Colombian regulatory framework that supports contracting in education in the country. Section two enumerates experiences regarding education services contracting in Colombia; it presents a brief description of the main background issues related to contracting in the country, defines the types of contracting and describes the contracting experiences of eight territorial entities in the country having. The third section presents the experience of "pedagogical models" as examples of implementation of the types of contracting described in the previous section. The fourth and last section summarizes some key lessons from Colombian experiences with contracting in education.

Contracting Regulatory Framework

115. The contracting of education services with private providers has been used by several Colombian departments and municipalities to address coverage problems. The legal and political framework that allows contracting includes several laws and decrees:

116. The 1991 Political Constitution of Colombia, which provides a nationwide coverage to contracting for education services by declaring that services inherent to the social role of the State "may be provided indirectly by organized communities or private providers on the condition that the State maintains its regulation, control and supervision." (Art. 365, Political Constitution of Colombia).

117. Law 80 of 1993 (the Government Contracting and Procurement Law), which regulates public contracting and includes the rights, duties and responsibilities of both State entities and contractors (Articles 2-10, 14-31, 42-49, 50-6, and 68-75). Furthermore, Article 14 assigns state agencies the command and responsibility for exerting control and monitoring functions over the fulfillment of the contract.

118. In 1993, Law 60 consolidates the decentralization process and authorizes demand subsidies with targeting criteria (Art. 30). It authorizes the contracting for education services with non-profit private entities, and only where the insufficiency of State educational institutions is demonstrated (Art. 8). This law provided the legal framework to the PACES contracting.

119. In 1994, Law 115 (Article 200) established contracting for education services with legally established churches and religious confessional groups, without prejudice to Law 60/93 provisions. The Ministry of Education and the Episcopal Conference signed a Framework Contract (O16/94) for 5 years, which was extended for another 2 years, whereby a State-Church commitment was established for the administration and coordination of public educational services in the departments of Amazonas, Arauca, Casanare, Caquetá, Cauca, Cesar, Chocó, Córdoba, Guainía, Guajira, Meta, Nariño, Putumayo, Santander (Barrancabermeja), Valle of the Cauca (Buenaventura), Vaupés, Vichada and Archipelago de San Andrés.

120. With the thrust received by the decentralization process from the Constitution of 1991 as well as the legislation that implemented it (Law 60, among others), territorial entities, between 1994 and 2000,

began to assume the responsibility for education in their territory and signed department-bishopric contracts under the conditions of the Framework Contract.

121. Law 115 (Article 27) of 2001 provides that territorial entities "will be able to ... hire with either State or non-State entities the provision of education services ... using funds from the General System of Participation."

122. In 2004, Decree 4313 was issued to regulate contracting for public education services by certified territorial entities. The decree specifies the possible contractual purposes for certified municipalities according to the different contracting types: (i) contracting the provision of public education services when the certified territorial entity contracts such services for the school year for a specific number of students; (ii) concession of public education services when under the provisions of Article 32, paragraph 4 of Law 80 of 1993, State bodies will be allowed to contract the delivery of education services by concession to private entities;[4] (iii) contracting the management of public schools with Churches and religious orders; and (iv) contracting "missionary" education between the Catholic Church and the certified territorial entities where "public education services are required to be offered by the Secretariat of Education of the respective local government in some municipalities due to geographical location, security reasons or logistics conditions."

123. As to the type of contracting to be used for the provision of public education services, Decree 4313 (Article 8) establishes that the certified territorial entity should develop a bidder database to select contractors, stating that the territorial entity will be authorized to perform contracts only with legally established providers of education services that are registered and qualified in the above mentioned pool of bidders. The contracting process will follow the order of classification of bidders, according to their score, and will also consider the geographical location and site where the demanded education services will be provided.

124. Article 9 establishes three (3) stages for the procedures required to develop the pool of bidders. The first stage includes a study conducted to demonstrate the insufficiency of schools, together with the invitation to bid, registration forms, and evaluation, qualification and classification chart, as well as media chosen to disseminate such invitation. The second stage is the public invitation to register for the participation in the creation of the pool of bidders. The third stage is the selection process (evaluation, qualification and classification).

[4] Under this type of contracting, the endowment and facilities may be totally or partially contributed by the territorial entity or otherwise contributed, acquired or built by the private provider and its value charged to the concession costs.

Table 3.1: Colombian Legal Framework Regulating Contracting for Delivery of Education

Legal Act	Numeral	Description
Colombian Constitution 1991	Art. 365	"...public services are inherent to the social aim of the State (...) Public services (...) may be provided directly or indirectly by the State or by organized communities or private providers. In any case the State will maintain the regulation, control and supervision of the aforementioned services."
Education law 115 of 1994	Article 200	On contracts with Churches and Religious Orders, regulated by decree 4313.
Education law 715 of 2001	Article 27	(...) territorial entities will be able to (...) contract for the delivery of the service with public or private providers (...) with resources from the General System of Participation.
Law 80 of 1993	Particularly Articles 24 and 32	In general terms, this law regulates contracting with the State, including rights, duties and responsibilities of both state entities and contractors.
Decree 4313 of 2004	All its 4 chapters and 20 articles	Regulates contracting of public education service by certified territorial entities.
Decrees 238 and 2085 of 2005		Supplementary to Decree 4313.

Contracting Experience in Colombia

Background

125. Contracted Missionary Education was implemented in the country several years ago. The first education agreement between the Colombian State and the Church was signed in 1953. From 1973 onwards, several contracts were signed between the Episcopal Conference and MEN. The last of these, the Framework Contract (016), was signed in 1994 and specified that "departments mentioned in this contract, can substitute, in the same proportion, the Ministry of Education for the obligations and rights stipulated in this contract." This means that each Territorial Entity has the choice to take over the delivery of the educational services in its jurisdiction, but if it does so together with the Church, it has to be under the terms of the Framework Contract.

126. A different type of contracting, the voucher program PACES (*Programa de Ampliación de Cobertura en Educación Secundaria*), was launched in 1991 with financial support from the World Bank. This program granted vouchers to poor students in private schools. An evaluation from the perspective of decentralization made by CIDER (1996) reveals that the program induced the territorial entities to assume their responsibility of managing education, by strengthening their planning, financing and investment execution capacity in the sector. A total of 216 municipalities participated in the program. Their decision to participate depended on: (a) public and private education supply; (b) the number of students enrolled in primary—a measure of the potential demand for secondary education; and (c) the need to increase coverage at the secondary level.

127. More than 1,700 private schools took part in PACES. A statistical analysis identified the following characteristics of schools that participated in the program: (a) nonprofit, vocational and technical schools showed a higher tendency to participate and (b) schools charging an equivalent to the top value of the scholarship granted tended to participate more in the program than those with higher

tuition fees (CEDE, Los Andes University, 1996). Comparing participating and non-participating private schools, the unit costs of the first group were 40 percent lower than for the second.

128. The quality of the education offered was a permanent concern. Critics of PACES pointed to the risk that low quality private schools would have the highest participation rates. First, however, evidence from a recent study by Angrist and others (2002) showed that low quality private schools were not interested in joining the program. Second, according to the CEDE-1996 evaluation, comparing the scores for achievement tests in math and Spanish, the average scores in both tests for students enrolled in participating schools were as good as the for students in public schools.

129. The review of some particular experiences nationwide showed that the department of Antioquia had an important background in contracting programs. Regarding the evaluation of programs for improved access and coverage (CIDE-2002), it is worth mentioning the Program for Contracted Coverage with the private sector, initiated in 1994 and enlarged during 1995-98. The CEDE-2003 evaluation states: "public sector enrollment in Antioquia has increased 10.1 per cent between 1998 and 2002 including the 116,113 places created (1998) for the Contracted Coverage Programs and the System of Tutorial Learning (SAT)."

Recent Experiences and Types of Contracts under Decree 4313 of 2004

130. This section describes the experiences of territorial entities regarding the different types of contracting using the classification established in Decree 4313. This section focuses on the specific experiences of 8 territorial entities: the departments of Antioquia, Valle del Cauca, Cundinamarca and Chocó, the districts of Bogotá and Cartagena, and the cities of Medellín and Cali. These territories were selected because, even though contracting for public education with private providers takes place in many locations in the country, they have achieved significant rates of enrollment in Colombia. The review also includes regions with missionary education.

Contracting the provision of public education services

131. According to Decree 4313 of 2004, Article 4, "under this mode, the certified territorial entity contracts the provision of public education services for the school year for a certain number of students. Pursuant to the contract, the contractor assumes all or some of the costs inherent to the contracting of the education service, receiving as compensation a fixed amount of money for each student, for every school period contracted, the payment of which may be agreed upon by the parties. The compensation is established taking into account the effective costs of the basic components supplied and incurred by the contractor in providing the service. When the contractor is authorized to collect any academic fees or supplementary services, these should be established in such a way that they should not exceed the restrictions foreseen in the effective regulations on educational costs for public schools in the contracting territorial entity. Consequently, no fees may be agreed upon, in any case, for any amounts or reasons different from those provided for public schools in the corresponding territorial regulations."

132. The aim of this type of contracting is to guarantee the provision of education services to students from the lowest income strata (with a priority to strata 1 and 2) in cases where an insufficient provision of education services by public schools is evidenced. The Secretariats of Education at the certified departmental or municipal level establish the number of places needed for public school students, develop the pool of bidders for the selection of education service providers and process the contracts. A list of eligible students is then given to each private school selected. The exception is, in this case, the city of Cali operates a different system, whereby parents get to choose the school for their children.

133. A total of 263,396 students enrolled in the eight territorial entities studied have benefited from this type of contracting (Table 3.2). Subsidized enrolment as a share of total public enrolment was highest in Cartagena (25.4 percent), followed by Bogotá with a 14.5 percent and Cali (12 percent).

Table 3.2: Contracting Public Education Services: Number of Students Attended per Territorial Entity

Territorial Entity	Subsidies	Share in Total Public Enrolment (%)
Bogotá	118,109	14.5
Medellín	33,057	8.8
Cali	21,768	12.0
Cartagena	39,812	25.4
Antioquia	49,826	7.0
Valle del Cauca	0	0
Chocó	824	0.7
Cundinamarca	0	0
Total	263,396	11.2

Source: Reports of the Secretariats of Education to MEN (2004)

134. Contracting the provision of public education services takes place within the framework of decentralization, promoted by the Constitution of 1991 and related laws which means that territorial entities—under the legal regulations stipulated by the State—are responsible for the signed contracts. Local governments, in this case the Secretariats of Education, are also responsible for the control and supervision of the signed contracted. Table 3.3 shows information on funding sources and costs per student served by some territorial entities. Bogotá and Medellín have similar procedures, whereby the Education Secretariats put out a public tender soliciting proposals, select the schools, draw up contracts, and give the list of students to each selected school. Subsequently, Decree 4313 of 2004 provided the legal framework for contracting education services.

135. Until 2000, Chocó, a department that was not yet certified, signed tripartite contracts involving the MEN, the department and the municipalities which contributed some partial funding.

136. The system in Cali differs in that once the Education Secretariat has confirmed and authorized the granting of subsidies to children that could not find places in public schools, parents must find the private school that can offer such place to the student and then inform the Secretariat so that contracts with those schools may be signed. This system is equivalent to the scholarship program developed by PACES, and can produce similar results to those of PACES since schools will compete on the basis of quality (King 1997).

137. In Antioquia, the department signs an agreement with the non-certified municipalities, allocates the budget, and delegates to them the right to contract. The contract between the municipality and the private provider includes the names of the students concerned. The Secretariat of Education of Antioquia reviews this list and verifies enrollments. The Department Secretariat of Education conducts a permanent follow-up and provides technical assistance to municipalities in order to assure a proper contracting process.

138. From 2005 onwards, MEN has implemented a policy aimed at strengthening extended coverage by allocating additional resources to territorial entities to serve the vulnerable populations that have remained excluded from the educational system for many reasons.

139. Normally, the government's General System of Participation (SGP) provides the financial resources for programs contracting the provision of public education services. However, the Department of Antioquia offers additional resources, drawing on a wide variety of sources including the departmental budget, royalties, foreign loans and dedicated funds coming from the national government. Medellin also draws from its own resources, in addition to the SGP. Similarly, Cartagena has used resources from the General System of Participation, the National Royalties Fund and its own resources. In the case of Chocó, up until 2002 its municipalities contributed 30 percent of the SGP while the national government-MEN contributed 70 percent through the SGP. In 2003, Chocó became a certified department and since then contracting resources have originated mainly in SGP funding.

140. In general terms, the contract implies the payment of a basic package which comprises the value of teaching and administrative staff services, as well as the improved package including textbooks.

Table 3.3: Financial Resources, Costs and Composition of the 2004 Package

Territorial entity	Financial resources	Cost per student (2004)	Payments incurred by households
Bogotá	General System of Participation (SGP) and own resources	$288 per student/year $265 Bank/places/year	Registration and tuition fees covered. Parents are responsible for uniforms and textbooks.
Medellín	Municipality's own resources	$250 per student/year at primary level $272 per student/year at secondary level	Registration and tuition fees covered. When payment capacity of parents is proven they may charge $8/year.
Antioquia	General System of Participation (SGP), own resources, royalties, foreign loans	$171 per student/year. $188 student/year additional	Registration and tuition fees covered. In some cases, package includes textbooks.
Cartagena	General System of Participation (SGP)	Resolution stipulating price for each school. Average: $228 per student/year	Registration and tuition fees covered.
Cali	General System of Participation (SGP)	$171 per student/year	Registration and tuition fees covered. Parents are responsible for uniforms and textbooks.
Chocó	General System of Participation (SGP)	Until Year 2002: $179 student/year	Registration and tuition fees covered. Parents are responsible for uniforms and textbooks.

Source: Information provided by the Secretariats of Education, and organized by the authors of this report

141. All contracts include accountability requirements as an essential element. In Bogotá, under the provision of public education service program, either SED or CADEL (Local Education Administrative Center) verifies the actual number of children attending school. Under concession contracts the comptrolling firm verifies the conditions of facilities and all improvements made. In Antioquia, the municipality acts as the comptroller and the contracted entity is accountable to the municipality for the amounts and destination of resources. In Medellin, under the management contracting, the provider is accountable for all activities performed to the Secretariat of Education by delivering certifications of good standing on all the persons who executed the contract. In Valle del Cauca

and Cali, the Secretariats of Education check the accounting books. In Cartagena, verification is based on attendance and permanence of concerned students. In all cases, contracts also stipulate the obligations of territorial entities to monitor the contracts and control the quality of educational services provided. All financial aspects of contracts have undergone a strict control by the comptroller's offices in the different territorial entities.

142. Based on the interviews and experiences studied, a specific issue with a potential for progress is the evaluation and quality control of contracts. Certainly, these functions, in addition to the characteristics inherent to operating the contracts, require time and dedication on the part of officials. One of the lessons learned from the interviews and reviews made is the necessity to free up or generate time for officials to devote to the monitoring and evaluation tasks related to contracting duties.[5]

143. The city of Bogotá hired an audit firm as a solution to these problems. The firm makes at least three annual visits to providers, verifies the number of students actually attending school, and evaluates the schools in terms of the quality of the infrastructure, academic performance, and achievement of basic competencies.

144. In 2002, Antioquia carried out a comparative study of the different strategies used to increase coverage, which included contracting with the private sector in its different modes. It showed that the advisory assistance model developed by the Quality Education Improvement Project, financed by the World Bank, had several positive outcomes (CIDE 2002), given that it helped strengthen and clarify relations between Antioquia's Secretariat of Education, the municipalities and the private schools that provided the educational services.

Concession of public education services

145. As provided in Article 4, Decree 4313 of 2004, "Under the provisions of paragraph 4, Law 80 of 1993, State entities may grant in concession the provision of education services to private entities. Under these contracts, territorial entities can contribute endowment and facilities, and these may be purchased or built, whether totally or partially, by the private provider who can charge the corresponding value to the concession costs. It would be agreed that, upon the termination of the contract, the physical infrastructure and endowment contributed by the territorial entity or built or acquired by the private provider in relation to the contract should be returned. The territorial entity would reimburse a specified annual sum per student to the licensee, keeping in mind the effective costs of the components supplied by such provider that were necessary for the provision of the education service."

146. The same type of contracting used in concessions of public education services operate under different names across the territorial entities studied. In Bogotá the model is known as "Concessions," in Medellín as "Schools under bidding," in Cali as "Management modality," in the district of Cartagena as "Managed and directed schools," in the department of Valle del Cauca as "Contract with the University," and in Cundinamarca as "Service provision." The model is most widely used in cities, although in the case of Cundinamarca it covers small-sized municipalities.

147. The contracting model functions at the preschool, primary, lower and upper secondary levels, and affects a total of 69,223 students in Bogotá, Medellin, Cali, Cartagena, Valle del Cauca and Cundinamarca (Table 3.4). The largest share of enrollment under this type of contract is found in Cali (6.4 percent), Medellín (5.6 percent), and Bogotá (3.3 percent). 10 private institutions manage 25 schools under contract in Bogotá. 14 such contracts are managed by 10 institutions in Medellín, 6 schools are

[5] During the interviews, civil servants to whom contracting duties are assigned state that they have other work to do, arguing they do not have enough time to perform quality control and evaluation tasks.

managed by 4 providers in Cali, and 6 schools are managed by 3 institutions in Cartagena and 2 such institutions manage 3 schools in Cundinamarca. Valle del Cauca has signed only one contract with the Santiago de Cali University, whose responsibility is to organize additional courses in existing public schools. At the time of the review of experiences, the demand for courses was being studied.

Table 3.4: Total Number of Students in Public Schools Managed under Concession by Private Providers

Territorial Entity	Number of Students Enrolled	Share of Total Public Enrollment (%)	Institutions under Contract	Schools
Bogotá	25,589	3.3	10	25
Medellín	21,073	5.6	10	14
Cali	11,551	6.4	4	6
Cartagena	3,010	1.9	3	6
Valle del Cauca	4,000	1.1	1	n
Cundinamarca	3,000	0.7	2	3
Total	69,223	3.0		

Source: Reports of Secretariats of Education to MEN 2004

148. The conditions agreed upon under this type of contracting by Bogota, Medellin, Valle del Cauca, Cali, Cundinamarca and Cartagena include: (i) autonomy in the management of the school (except in the case of Valle), (ii) State ownership of infrastructure, (iii) value of contract estimated on the basis of approximate per-student cost and number of students served, (iv) specification of available education levels (preschool, primary, lower and upper secondary levels), and (v) there is no labor contract between the State and the teaching and administrative staff executing the contract, in accordance with Decree 4313, Article 18. In addition, regarding contracts in Bogotá, Antioquia, Medellín and Cartagena, the contract should specify (i) the quality of service to be provided and (ii) the continuous enrollment of a stipulated number of students. As was mentioned before, Valle's contract with the Santiago de Cali University follows a different system: the University has neither management nor pedagogical autonomy and is limited to contracting teachers for an additional course in an operating school and providing accompaniment to the institution.

149. The duration of contracts is 15 years in Bogotá for Bogotá, with guaranteed funding from future budgets expiring in 2014. Contracts in Medellín are for 5 years committing future annual budgets. Finally, the duration of contracts is 1 year in other territorial entities.

150. In Bogotá, on the initiative of the Secretariat of Education, the current administration is suggesting a more detailed accountability on the concession contract, stricter controls in the utilization of the enrolment system, the same system used by the district, for the selection of students that would attend the contracted schools and payment on the basis of students actually served and not by the number of places offered.

151. The General System of Participation (SGP) provides for financial resources for this type of education service contracting, in addition to own resources and royalties, depending on each territorial entity studied (Table 3.5).

Table 3.5: Concessions: Financial Resources and Composition of the 2004 Package

Territorial Entity	Source of Financing	Cost per Student - 2004	Composition of the Subsidies Package
Bogotá	General System of Participation (SGP) and own resources	$490 annual average	Staff: 57 percent, Textbooks: 5 percent, Nutrition assistance: 26 percent, Overhead: 10 percent, and Management: 2 per cent
Medellín	General System of Participation (SGP) and own resources	Preschool and primary levels: $250/year Lower and upper secondary: $272/year	The package includes: utilities, maintenance expenses, furniture and equipment, teaching and management staff and textbooks.
Cartagena	General System of Participation, royalties and own resources	$228 per year	Teaching and administrative staff. Maintenance and public services and current operating expenses.
Cali	General System of Participation	$171 per year (2002)	Teaching and administrative staff, maintenance, overhead and utilities. Snacks must be requested through school cafeterias.
Valle del Cauca	General System of Participation	$152-$305 per year	Teaching and administrative staff, maintenance, overhead and utilities.
Cundinamarca	General System of Participation	$324 per student/year	Teaching and administrative staff, maintenance, overhead and utilities.

Source: Information provided by the Secretariats of Education, and organized by the authors of this report.

152. The Education Secretariat of Bogotá has created a committee to monitor the contracted provision of public education services and concessions. Monitoring is carried out by an independent audit firm, which measures the achievement of the common and specific goals for each education level. Cartagena also hires an outside auditor to monitor contracts. All other territorial entities in this report agree that monitoring and evaluation are among the weaknesses of their programs.

Contracted Missionary Education

153. This type of contracting is agreed between certified territorial entities and the Catholic Church when the administration and coordination of public education services to be provided cannot be assumed by the Secretary of Education of the territorial entity in question due to its geographical location, for security reasons or for logistical conditions.

154. Under this management contract model, the Catholic Church is charged with the management, coordination and administration of the public education service in a given territorial entity, in schools where the State is responsible for teaching and management staff expenses. Indigenous boarding schools also belong to this category. Contracting for missionary education in the territories of indigenous communities or to serve these communities, for both their performance and extension, should be previously consulted with representatives of the communities involved.

155. Missionary education serves a total of 118,227 students, most of whom are found at the primary level (60 percent), followed by secondary and upper high (about 32 percent), and preschool (8 percent). The Church also reaches nearly 50,000 students through non-formal programs for literacy and special programs for indigenous peoples. Table 3.6 gives an overview of coverage of missionary education by territorial entity. The greatest educational contribution of the Church has been in rural and isolated parts in the south of the country. Missionary education covers more than 10 percent of students enrolled in public schools in rural areas.

Table 3.6: Missionary Education Coverage by Territorial Entity 2002

Departments[1]	Population Attended	Participation in rural public enrolment (%)
Amazonas	5,372	100.0[2]
Arauca	9,078	16.79
Caquetá	6,646	6.88
Casanare	8,650	12.88
Cauca	15,544	6.31
Cesar	636	0.38
Chocó	13,055	13.23
Córdoba	13,513	n.a.
Guanía	1,429	35.4
La Guajira	7,080	6.20
Guaviare	1,317	14.9
Meta	8,550	5.78
Nariño	4,129	1.41
Putumayo	9,480	14.52
San Andrés	2,410	22.95
Santander-Barrancabermeja	4,225	1.21
Valle-Buenaventura	2,149	n.a.
Vaupés	2,213	28.27
Vichada	2,751	18.04
Total	**118,227**	**10.2**

Source: Colombian Coordination Committee for the Contracting of Missionary Education
[1] Political-Administrative Division of Colombia 1991

156. The resources used for this program come from the General System of Participation. Up until 2001 updating the value of the contract was made by using the historical value of the contract, and adding an adjustment commonly agreed upon by the Ministry and the Episcopal Conference. As of 2002 the total nationwide amount of the contract was established at $27,949 for the total 118,227 students served, an equivalent annual per-student cost of $0.24. The subsidies package covers teaching staff expenses, as well as management and maintenance expenses. Moreover, from the interviews with Church representatives the need to adjust funds payment schedules for contracts to avoid delays in disbursements became evident.

Contracting Flexible Models

157. The various types of contracting described in Decree 4313 may be used to contract different "flexible educational models". Therefore, the operation of contracts for this type of models was included in this study. The sources of the information of this section are the "Proyecto de Educacion Rural" (Rural

Education Project), FUNDAEC, the Secretary of Education of Antioquia and the Ministry of National Education.

158. Two forms of private sector participation have been identified. First, innovative pedagogical experiences developed by private institutions, based on their success in terms of both coverage and quality of education, have been promoted by the State as strategies to solve education-related problems among marginalized urban and rural populations. These include SAT, SER and CAFAM. Secondly, pedagogic and curricular innovations developed by the Colombian State or successful experiences in other countries that have been adjusted and improved by the MEN, operated by private entities. In order to expand coverage and improve quality, the State preformed the training of public teachers through private institutions that have demonstrated to be qualified, experienced and autonomous, and capable of providing training and technical assistance to the territorial entities. These models are, among others, post-primary, accelerated learning and the Escuela Nueva methodology for the primary school level.

159. Some of the more prominent examples of the joint work developed by State institutions and the private sector include the SAT model (System of Tutorial Learning, *Sistema de Aprendizaje Tutorial*) for rural lower and upper secondary education in the rural areas , and the rural post-primary project of MEN. Some independent evaluations have shown the success of these innovations. In this vein, the Census Evaluation of Basic Competencies conducted by the Secretary of Education in Manizales (2004) revealed that the top two schools were rural schools using innovative pedagogical approaches such as Escuela Nueva and SAT. Furthermore, a SABER test administered in 2002 in Antioquia for grades 7 and 9, comparing contracted schools and SAT schools, showed that students enrolled in SAT schools consistently scored higher (Antioquia Secretariat of Education and Culture, 2002). Similar results were found when CIDE (2002) analyzed the scores in grades 3 and 5. Their study concludes that "the results of the rural scores are above the national average in math, and those of grade 3 in math and language are better than those of urban private and public schools of the department and the country as a whole, quite probably because of the application of alternative modalities...which have demonstrated good results in terms of quality and reasonable prices."

160. The System of Tutorial Learning (SAT), designed by FUNDAEC, targets the rural lower and upper secondary education. The SAT approach takes into account the cultural, social and economic characteristics of rural areas by focusing on daily-life issues in the countryside. The model combines theory and practice and class schedules adapt to the work activities of the students. Students work in groups of 15 to 25 with no age limit and one tutor per group. The teacher / tutor is supported with learning guidelines for each level, a basic lab and a portable library. Textbooks are generally produced by FUNDAEC and intended to be self-teaching, as a pedagogical supplement for the development of both tutors and students. Institutions involved in the extension of SAT to other areas of the country have begun to develop textbooks adapted to different local environments and curricular needs. SAT counselors are active and involved members of the community, initially trained by FUNDAEC.

161. SAT is implemented through agreements between non-profit private institutions (NGOs, foundations, the Church) and local governments. The private institution negotiates an agreement with FUNDAEC, while the local government authorizes the use of the SAT methodology, provides textbooks and guarantees FUNDAEC training for the tutors and promoters needed. At present, the Ministry of Education, through the Rural Education Project, aims to expand SAT. Expansion will be based on 3 basic conditions: (a) financial resources must come from the General System of Participation, local governments' own resources, the Rural Education Program (PER) and private sector resources; (b) the average annual cost per student is $250; and (c) a common education package per group includes human resources (tutor, advisor and/or field coordinator, principal, academic secretariat), ongoing training of tutors, assessment and technical assistance, support equipment and general expenses. Table 3.7 shows the coverage of SAT across territorial entities.

Table 3.7: Total Coverage by SAT in 2004

Territorial Entity	Students Attended	Share of Rural Public Enrolment (%)
Antioquia	11,503	3.7
Arauca	296	1.4
Bolívar	166	0.2
Boyacá	100	0.1
Casanare	465	1.9
Cauca	589	0.4
Córdoba	39	0.0
Cundinamarca	2,073	1.3
Chocó	26	0.1
Meta	483	1.1
Nariño	440	0.3
Norte de Santander	2,022	3.3
Risaralda	1,938	4.5
Santander	7,213	6.7
Sucre	190	0.2
Tolima	1349	1.4
Valle	1271	1.0
Total	30,163	1.6

Source: Figures provided by FUNDAEC

162. The Rural Education System (SER) was developed in 1997 by the Universidad Católica de Oriente (Antioquia) and aims to improve the effectiveness of basic education and upper secondary for youth and adult farmers in remote areas with practically no public education. The methodology is grounded in the reality of farm life and operates through productive pedagogical projects.

163. In Antioquia SER has been implemented in private and public schools, In other departments it has been implemented by the Rural Education Project (MEN) with the technical support of the Universidad Católica de Oriente. Generally, local governments sign contracts. The value of the contracts is estimated according to the number of participating students and cost/student, while costs are computed based on the characteristics of the geographic zone served and the tasks assigned to the University. Resources come from the General System of Participation and international credits; the cost per student is $308 on average; and the package includes guidebooks, training of teachers and administrators. Ten departments participate in the program with on average 10 municipalities in each department being served. A total of 3,453 students participate in the SER program.

164. CAFAM is a Continuing Education Methodology developed by the Compensation Fund (*Caja de Compensación*) and targets young and adults who wish to begin or continue their basic education. At present, the government is expanding this program nationally. The pedagogical model is centered on the integral development of all human faculties (intellectual, social and emotional), and teaching takes place in small groups with a learning facilitator. CAFAM gives full managerial autonomy to the schools or institutions that want to develop the program, but remains in charge of academic coordination. Participants pay a registration fee and a price for the teaching material. The annual per-student cost is estimated at $ 308, and the package includes training of the facilitators, monitors and coordinators. Teaching and management expenses are usually paid for by the State. MEN plans to evaluate a range of aspects of the model, including: cost/effectiveness; consistency; the need for updates and improvements; and the capacity of the operator as well as of the local governments to manage the model. In 2002 approximately 65,000 adults were enrolled in 218 schools managed by institutions that have signed agreements with CAFAM. These schools are located in urban and rural areas in 26 of the 32

departments of the country. In total, close to 600,000 students have taken part in the program over its 20 years of operation.

165. Expansion at the rural primary level has led to increased demand for secondary schooling and a search for alternatives to meet this. Several approaches have been considered to expand coverage, including increasing the number of available grades in public schools, organizing out-of-school alternatives, and implementing new pedagogical models.

166. The goal of the Rural Post-Primary (basic secondary) project of MEN is to retain young people in the countryside through the teaching of skills that enhances their performance in rural productive sectors. The project also aims to increase the students' academic abilities and to enable them to continue studying in media secondary or higher education (Gálvez 1997; Ramírez and Ramón 1998). The program covers 305 schools and 13,317 students. Financial resources come from the General System of Participation. The average cost per student is estimated at $238 while the management and teaching staff expenses are paid by the State. In March 2002, 1,534 students participating in the program were evaluated by MEN. The evaluation measured the initial competencies of these students, and compared their results with those obtained by students in control schools mainly in an urban environment. In November 2002, a sample of 1,358 students of 7th and 9th grade was evaluated in the areas of math and language. The forthcoming results of the 2004 evaluation should help determine the effectiveness and efficiency of the model and identify areas in need of improvement.

167. Escuela Nueva (basic primary) was developed by MEN more than 30 years ago. The private sector has become a partner through its involvement in this initiative in terms of materials development, teacher training, and technical assistance to the local governments. Three institutions are spearheading this process: the Comité Departamental de Cafeteros de Caldas (CDCC), the Fundación Volvamos a la Gente, Universidad de Pamplona and ASPROED. The pedagogical model of Escuela Nueva follows the principles of active learning and takes into account communal events as part of the context of the school. The program is designed for multiple grades in one classroom, where each student advances at his/her own rhythm through a system of flexible promotion adapted to the conditions of rural area children. The experience with the Escuela Nueva methodology began in Norte de Santander with a group of 30 students in rural schools. It was a successful pilot test, and in 1989 the experience extended to other rural schools. To facilitate extension of the model, the Departmental Secretariats of Education make teachers available and assign nucleus supervisors and directors in support roles. The municipalities provide teachers and guarantee the space. Financial resources come from the General System of Participation, in some cases in partnership with private enterprises and municipalities' own resources. The average cost per student is estimated at $310. Teaching and management staff expenses are generally paid by the State. Information on coverage is only available from Caldas, where there are 112 post-primary schools with 8,650 students. Thirty five schools offer grades 10 and 11. Sixty schools have adopted the pre-school level and serve nearly 1,000 students (CRECE 2001).

Box 3.1: Colombia's Escuela Nueva Program

A World Bank study carried out in 1992 found that Escuela Nueva students achieved higher performance scored than their counterparts in other schools (Psacharopoulos and others 1992). However, the study also pointed to several problems that became apparent during the national expansion of the program, primarily in relation to: teacher training, the automatic promotion system, and the relevance of course content to rural life. In more recent studies, McEwan (1998) finds that the Escuela Nueva reforms are not fully implemented in every participating school. In order to assess the extent to which teaching and learning practices have, in reality, been adapted as required by the model, Benveniste and McEwan (2000) show that Escuela Nueva teachers vary widely in their application of recommended teaching techniques. The authors conclude that teacher will (that is, motivation and commitment) explains much of the variation in the adoption of new pedagogies.

Despite difficulties in implementation, recent evaluations replicate Psacharopoulos' finding that academic achievement in Escuela Nueva schools is higher compared to traditional schools. McEwan (1998) finds that Escuela Nueva schools are better endowed with inputs like textbooks and place greater emphasis on active learning than traditional rural schools. He also finds that student academic achievement is higher among participating students, although this positive difference diminishes in 5th grade. As this evidence shows, Escuela Nueva remains an innovative model of how to increase both quality and coverage of education in the most challenging and poorest communities.

Sources: Psacharopoulos, Rojas and Velez 1993; McEwan 1998; McEwan and Benveniste 2000

168. The Accelerated Learning Program is an adaptation of a Brazilian initiative with the same name. Its objective is to help over-age students catch up and thus reduce the gap between their age and their grade. In general, the children and young people who participate are between 10 and 15 years-old, they can read and write but have not finished primary education and are out of the school system. A partnership between the MEN, the *Federación Nacional de Cafeteros* and the *Corporación para el Desarrollo de la Educación Básica* – Corpoeducación – was created to implement the program. Financial resources come from the General System of Participation, and the average annual per-student cost is $174. The package covers training and permanent accompaniment for the teachers and administrators, 8 booklets per student and a specialized library in each group. Teaching and management staff expenses are generally paid by the State. By 2003, about 30,000 children and teenagers participate in the program. 9,736 benefited from the program with PER resources, while the participation of another 20,000 students was paid for with funds from other sources.

Conclusions

169. In Colombia, from 1999 to 2002, overall public enrollment grew by 9.1 percent (http://www.mineducacion.gov.co), despite the fiscal problems faced throughout the last years. Theses results have been achieved thanks to a few policies, such as rationalizing the number of public teachers (which resulted in an increase of the student-teacher ratio from 22.9 to 26.7 between 1992 and 2002) and contracting with the private sector. Currently, contracting with the private sector is a strategy actively used by local governments to address problems of coverage and quality. An evaluation study carried out by CIDE (2000) concludes that, "Based on these two strategies, Antioquia increased net coverage rates at all levels. In preschool, coverage is higher than the national average. In primary, it gained 4 points over the average rate of the country—in lower secondary, 6.2 points."

170. This description of experiences shows the varied types contracting in the country. In fact, contracting with the private sector for the delivery of education services has been implemented and

administered in a wide variety of ways. Models differ depending on: the territorial unit in which they operate; the type of contracting parties and type of contract.

171. Equity has possibly improved, thanks to the emphasis on the targeting criteria of most of the contracting as a priority on students coming from strata 1 and 2. For example, external evaluations of private contracting some experiences demonstrate that the internal efficiency indicators for the rural population improved significantly, reflecting the fact that students in rural areas were offered an education in accordance with local needs and activities. SAT is an example of this.

172. Program continuity has been maintained, due to the fact that the financial resources from the General System of Participation are guaranteed by the Budget Law. In addition, local governments have shown an increased commitment to demands for better education by using multiple strategies to meet this objective, including contracting with private entities for the provision of education services.

173. Contracting with private providers may contribute to the improvement of quality of education. Contracting emerges as a strategy to increase education coverage when the supply of public education is insufficient. Some of the contracting experiences in the early 90s (such as the studies conducted by CIDE in Antioquia as well as CEDE and CIDER to evaluate the PACES program) demonstrated the insufficiency of both public and private offers. However, through contracting and market competition, improvements in organization and competitiveness among private providers of education services have emerged.

174. The temporary long-range scope of some of the contracts means stability of policies over time. In this context, nationwide experience has shown that the municipalities have respected their financial commitments towards the contracted private schools. They have always made sure to protect the schooling of the new cohorts of students starting under the contract programs. This was clearly the case in Bogotá, Medellin and Antioquia.

175. Evidence shows that, in many cases, the costs per student under the contracting modality are lower than in public schools managed directly by the State. It is likely that in the case of contracting for the provision of education services the private schools use their unused capacity and adjust the number of students per teacher, and therefore the average costs per contracted student are low. In Colombia the average cost of a student/year on the national level using resources from the General System of Participation amounts to $296. The only cases where the contracting value exceeds the national average are the concession schools providing public education services in Bogotá ($490) and Cundinamarca ($324).

176. Contracting the provision of education services with different curricular designs and pedagogical innovations has presented the education system with a more diversified set of pedagogical approaches, including special programs for indigenous groups and the promotion of cultural diversity, as well as the adaptation of education programs to the particular conditions of rural communities and different minority groups of the population. Private sector involvement also facilitates the adoption of new approaches and innovation with new programs.

177. With the increased decentralization promoted by the Constitution of 1991, municipalities learned to be more autonomous in decision-making. Particularly, local governments are beginning to play a key role in decision-making. They have learned to negotiate and monitor contracts, and to execute budgets more efficiently. Through the financing of investments in Municipal Education Plans, municipalities are now free to make decisions as to the most effective strategies to increase access to education. Local governments have shown great political will and commitment to guarantee access and quality coverage in their jurisdictions. Contracting with private schools has helped strengthen the

management capacity of local administrations and accelerate implementation of the decentralization policies (CIDE 2002). The surveys carried out as part of this evaluation revealed that many local authorities had developed standard contracts, evaluation matrices to compare the different proposals, and standardized procedures to implement the programs. The need for contracting the provision of education services has led to the development of the legal framework on the national level. At the same time, from a legal and administrative viewpoint, the performance of local governments has improved significantly.

Legal Framework

178. Decree 4313 regulates the contracting of public education services by the certified territorial entities under the provisions of Law 715, Article 27.

179. Improved technical capacity for monitoring and evaluation of contracting is essential. There is room for improvement both in monitoring processes and timely measurement of performance indicators. Moreover, the contracting experiences reviewed in this report did not include any technically rigorous impact evaluation. The strengthening of these two factors is likely to increase sustainability of many existing contracting initiatives, given that the ability to measure performance is key to finding increasingly better designs. Among the policies that may be implemented to improve the monitoring and evaluation capacity is the increased technical assistance and accompaniment on the part of the national government or other experienced state for municipalities and departments with little experience in contracting levels.

180. Access to education of vulnerable populations must be a continued key priority in education policies. The evaluation carried out by CRECE (2001) concludes that the three models: SAT, post-primary with the Escuela Nueva methodology and SER, increased coverage in rural areas, and that they were in part responsible for reduced rural-urban migration. The study also showed that in Caldas the results of the SABER tests were better for the rural students, the retention and promotion rates are higher, and students had good results in democratic behavior and gender equity. Links between the community and the schools are strengthened through the creation of activities extended to the community.

181. The differences observed during the review in the way contracting models are implemented and administered, coupled with the required actual development in the areas of legal frameworks and monitoring and evaluation, indicate an important role for the central government in terms of clarifying rules and regulations, promoting learning across territorial units, and providing technical assistance, in particular in the area of impact evaluation. This role becomes increasingly important if an increased implementation of contracting in education is foreseen. The potential impact of contracting with the private sector on the efficiency, quality and coverage of education suggests that an increased implementation could lead to a significant innovation in terms of non-public participation in the education system.

4. CONCLUSIONS: POLICY OPTIONS

182. Colombia has numerous innovations in the provision of education, and is a leader, in several important ways, in the area of contracting for education services. Colombia can consolidate the gains made in education contracting by improving existing programs and, when appropriate, by expanding these programs to cover more municipalities and departments. This chapter reviews both theoretical and empirical findings from international and national experience, and describes the state of the art in national contracting. In addition, it proposes a methodology proposed for evaluating the impacts of this type of contracting, and presents a series of policy options for increasing the supply of education services, addressed primarily to the Ministry of National Education (MEN), but with applications as well for other sectors and other levels of government.

183. In general terms, this report discusses a large variety of potential policy instruments and prepared specifically in response to the Government of Colombia's request for: (a) a summary of international experience in education contracting (Chapter 2); (b) a description of Colombia's own experience with education contracting (Chapter 3); and (c) a methodology for the impact assessment of contracting models (Appendix A).

184. In the processes for contracting education services the government remains the financier, but not the producer. Historically, contracting in the education sector has focused on support services; however, in the past two decades the use of contracting for a broad range of education services and facilities has increased in many parts of the world, which go well beyond the simple use of scholarships or the payment per student served. The international experiences outlined above illustrate that for education, as for other social services, contracts can be powerful instruments for ensuring accountability in service delivery.

185. A number of conclusions may be drawn from international experiences. Contracting is likely to work best when the services to be delivered are easily specified, where performance can be monitored and when sanctions/penalties can be imposed for non-performing contractors. Internationally, the use of contracts has led to a redefinition of the role of public agencies and, often, a different set of skills on the part of the civil servants responsible for regulating the education sector. From a political standpoint, it is most easily implemented when the newly contracted services are additional to those already in place in such a way that existing jobs are not severely affected– for example, a new school or an added service. If existing services are to be contracted out, it is important to conduct a stakeholder analysis (to identify and manage opposed interest groups) and a pro-active communication campaign. The most important insights for policymakers in education are presented in Table 4.1.

Table 4.1: Contracting Issues and Options

Purpose	Degree of difficulty	Benefits
Contracting for non-core services (meal provision, facility maintenance)	Fairly easy to specify and monitor contracts	Substantial improvements in quality and efficiency of these non-core services
Contracting for professional services (curriculum design)	Fairly easy to specify and monitor contracts	Addresses core function of schools – education delivery
Contracting for management services	High – due to difficulty of identifying contribution of management to school performance	Potential limited by constraints related to public sector employment and human resources management
Contracting with schools to enroll publicly funded students	Relatively easy to contract, but requires considerable effort to monitor delivery	Rapidly expanding access to education, and significant reduction of public sector capital costs
Contracting a private actor to operate a public school	Technically challenging and requires governments to: understand and closely monitor changes in school performance and know education costs well to set appropriate prices	In general terms, international experiences in the cases of charter schools in some U.S. states or Fe y Alegría schools in Latin America) have demonstrated positive results
Contracting for private financing and construction of schools	Specifying contracts and implementation may become very demanding	Shown moderate success, for example in the United Kingdom
Contracting for private actors to run schools, as well as finance and build them	Specifying contracts and implementation may become very demanding	May generate efficiency gains that multiply funds available for construction

Source: World Bank

Towards A Policy Agenda

186. Colombia has developed and innovated in contracting education services with the private sector for services in education, and contracting has become a strategy widely used by local governments to address problems of coverage and quality. The implementation and management of the actual contracts vary, depending on: the territorial unit in which they operate; the type of contracting parties; and the type of contract. While the performance of some models are well-documented (for example, Escuela Nueva), there is only scattered evidence as to the efficiency and impact of others.

187. International experiences on contracting for the delivery of education services have demonstrated many potential benefits. In particular, contracting may:

- Lift efficiency of education delivery and education spending
- Allow governments to tap specialized skills otherwise not available
- Allow governments to overcome salary constraints and civil service restrictions
- Permit quicker response to new needs and facilitate adoption of innovations
- Encourage competition among education sector providers
- Allow governments to adjust the size of programs to meet changing demands
- Permit economies of scale
- Improve the quality of education delivered
- Allow governments to focus on functions for which it has the comparative advantage

- Allow for closer targeting of spending and service delivery
- Increase access to education, especially for groups poorly served
- Increase transparency, by making the cost of services more visible when specified in the price of the contract

188. At the same time, a contracting process, if executed poorly, can be very costly. For example, problems in the qualification of service providers registered in the pool of bidders may result in contracts awarded to less than qualified contractors. Therefore, the technical strengthening of territorial entities in legal and administrative matters is essential.

189. International experiences have shown that contracting for the delivery of education services is most likely to be successful in situations where:

- Government provides a legal framework and a clear and fair regulatory environment
- Purchaser/provider roles are delineated within department responsible for contracting
- The government department responsible for contracting has the technical capacity for designing contracts and managing the process
- The government department employs a transparent and competitive process for selecting preferred providers
- The government department employs a staged process for selecting preferred providers
- Contracts include performance measures
- Contracts include good performance incentives and sanctions for nonperformance
- An effective contract-monitoring framework is introduced
- Providers are granted maximum operational flexibility
- Longer-term contracts are given to providers, since investments in quality require long return periods
- Contractor performance evaluation is made by an independent government entity or contracting agency

Consolidate gains

190. International experiences demonstrate multiple benefits in contracting. Moreover, the country has an important number of contracting experiences that could be improved and scaled up. Therefore, any potential expansion of contracting should provide support to all territorial entities to learn from and apply the lessons on effective approaches to contracting adopted by municipalities and departments experienced in this matter.

191. Based on international experiences the following issues are considered essential for the analysis of nationwide actions:

a) Learning from international experiences it is concluded that the framework for contracting,, including regulatory and legal issues, is crucial. An important requirement for effective contracting for the delivery of education services is the provision of an enabling regulatory environment and a strong legal framework. Forcing providers to operate within the same restrictive regulatory framework that restricts public schools would significantly reduce the potential gains from moving to a contracting model and limit the positive impact of competition in the sector. The regulatory framework must create the conditions under which private organizations can operate efficiently, while also protecting the public interest. This could include entry requirements that are clear and objective and encourage new providers with regulations protecting public safety. In addition, it is very important to provide parents with relevant information on the performance of schools. Active participation by the private sector in education is most likely to be encouraged if the government puts in place an appropriate

legal framework to govern contract procurement and private investment more generally, including mechanisms designed to minimize the likelihood or appearance of corruption; reducing red tape and unnecessary regulation; assuring judicial independence, as well as timely and effective enforcement of contracts; and introducing policies and incentives that encourage private investment. It is essential that the grant of authority over education policy to municipalities, and the division of responsibilities between the different levels of government, is clear.

b) The state of Virginia in the United States demonstrates how a central government can mobilize information and support knowledge dissemination based on the experiences of municipal governments (see www.vipnet.org/ccc/best_practices; www.vipnet.org/ccc/egovtoolkit.htm#; see also www.ipac.ca/about/index.html). For that reason, promoting learning across municipalities and departments could be very important for the country. For example, MEN could, for example, help facilitate exchanges between municipalities that have considerable experience with contracting to help other municipalities implement such initiatives. In addition, MEN could promote forums for learning across entities and could assist in the creation of associations of entities.

c) Government incentives, either in the form of technical or financial resources, can be crucial to stimulate more successful contracting options for municipalities across the nation.

d) As it is proposed in Appendix A, program impact evaluations are very important since they may detect successful programs and designs. Hence, an impact evaluation policy on new contracting initiatives promoted by MEN may bring large benefits at low costs. In this sense, the central government can play a key role in developing a coherent framework and an adequate technical assistance for carrying out monitoring and evaluation – in particular impact evaluation. Without such effort this could undermine the sustainability of many initiatives as the ability to measure performance and progress is key to design corrective measures in case of problems. Most of the international experiences reviewed did not include any kind of monitoring or evaluation indicators, nor any regular evaluation of the providers' performance. Likewise, international experiences show the evident low institutional capacity of local governments and the need for technical assistance.

e) The few rigorously evaluated international innovations were shown to increase coverage in rural areas, and that they were in part responsible for reduced rural-to-urban migration. This is probably indicating that access of vulnerable populations to education should be a priority.

192. Technical assistance from the center to municipalities for the development of contracting processes is very important. A program of technical assistance might include: legal and regulatory advice; assistance in setting up evaluations of early experiences; workshops; and incentives for contracting.

193. One contracting option that has been used for many years in Colombia, and for which significant international and national research exists is the granting of public is the payment of a per-student fee for attendance at contracted private schools. This mechanism has produced large benefits by increasing coverage, especially for children from less wealthy families. It would be highly desirable to use the evaluation framework presented in this report (Appendix A) to assess its impact and, evidently, other contractual models. Similarly, it would be very useful to disseminate the information regarding this experience to municipalities and departments interested in using this option further.

194. Contracting for education support services is extensive, and the international experience is generally positive, especially in terms of cost savings. This option is easy to implement. The international experiences have demonstrated that this type of contracting frees up time for teachers, administrators and

local policymakers to devote to core teaching issues. In the light of these experiences the recommendation is to expand contracting for non-core services as possible or necessary.

195. Contracting for management services is one of the most important issues, but it is very difficult to implement, not least because of the challenge of identifying measurable and verifiable performance criteria. While there is significant international experience, and some documented benefits, the evidence thus far is not conclusive. In Colombia, however, there is significant experience with this option, also well documented. Expanding management contracts may be a highly useful practice. It would also be very positive to conduct a rigorous evaluation of this type of contracting, using the framework presented above.

196. Given the international review of existing and emerging experience in education contracting, Table 4.2 provides a summary of options and their potential for Colombia. There is significant international experience with contracting a private actor to operate a public school. There is a lot of controversy in some countries surrounding this approach, and the results of the few rigorous evaluations have proven inconclusive. Given the difficulty in implementing such options, it could be the case that the management of such contracts has a lot to do with outcomes. In Colombia, experience with this option is significant (for example, Fe y Alegría and contracted missionary education) and emerging in others (for example, concession schools in Bogotá and elsewhere). Yet, there are no conclusive evaluations at this time. The recommendation is to evaluate the existing experiences rigorously. Based on the results of the evaluations, an expansion of that model could be considered.

197. The experience in Bogota regarding the concession of public education services is a useful approach that should be considered in any new concession-type models in other parts of the country. Concession contracting in Bogota, based mainly on quality (among other factors), increases the likelihood of a top quality service. The visits made to schools under concession contracts in Bogotá shows that this type of contracting creates a sense of commitment by Government, and it would appeal to the providers.

Table 4.2: Education Contract Options and Potential for Colombia

Purpose	International experience	Colombian experience	Policy suggestion
Contracting with schools to enroll publicly funded students	Extensive and positive	Extensive and positive (and well evaluated)	Expand
Contracting for support services	Extensive and positive		Expand as necessary, for example when NGOs can more efficiently provide the service
Contracting for management services	Significant, some benefits but evidence not conclusive	Significant, well documented	Expand as appropriate subject to results of rigorous evaluation
Contracting a private actor to operate a public school	Significant, inconclusive evaluation findings	Emerging, no conclusive rigorous evaluations yet	Evaluate; consider expansion as appropriate only after evaluating results
Contracting for private financing and construction of schools	A few countries have experience; shown moderate success	None	Consider with caution
Contracting for private actors to run schools, as well as finance and build them	None	None (but in Bogotá's plan)	Given potentially high returns, worth considering, but need a plan to involve providers and financiers, and evaluation of pilot

Source: World Bank

198. Contracting for private financing and construction of schools by private providers – so called PPPs or (especially in the UK) PFIs (Private Finance Initiatives) – have shown moderate success in the few countries that have experience with this model. The long-term purchasing commitments required to contract for private finance and construction of a facility is hard for many governments to manage, and the associated risks make any loans obtained by the private consortiums quite costly. Many governments find it hard to set and maintain service prices sufficiently remunerative to allow consortiums to pay back (equity or debt) capital payments. Efficiency gains (cost savings) from contracting for facility provision may be limited due to the high cost of borrowing for social infrastructure and the limited range of cost savings associated with private design, construction, and operation versus traditional public procurement. Contracting for facility finance and construction will likely preclude participation of nonprofit organizations, owing to their constrained access to the large amounts of long-term finance needed. There is no experience with this model in Colombia.

199. An extension of the PFI model is contracting for private actors to run schools, as well as finance and build them. While there is considerable experience with this model in other sectors in many other countries, there is no experience in the education sector. This would include Colombia, although the Government of Bogotá includes a variant of this model in its current five year plan. Given the potentially high returns associated with this model – upfront capital for construction and potential cost savings in operation – it is well worth considering. However, before implementing such n experimental plan, a strategy is needed for involving providers and financiers (a sort of consortium), including market testing,

structure of the deal, revenue stream projections, type and number of contracts to issue, and a rigorous evaluation must be built in.

200. The evaluation of programs is fundamental for the selection of successful public policies. In general, the best evaluations use methods that randomly assign benefits and include an appropriate comparison group. In the absence of that specific design, it is proposed that rigorous techniques, such as propensity score matching, local average treatment effects or regression discontinuities, be used.

201. The extent to which performance indicators can be specified will vary depending on the nature of the contract. Performance measures are far more likely to be specific when the services being purchased are narrow in scope and easy to measure than when the services are broad in scope and hard to measure. Clearly the ability of the contract to specify detailed performance indicators depends to some degree on the complexity of the tasks to be contracted for. Performance indicators can be specified in a variety of ways, measured both qualitatively and quantitatively, at different points in time. For example, quantitative indicators such as standardized test scores can be supplemented by more qualitative methods of assessing performance such as parent and teacher surveys, site visits by third-party review, and alternative assessment methods for determining progress. Some performance measures that could be included in public school operation contracts between the government and a private provider may include: student performance on standardized achievement tests; attendance; suspension, expulsion, and dropout rates; graduation rates; and school climate (probably an index of parental and student satisfaction, parent and community engagement with school; relationships between teachers and students)—given the importance of the school environment in many areas where contract schools are being located.

APPENDIX A. EVALUATION METHODOLOGY

202. The different types of education contracts may have made it possible to increase enrollment in Colombia. However, since these programs require public expenditures it is therefore important to rigorously evaluate the impact they have had. The questions to be answered include: Has coverage in fact increased? What is the impact of these programs on the quality of education, on grade retention or dropout? The objective of this appendix is to provide a rigorous methodological framework for evaluation. The evaluation will analyze the use of resources (physical and financial), and the impact of different types of contracts on several measures of educational outcomes (such as scores in standardized tests, dropout rate and grade retention, among others).

203. An impact evaluation assesses changes in the well-being of individuals that can be attributed to a particular project, program or policy (Baker 2000). As such, it provides feedback to help improve the effectiveness of programs and policies. More importantly, for policymakers, evaluation should be used to compare alternatives for reaching the same objectives. Impact evaluations are also used to promote accountability.

Conceptual Assessment Framework of the Impact on Education

a) Production of Education

204. The study of the production of education is extensive, and it has been reviewed at length by Hanushek (1986, 1996). In general, these education studies use production theory to estimate a production function that depends on certain inputs. Specifically, they consider that a measure of educational attainment depends on the inputs of the school and on the characteristics of the individual. Included among the variables of school inputs are the student/teacher ratio, the educational attainment of the teachers, the infrastructure of the school, and the size of the school. Variables related to the characteristics of the individuals controlled for include household income, the educational level of the parents, and the number of siblings, among other factors. Finally, there is a group of factors, which are the unobservable characteristics of the individual, such as ability, skills and motivation that influence test scores but cannot be measured. The education indicators, considered are the scores in standardized tests, the dropout rate or grade retention.

205. Implicitly, behind the production function there are several premises: (a) the quantity and quality of the school inputs are fundamental for the production of a better education, be they measured on higher standardized test scores, a lower desertion rate or fewer students repeating a grade; (b) the characteristics of the individuals are also critical elements for the production of a better education. Individuals with better skills, better nutrition and with an adequate home environment, should also perform better in school; and (c) these two groups of characteristics (school and individual/family) interact, yielding the third fundamental component for the production function of education.

206. The interaction of the school and individual characteristics make the evaluation of programs in education more complex. In fact, while the impact of programs such as conditional cash transfers (for example, the program Families in Action, see Box A.1) basically depend on the characteristics of the individuals; in education programs these characteristics interact with those of the school. The implication is that both sets of factors need to be carefully controlled.

Box A.1: Familias en Acción

Familias en Acción is a conditional cash transfer program that gives subsidies to poor families in towns with less than 100,000 inhabitants. The subsidies are aimed at improving health, nutrition and educational levels in the population. The health and nutrition subsidies are given to families with children under 7 years old and are conditioned to health controls. The education subsidy is conditioned to a minimum attendance level. The program is working in 622 towns with 362,403 beneficiary families on October 2002.

The evaluation has not been finished but it has released its first results concerning the base line and the short run impact on some variables. These results are summarized and explained in detail in the document "Programa Familias en Acción – Condiciones iniciales de los beneficiarios e impactos preliminares" by the Colombian National Planning Department (Departamento Nacional de Planeación). The main initial findings include a positive impact on the enrollment rate of individuals between 14 and 17 in the urban zones, an improvement in the nutrition state and a greater probability of having a complete vaccine scheme in children between 0 and 6 years old, and an increase in the possibility urban women have of getting any labor income.

Source: Departamento Nacional de Planeación (2004)

207. In a meta-analysis of the education production function, Hanushek (1996) reaches several conclusions. First, there is no clear relationship between several of the school inputs and the quality education. The pupil/teacher ratio, for example, may have a concave relationship with the outcome measures. A small number of pupils in the classroom may inhibit participation, and it is possible that the positive externalities from participation do not occur. A large class size may also inhibit participation, and may produce negative externalities such as noise. Second, the quality of the teacher is a key element in the production of education. Third, the role of the family is equally important as is the quality of the teacher.

208. The production function has been estimated for several countries, with different structural forms and different controls. In the case of Colombia, Gaviria and Barrientos (2001) and Barrera (2003) use data from the ICFES, the institution in charge of providing test scores to high-school graduates. The ICFES applies a standardized test administered to all students finishing their secondary school. Gaviria and Barrientos (2001) use the data from 1999, while Barrera (2003) uses several years in the 1990s. Both studies estimate a regression of individual test scores versus a set of characteristics (such as classroom size, education of teachers, some variable of infrastructure of the school); characteristics of the individual (age, gender); and characteristics of the home (education of parents, income of the house). Both studies show that the socioeconomic variables are fundamental in explaining educational achievement in the sense that income of the household and education of the parents are good predictors of the scores. They also show that some of the "quality" variables of the school, such as the educational level of the teachers, tend to have a positive impact on standardized test scores.

b) Impact Evaluation Methodology

209. Based on the production function, how can the contractual agreements of private entities providing public education be evaluated? To develop the impact evaluation methodology we take as an example the "Contracting services per student" type of contracting, but evidently this framework applies to other types of contracting, such as concessions and contracted missionary education. This type of contracting can be described as follows. Municipalities with a given number of places in public schools receiving a greater number of applications than they have seats, the municipality assigns some of the students to private schools (which have previously registered in a database of schools willing to accept public school students). In return for accepting the students, the government pays a fixed payment per student. In essence, this program mimics one in which a subsidy is given to a private school for each child who, otherwise, would go to a public school.

210. The basic methodology for evaluating the impact of the program, which can also be applied to any of the contracting types, is to compare between the group of individuals that applied to a public school but obtain entrance to a private school (treatment group) and the group of students who attend public school (comparison group) (see Heckman and others 1999; Ravallion 2001). The correct evaluation of a program requires the establishment of the counterfactual for the treated. That is, what would have happened had the treated individual not been treated. In essence, it is necessary to "compare" one individual in two states: one in which he has received a subsidy against one in which he does not receive it. However, it is not possible to observe the same individual in the two states. It is therefore necessary to choose another individual as similar as possible as the comparison.

211. This type of impact evaluation has been widely used in the area of medicine to establish the effect of drugs on patients (see, for example, Antman and others 1992; Ioannidis and Lau 2001; Peterson and Fisher 1980). In fact, laboratories and research institutes summon individuals to undergo specific types of treatments. The individuals who accept the summons are randomly divided into two groups; one group is treated with the drug in question, and the other group receives a placebo and is the control (or comparison) group. Since a random instrument establishes the separation of groups, both types of groups would have the same type of characteristics, observable and unobservable. After a certain amount of time, the effect of the drug is examined in both groups. If the individuals in the treatment group show more improvement than individuals in the control group, then one conclusion is that the drug is effective in the treatment of the particular condition.

212. Ideally, to evaluate the impact of the contracting program for the provision of public education services (on a per-student basis) on standardized test scores one needs to have information on the individual before and after he receives the treatment, and to have a comparison group. The information on the individual before the program, which would include characteristics of the individual and the school before the treatment has taken place, is known as the baseline. The information collected after the treatment is known as the follow-up information. Different measures can be built from the baseline and follow-up information on individuals and schools. Two estimators are of special relevance: the difference estimator and the difference-in-difference estimator.

213. Why is it important to include a control group? The difference in standard test scores before and after the program for the individuals who were served under the contract may be due to the program itself or to other types of changes ("other factors"). For example, if in general *all* schools improve over time, then the observed change in test scores is not only due to the subsidy but also due to the general improvement. Consequently, differences in time estimations may include the result of the treatment as well as of the improvement of the "other factors" that may influence the quality of education. It is important to remark that those "other factors" may be generated by changes in the inputs of individuals and/or schools.

214. The difference estimator captures the impact of the program, plus the effect of changes in characteristics of the individual before and after the program, the changes in characteristics of the school during the same period, and the changes through time of the unobservable characteristics. Thus, it is important to include a control that allows one to tease out the impact of the treatment from the total impact through time. A similar equation is used to estimate the change in test scores for an individual who did not receive the subsidy. The difference between equations for the treatment and control groups will yield the difference-in-difference estimator, which gives the effect of the subsidy under the following assumptions: (a) on average, the changes in the individual and school characteristics are equal across the two groups; or alternatively (a stronger assumption) that the characteristics of individuals in the treatment and control groups are equal at each time period, and the public and private school characteristics change in the same way; and (b) the changes in the unobservable characteristics are equal across groups

(treatment and control) or (stronger assumption) the unobservable characteristics are equal for the treatment and control groups at each period of time.

215. As is clear from the above, the comparison group is critical for the evaluation of the impacts of the programs. It is important to find individuals in the control group that are as close as possible to the individuals in the treatment group.

216. Another type of measure, generally established when there is no available baseline, is the difference between groups in the post-treatment period. A measure of differences in differences has properties that are superior to the mere measure of differences. However, this last measure can be indicative of the impact of the program when the initial information, before the program, is limited.

217. These two estimators can be obtained with an econometric model of the following: $Y_{i,j,t} = \beta_0 + \beta_1(t * D) + \beta_2 D + \beta_3 t + \mathrm{B}_4 X_{i,t} + \mathrm{B}_5 Z_{j,t} + \varepsilon_{i,t} + \varepsilon_{j,t}$, where the impact variable (denoted as $Y_{i,j,t}$) may be the quality of education, dropout rate and grade retention; t is a dichotomous variable of time and is equal to 1 at the moment of data collection (baseline) and equal to 1 for data collected after the program has been implemented; D is a dichotomous variable equal to 1 for the group that receives the program and equal to 0 for the comparison group; Xi,t is a vector that includes the variables of the individuals i that affect the impact variable; Zj,t is the vector of school characteristics; and finally $\varepsilon i,t$ and $\varepsilon j,t$ capture the unobservable characteristics of the individuals or the schools. The unobservable characteristics may play an essential role in the evaluation. The coefficient β_1 is equivalent to the measure from difference to difference *(DD)* previously discussed and consequently includes the effect of the program on the outcome variable. If only data after the treatment is available, the coefficient β_2 is equivalent to the measure of one difference only (D_1).

218. It is possible that the impact of any program on educational outcomes takes time before it is fully realized. For this reason it is important to have a period of time sufficiently long before the post-treatment measures are taken in order to effectively capture the full impacts. For instance, "quality" of education, measured as tests scores, is a very parsimonious variable: the change of the average test scores, in statistical sense, due to school input changes is a process that requires time to be induced.

219. There are indirect forms of measuring the effect of the programs. By way of an example, it is possible that the quality of public schools neighboring the "contracted private schools" improve due to the influence of the contract school. It is, therefore, informative to analyze these schools and compare them with similar public schools outside the area of influence of these contracted private schools. As another example, it is possible that the enrollment program has an impact on the average results in so far as there are externalities of the new students via peer effects.

c) Comparison Groups

220. Potentially, there are two types of problems when the econometric model presented above is estimated, and both are related to the differences between the comparison and treatment groups. The first problem, known as the "bias from observable characteristics," occurs when the two groups show differences in the observable variables. For example, if the comparison group includes a high percentage of children from households in the last decile of the population, and the group that is privately enrolled is fundamentally from households in the top deciles. In this case the two groups are not comparable in the income characteristics and there is a problem of bias from observable characteristics.

221. The second problem is known as the "bias from unobservables." This problem occurs when there are characteristics that are not observable by the researcher, but influence the decision to participate in the program. An example of such a characteristic is the nutrition of the children given that better fed children tend to get better results in the exams due to better abilities that a good nutrition brings. Since abilities and child nutrition are difficult to quantify, these two unobservable characteristics will be included in the error term. At the same time, households with well-fed children may have a greater probability of participation in the educational programs and, therefore biased estimates will result. Of course, the same may happen with the unobservable characteristics of the school (for example, the pedagogical method).

222. The "bias of observable characteristics" is solved by adequately choosing the comparison group. In short, this condition is achieved by measuring the observable variables of each group and choosing the comparison group in such a way that it is as similar as possible to the treatment group.

223. Ideally, the control group would be chosen "randomly," by means of a lottery or other type of chance methodology. In this way, it is ensured that within the population that applied to the program, the characteristics (observable and nonobservable) of the comparison and treatment groups are equal. With financial constraints a mechanism of this kind can produce benefits since the inclusion of an individual in the program does not depend on subjective criteria, such as that the family is "in friendly terms" with the director of the program, but merely on chance. An example of this type of group assignment is PACES and the results from the program have been very positive (see Angrist and others 2002).

Box A.2: The PACES Program

The Colombian voucher program called Plan de Amplificación de Cobertura de Educación Secundaria (PACES) ran from 1992 to 1997. It gave vouchers to students entering secondary school coming from public schools that could be used to cover the cost of private schooling, giving around 125,000 vouchers during this period. The voucher's allocation was random when demand exceeded supply, except for some few cities where the allocation was made based on primary school performance. This "quasi-random" assignment did not seem to affect the objectives of a randomization. The results suggest that the vouchers beneficiaries had a higher educational attainment, lower grade repetition, higher probability of taking college-entrance exams, higher tests scores, and a lower probability of teen marriage and employment.

Source: Angrist and others (2002)

224. Absent the possibility of a random selection, the comparison group can be chosen in two basic ways. The first is based on previous knowledge. A priori information of the researcher is used to establish a comparison group that has similar characteristics as the treatment group. The second is based on a propensity score. The propensity score captures in a synthetic form the intention to participate in a program, based on a broad vector of observable characteristics. In simple terms, an algorithm is used to determine the appropriate comparison group. For each individual (both in the treatment and the control group) a probability of participating in the program is estimated using the observable characteristics. Once this is estimated, each person receiving the treatment is matched with individuals in the control group who have similar characteristics or probabilities of participation. That is, the control group used is made up of only those individual who did not participate that have similar characteristics to those who did participate.

225. There are two practical strategies for identifying control groups. The first are distance functions. The "distance function" is a procedure that compares the observable characteristics of each treated against the observable characteristics of each non-treated, and picks as comparison the one that makes the distance between these characteristics as the minimal one. Based on the characteristics of the individual, a multi-dimensional distance function is estimated, and those individuals who did not participate in the program and are "closest" to the individuals who received the subsidy will make up the comparison

group. The second strategy for identifying control groups is based on propensity scores. Based on the characteristics of the individuals, the probability of participation is found and each treated individual will be matched with one (or more) individual(s) from the potential controls with similar probabilities of participation.

226. The goal of both methods is to generate two groups (treatment and comparison) as similar as possible in the observable characteristics. If only children from houses with income below certain level can enter contracted schools, it would technically be an error to compare them with children of a higher income stratum, even if their propensity score is similar. It is necessary to have the same "support" in both populations.

227. In a series of papers, Heckman and others (1998, 1999) show that in fact the bias of estimation of the econometric model described above comes from three margins, and the most important one is the difference in the observable characteristics among individuals. As we stated previously, similar characteristics among control and treatment groups is an essential part of the impact evaluation. The second difference is the difference in the support of both populations. For example, non-eligible individuals cannot be part of the control group. The third difference is the difference in un-observables. According to the estimates of Heckman and others (1998), once the observable characteristics are quite similar between groups, and the support of both distributions are the same, the bias from nun-observables is relatively small.

228. It is necessary to closely analyze the implicit characteristics of the individuals and schools in the programs and in the comparison groups. Therefore, a first and basic step of the evaluation is to analyze the characteristics of the schools and individuals. In order to conduct the analysis, the following factors are required: (a) the characteristics of the individuals' family such as income of the household, household composition (one or two parents, age of parents, gender of the head of household, number of siblings), the educational attainment of the parents, among others; and (b) characteristics of the schools such as the financial inputs (budget and expenses) and the physical inputs (which may include the number of teachers, their educational attainment, the physical infrastructure of the school, the number of labs, classrooms, etc).

Potential Programs and Characteristics

229. While impact evaluations are general tools for decision-makers to compare alternatives for achieving the same objectives, this section suggests applications for particular programs that use contracting. Of course, both types of parameters depend on the specific features of the program to be analyzed. Next we present the stylized facts of the three programs.

Per Student Contracting for the Provision of Education Services

230. Some cities have used contracting for the provision of education services per student. The participants in this modality include individuals that are just entering school, as well as those that have already studied but are changing schools. For the students that are entering school and are enrolled in a private school, there is no information on educational attainment before entering the program. This fact implies that the participating individuals will be compared to non-participants only in the post-treatment period.

231. However, it is possible to make three additional evaluations. First, it is possible to obtain information on individuals entering a private school in 3rd grade and get information about scores from the test SABER (Box A.3). Later, and following the same individual, it is possible to know the test scores at subsequent grades (Grades 7 or 9). These two points of time amount to having the measure for the

baseline and for the follow-up period. In this case, the comparison group would be made up of the students in public schools to which the treatment group students most probably would have gone. This group can be chosen through its location and by means of the propensity score.

Box A.3: SABER Tests

The Colombian Education Ministry started applying standardized tests to all students in 5th and 9th grades in order to measure their skills in the mathematics and language areas, this first application was taken between March 2002 and April 2003. Afterwards, the tests were extended to grades 3rd, 5th, 7th, and 9th allowing a closer following up of the students through all their primary and secondary school periods. The main objective is to give the ministry and the schools an instrument to measure the student's performance and to identify their weaknesses in order to take corrective actions aimed at improving education quality.

Source: www.mineducacion.edu.co; Ministerio de Educación (2003)

232. Likewise, a second type of evaluation can be carried out. It is possible to identify those schools that have admitted an important percentage of students under the contracting for the public service provision. In principle, it is possible to compare the performance of these schools with that of private schools that have not received students.

233. Finally, for those individuals that have changed schools, and that are admitted to the new school through a private subsidy, it is possible to have a baseline (before they changed schools) and one of follow-up (once they get the subsidy). For this type of individual it is possible to build the differences in differences measure. The challenge in this case will be to find a suitable comparison group.

Concessions

234. Privately managed public schools, such as the concession schools, exist in a number of cities. In Bogotá, the program consists of the state giving to a private school the right to provide education for a period of 15 years, while the state provides the infrastructure, selects the students, and pays a pre-agreed sum per full-time student per year (approximately $500), about the same as the per-child unit cost in public schools (Villa and Duarte 2001; Pérez 2003).

235. The "predicted" impact on quality in this contract can be summed up as follows. First, the private participation implies the application of an already proven pedagogic model since the private schools have already been operating for some time. Concession schools were, in fact, handed over to high quality private schools with the highest ICFES scores. Likewise, concession schools are financially stable, ensuring the stability of the pedagogic model. Second, the freedom to choose the teaching and management staff may lead to a better quality education than in the public schools where the teacher's union makes changes in staff cumbersome (see Borgas and Acosta 2005; Duarte 1996). Thirdly, the concession schools undergo a process of assessment and comparison, thus possibly focusing the teaching to those areas that are evaluated more than public schools might. Finally, the infrastructure of these schools is superior to that of public schools giving the students better learning opportunities. Concession schools were, in fact, built on bigger lots than the average public school, with better equipment and complete supplies in classrooms, labs and libraries.

236. In principle, there is no possible baseline for privately managed public schools: it is not possible to observe results before and after the intervention at the level of the school. However, it is possible to see the results of the students that are enrolled in these schools. For example, it is possible to obtain information from individuals who have taken a standardized test (such as SABER) before entering the concession school and after enrollment in the concession school take the same test at a higher grade level.

The comparison group may be made up of students from the schools from where the students that entered the concession school came from.

237. Another mechanism of evaluation is to see the scores in the exams at the beginning of the concession school and compare them with the scores afterwards. Of course, the more time elapsed between the baseline and follow-up, the better the results one may expect. In any case, there would be results for the two forms of choosing the comparison groups previously presented: (a) estimate choosing neighboring schools with similar characteristics; (b) estimate through the propensity score; and (c) of course, an intermediate step in this estimate is the analysis of the differences between the facilities of the concession and the comparison schools.

238. It is also possible that the public schools near the private ones obtain indirect benefits from the private operation. A third form of evaluating the concession schools would then be to evaluate these neighboring schools and, as a comparison group, the results of similar public schools out of the operational range of the privately managed ones. As in other forms of assessment, the choosing of the comparison group is critical, and similar schools to the analyzed ones must be chosen. Of course, as we said in the previous section, the impact evaluation may be done on standardized tests, the dropout rate and students repeating the year.

239. Presently, an assessment of this type of initiative is being carried out by DNP (National Planning Department). The assessment is being implemented with the aim of going in-depth into the differences of the pedagogic model of the concession schools and other types of schools with similar characteristics. Likewise, there are two case studies, which describe in-depth and in great detail the concession school initiative (Corpoeducación 2004; Villa and Duarte, 2001).

Contracted Missionary Education

240. A third type of contracting that can be evaluated is the Contracted Missionary Education. This type of contracting operates in remote places of the country, where population density is low and possibly with students from families in the lowest deciles of the income distribution.

241. The evaluation methodology for this case is similar to the previous ones. In the first place, a comparison of the school that receives the treatment is the contract missionary school, and the comparison group is defined by means of the propensity score. In the second place, it is possible to compare two moments in time of the contract missionary education, and to estimate the variation in the indicators of evaluation, dropout rate and retention rates. Likewise, the same exercise can be applied to similar schools (using the propensity score) and in this way to estimate the differences in differences.

242. For this type of school, in certain areas of the country, there is no adequate "support," as defined in the previous section. In other words, it is possible that the comparison groups are not equal to the evaluated schools, and it is therefore necessary to be extremely cautious about the results obtained.

Conclusions

243. A potential evaluation methodology is proposed here, highlighting the following main points:

- The evaluation of programs is fundamental for the selection of successful public policies. In effect, a positive evaluation may lead to the realization of the importance of investing part of the national budget in a program with proven results. A negative evaluation, on the contrary, may imply considerable savings for the public treasury since it is possible to cancel programs that, without the evaluation, would have continued and maybe even extended.

- The proposed evaluation methodology uses proven techniques of program evaluation. Ideally, the evaluation of a program could count on a method of selection of individuals randomly. However, given that the programs to be evaluated do not make selections using this mechanism, a quasi-experimental evaluation is proposed, using methods such as the propensity score and the a priori choice of comparison groups.

- It suggests the study of several indicators, such as the scores in standard tests, the dropout rate and retention rates, as well as, insofar as possible, the use of inputs and costs.

APPENDIX B. CONTRACTING FOR THE DELIVERY OF EDUCATION SERVICES: GUIDING PRINCIPLES

244. Some broad principles to guide the design and implementation of education services contracts are outlined in this Appendix. These principles are discussed below and summarized in Box B.2 at the end of this Appendix.

a) Ensure the Capacity of the Contracting Agency

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

246. First, the contracting agency must have good financial and administrative information systems. Good price, output, and quality benchmarks are essential for the contracting agency to make an informed assessment of the bids. For example, any assessment of whether the bidding process generates value for money requires that the contracting agency has good information on the unit cost of existing or alternative sources of provision—in both the public and private sectors. The contracting agency must also have good baseline information on education outcomes, both in general and in the schools to be contracted out, if it is to set appropriate performance benchmarks for private contractors.

247. Second, it is vital that the contracting agency employs people with the requisite skills to manage and oversee the complex task of contracting with private partners. Although some people see the move away from public provision as government "withdrawal" from education, it is nothing of the sort. Indeed, it represents a shift in the role of government from provider of a service to facilitator and regulator. The implementation of contracting models and similar public-private partnerships in education puts new demands on the public sector and requires much different skill sets to implement than traditional methods of procurement.

248. The move from input controls to output-based contracting means, in particular, that government agencies must develop their capacity to:

- Assess the various education services to determine when and under what circumstances to use contracting, rather than direct public provision.
- Design, negotiate, implement, and monitor education service contracts.
- Develop enabling legislation that supports a competitive and transparent system of contracting.
- Develop appropriate quality-assurance mechanisms.

249. Given the complex and multifaceted nature of contracting, the contracting agency will need a range of skill sets—not only educational and pedagogical skills but also expertise in contract management, economics, and finance.

250. A move to contracting for education services means that public officials will have to adopt a different approach and a new administrative culture. As Harding (2002: 22) has noted, in relation to health contracting (but which is equally applicable to education):
Contracting requires a drastic mind shift for public officials, from thinking of themselves as

administrators and managers of public employees and other inputs, to thinking of themselves as contract managers with ultimate responsibility for delivering services.

251. The contracting authority must also ensure that it has the necessary payment—and fraud—monitoring systems in place to track payments and ensure that the accuracy and the legitimacy of claims for payment from participating schools. The payments system should also ensure timely delivery of payments to schools. The Philippines' experience with Educational Service Contracting (ESC) is instructive in this regard, as recent audits have discovered some instances of fraud in the form of "ghost schools" that received funding under ESC, yet existed in name only. In addition, payments to schools under ESC were often delayed several months, a factor that discouraged many providers from participating in the ESC program. An effective audit procedure is a necessary component of any payment- and fraud-monitoring system. Nongovernmental organizations can often be successfully employed in such roles.

b) Employ a Transparent and Competitive Process for Selecting Preferred Providers

252. A key element of effective contracting is a transparent and competitive bidding process. Bidding for service delivery contracts should be open to all private organizations. This includes both for-profit and not-for-profit providers. Contracts should be open to local, national, and international organizations that may wish to bid to operate a public school. The bidding process should be competitive whenever possible.

253. Opportunities to provide contracted education services should be identified well in advance, and the list should be made publicly available, perhaps through an easily accessible public register. The bidding process should also be set out clearly and in advance. A Request for Proposal (RFP) should be sent out to all potential bidders and publicized widely to ensure the broadest possible market. The bidding results should also be advertised so that all participants know who won and why.

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

c) Employ a Staged Process for Selecting Preferred Providers

255. The contracting agency should use a staged process for selecting the preferred provider of education services. The process should include of the following steps:

- Clarification of requirements, including development of contract objectives, as well as specification of desired services and expected outcomes.
- Development of procurement strategy and identification of procurement team.
- Development of the RFP associated with the contract.
- Invitation of expressions of interest through the promulgation of the RFP.

- A contract prequalification process in which bids are assessed against requirements and a short list of bidders is selected.

- Interviews of the short list of bidders to assess proposals in greater depth and negotiate contractual issues.

- Selection of and contract award to the preferred bidder.

- Advertising the results of the selection process.

- Commencement of service (International Financial Services London 2001: 13).

256. Savas (2000) provides a comprehensive discussion of the steps involved in carrying out a competitive process for contracting for the delivery of public services.

d) Establish Appropriate Performance Measures

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

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

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

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

- An overly rigid focus on measurable outcomes may divert attention from outcomes that are desirable, but which cannot be measured and hence cannot be compensated.

- A strong focus on external test scores may provide schools with an incentive to "cream skim" by refusing entry to students who are not likely to be "strong performers."

260. This does not mean that performance measures should not be set or that they should not be backed up by financial incentives. Performance measures and financial incentives can help align the interests of the school with those of students and the government (that is, help overcome the "principal-agent" problem). Appropriate incentives can also help to ensure that schools concentrate on the needs of students and keep abreast of changing demands in the marketplace. The contract specification should be carried out painstakingly by a multidisciplinary team, because it is crucial to the success of the exercise.

261. Similarly, contract targets and expectations must be realistic and achievable. As noted earlier, setting overly optimistic targets in Islington LEA in the United Kingdom has led to the imposition of penalties for nonachievement on the private contractor in each year of the contract. This has created an appearance of failure, even though education performance has improved in the LEA.

262. The extent to which performance indicators can be specified will vary depending on the nature of the contract. Performance measures are far more likely to be specific when the services being purchased are narrow in scope and easy to measure (for example, remedial instruction, literacy programs) than when the services are broad in scope and hard to measure (for example, whole school management).

263. In support of this, Hannaway (1999) points out that contracts with Sylvan Learning, which provides narrowly focused remedial instruction in reading and mathematics, included much more specific performance indicators than did contracts signed with Edison Schools, which manages whole schools (Hannaway 1999: 6). Clearly the ability of the contract to specify detailed performance indicators depends to some degree on the complexity of the tasks to be contracted for.

264. Performance indicators can be specified in a variety of ways, measured both qualitatively and quantitatively, and reported at different intervals. For example, quantitative indicators —such as standardized test scores— can be supplemented by more qualitative methods of assessing performance — such as parent and teacher surveys, site visits by third-party review, and alternative assessment methods— for determining progress in areas such as leadership development, the arts, and character development. Box B.1 sets out some performance measures that could be included in public school operation contracts between the government and a private provider.

Box B.1: Possible Performance Measures: Private Management or Operation of Public Schools

- Student performance on standardized achievement tests
- Student attendance
- Suspension, expulsion and dropout rates
- Graduation rates
- School climate (probably an index of parental and student satisfaction; parent and community engagement with school; relationships between teachers and students)

Source: Adapted from Charter Friends National Network (2001): 48–49

e) Write Into Every Contract Performance Incentives and Sanctions for Nonperformance

265. In addition to establishing appropriate performance measures, well-designed education serviced contracts should include performance incentives and sanctions for nonperformance (that is, link payment levels to performance standards). Most examples of contracting for education services tie payments to contractor performance. Providers that deliver services on time and meet the required quality standards or specified outcomes are rewarded by higher payments, and those who do not are penalized—either through reduced payments or contract termination.

f) Introduce an Effective Contract-Monitoring Framework

266. The inclusion of performance incentives and sanctions in contracts is not enough. The contracting agency must also introduce an effective contract-monitoring framework and strictly enforce contract terms. Otherwise, providers may consider the contract terms and conditions nonbinding. The

nonenforcement of penalty clauses with poorly performing providers has been identified as a key weakness in the implementation of Private Finance Initiatives (PFIs) in the United Kingdom.

267. As noted by the National Audit Office, in some cases, U.K. government departments have provided financial bailouts for contractors that experienced financial problems as a result of poor risk management. They have also been unwilling to cancel agreements when contractors have provided below-standard services (National Audit Office 2003).

268. The same has been true to some degree with charter schools in the United States, although this is beginning to change. A number of charter schools are now being closed because they were found to be financially or pedagogically unfit to operate. By January 2004, 311 charter schools had closed, 9 percent of all charters ever opened. These closures occurred for a variety of reasons, including failure to meet charter requirements and inability to find appropriate facilities.

269. If the contracting agency is to be in a position to impose sanctions or withdraw from contracts, it must ensure that there are good contract-exit strategies. Effective exit strategies will depend in part on the breadth or the depth of the private sector market.

g) The Form of Contracting is Important—Operational Contracts Provide the Most Flexibility for Successful Contracting

270. A key component of successful contracting is that the government should employ operational contracts rather than management contracts. "Operational contracts" are far superior to "management contracts" because they allow the private sector greater flexibility to redesign work processes, select appropriately skilled staff, pay the salaries required to attract good staff, and dismiss nonperforming staff. Use of management contracts or the imposition of restrictions on school operations (beyond minimal safety standards) can significantly hamper the private operator's ability to determine appropriate resource allocations, to introduce management and pedagogical innovations, and to improve the quality of education delivered at public schools.

271. Education service contracts that require private providers to hire staff already on the payroll, maintain existing staffing and pay levels, and maintain union contracts for teachers all restrict providers' ability to make productivity gains and introduce changes to improve the quality of education at the school. Limiting private providers' ability to pay, fire nonperforming staff, vary pay levels, or provide performance-based pay would have a similar effect.

h) Allow Maximum Contract Flexibility for Providers

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

273. Forcing providers to operate within the same restrictive regulatory framework that hobbles public schools would significantly reduce the potential gains from moving to a contracting model and limit the positive impact of competition in the sector. Indeed, one recent study found that more than two-thirds of US school district superintendents surveyed believed that reducing bureaucracy and increasing flexibility was very important as a way to improve public education (Belfield and Wooten 2003: 14).

i) Introduce Medium- to Long-Term Contracts with Providers

274. Contracts with private managers should be long enough to encourage private investment and interest. Improving school performance often takes five or more years. Some contracts are relatively short (for example, 3 to 5 years for charter and contract schools in the United States). Contracting agencies could opt for longer contracts with private firms managing public schools. This is already being done in some places. For example, management contracts for Concession Schools in Bogotá are for 15 years.

275. An overly long contract period, however, could blunt some of the impacts of competition and limit the gains from contracting. These costs need to be traded off against the benefits of increased interest and reduced uncertainty for providers. To offset some of these effects, provider contracts could include clauses that allow recontracting at intermediate points.

j) Hire an Independent Entity to Evaluate the Contractor's Performance

276. Contracting performance could be enhanced if the government were to employ an independent third party to evaluate contractor performance. This would ensure independent, unbiased assessments of school performance. A number of companies provide testing services, as well as school evaluation and review services. For example, the Center for British Teachers, a U.K.-based, not-for-profit education company, carries out reviews of schools in Oman under contract to the Omani government—a similar role to that the one carried out by the Education Review Office in New Zealand and Office for Standards in Education in the United Kingdom. In the United States, Standard and Poor's provides school evaluation services (SES) to school districts. SES analyses academic, financial, and demographic indicators and trends, provides benchmarks, and presents its findings on the performance of schools.

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

k) Provide an Enabling Policy, Regulatory Environment, and a Strong Legal Framework

278. An important requirement for effective contracting for the delivery of education services is the provision of an enabling policy and regulatory environment and a strong legal framework. The regulatory framework must create the conditions under which private organizations can operate efficiently, while also protecting the public interest. This means that:

- Entry requirements for new providers must be clear, objective, and not unreasonably burdensome (beyond the necessary rules to protect public safety).
- Education and other relevant legislation (for example, labor market laws) must not unduly restrict schools' ability to operate effectively and efficiently.
- Parents receive good information on the performance of schools.
- A range of interventions is available to address poor performance by schools.

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

- Putting in place mechanisms to minimize the likelihood or appearance of corruption.
- Reducing red tape and unnecessary regulation.
- Assuring judicial independence, as well as timely and effective enforcement of contracts.
- Introducing policies and incentives that encourage private investment.

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

l) Split the Purchaser and Provider Roles within the Government Education Department

281. A better environment for education services contracting can be created if the different functions within the government education department are split into separate purchaser and provider roles. The government agency that contracts for education services, ideally should not be involved with administering public schools—as they will face pressures to protect their own public schools at the expense of private schools. Under a purchaser-provider model, policy and regulatory functions would be separated from service delivery and compliance functions and moved into separate organizations.

282. Splitting the purchaser and provider roles of within the department would ensure that education contracting decisions are made neutrally vis-à-vis the public and private sectors. As long as the same "arms" of government are responsible for both purchase and provision (and regulation), there is a risk that governments will favor delivery by the public sector over the private sector, because competition from the private sector can threaten the viability of public schools. As Snell (2002) argues, "splitting policy functions from service delivery creates incentives for governments to become more discriminating consumers, looking beyond government monopoly providers to a wide range of public and private providers" (Snell 2002).

Box B.2: Summary: Guiding Principles in Contracting for the Delivery of Education Services

- Provide an enabling policy, regulatory environment, and a strong legal framework
- Split the purchaser and provider roles within the government education department
- Ensure the capacity of the contracting agency
- Employ a transparent and competitive process for selecting preferred providers
- Employ a staged process for selecting preferred providers
- Establish appropriate performance measures
- Write into every contract performance incentives and sanctions for nonperformance
- Introduce an effective contract-monitoring framework
- Operational contracts provide the most flexibility for successful contracting
- Allow maximum contract flexibility for providers
- Introduce medium- to long term contracts with providers
- Hire an independent entity to evaluate contractor performance

REFERENCES

Angrist, Joshua [et al.] (2002). "Vouchers for Private Schooling in Colombia : Evidence from Randomized Natural Experiments". – In: American Economic Review 92(5): 1535-1558.

Antman, Elliott M. [et al.] (1992). "A Comparison of Results of Meta-Analyses of Randomized Control Trials and Recommendations of Clinical Experts. Treatments for Myocardial Infarction". – In: Journal for the American Medical Association 268(2): 240-248.

Baker, Judy L. (2000). Evaluating the Impact of Development Projects on Poverty : A Handbook for Practitioners. -- Washington, D.C. : The World Bank. – 217 p. -- (Directions in Development)

Barrera-Osorio, Felipe (2003). Decentralization and Education : An Empirical Evaluation. -- Ph.D Thesis -- University of Maryland College Park. -- Unpublished.

Barro, Robert J., Jong-Wha Lee (2000). "International Data on Educational Attainment Updates and Implications". – In: NBER Working Paper Series No. 7911.

Belfield, Clive R. and Amy L Wooten (2003). "Education Privatization : The Attitudes and Experiences of Superintendents". – In: Occasional Paper 70 / National Center for the Study of Privatization in Education, Columbia University.

Bloom, A. and A. Schmiede (2004). Australia's Experience with Contracting for Hospital Provision. -- Draft Report submitted to The World Bank and Karolinska Institute, Stockholm.

Borjas, George and Olga Lucia Acosta Navarro (2005). Educational Reform in Colombia. -- Cambridge, MA: The MIT Press.

Centro de Estudios sobre Desarrollo Económico (CEDE) (2003). Antioquia and Pasto Education Projects: Impact Evaluation. – Bogotá, Colombia : Universidad de los Andes.

Corporación Internacional para el Desarrollo Educativo (CIDE) (2000). Análisis de las Estrategias de Cobertura Educativa en el Departamento de Antioquia. – Bogotá, Colombia : CIDE.

-------- (2002). Coverage Education Strategies Used in Antioquia's Department. Medellín, Antioquia. -- – Bogotá, Colombia : CIDE.

Coffee Growers Departmental Committee and National Coffee Growers Federation. 1998. "Rural Post-primary experience in Caldas. Education for rural population: Prospective analysis". Working Paper, MEN, Bogotá.

Coffee Growers Departmental Committee (2000). Rural Basic Education Program Associated to Escuela Nueva : Methodology in the Department of Caldas. -- Mimeo.

CORPOEDUCACION, A.C. (2004). Evaluation of Concessions Program. – Bogotá, Colombia : CORPOEDCACION, A.C.

Crece (2001). Evaluation of Alternative Experiences for the Extension of Access to Secondary Education of Young Men and Women in the Rural Areas.

De Ferranti, David [et al.] (2003). Closing the Gap in Education and Technology. -- Washington, D.C. : The World Bank. – 216 p. – (World Bank Latin Amrican and Caribbean Studies).

Departamento Nacional de Planeación (DNP) (2004). Programa Familias en Acción : Condiciones Iniciales de los Beneficiarios e Impactos Preliminares. Bogotá, Colombia : DNP.

Dor, Avi (1994). Are Contract-Managed Hospitals More Efficient?. -- Rockville, Maryland : Center for General Services Intramural Research : U.S. Department of Health and Human Services : Public Health Service : Agency for Health Care Policy and Research. – (Provider Studies Research Note ; 21).

Duarte, Jesús (1996). "La Debilidad del Ministerio de Educación y la Politización de la Educación en Colombia : Dos Problemas a Enfrentar en el Plan Decenal". – En: Coyuntura Económica ; 14. – Bogotá, Colombia : FEDESARROLLO.

Fundaec, Celater. Fundaec, its principles and guides. Cali.

Fund for Assistance to Private Education (2004). ESC Certification Program ECP. Makati City.

Gaviria, Alejando, Jorge Hugo Barrientos (2001). "Características del Plantel y Calidad de la Educación en Bogotá". – En: Coyuntura Social ; 25. -- Bogotá, Colombia : FEDESARROLLO.

Gélvez, H. (1997). Post-primary an Alternative for Rural Basic Education : Teacher's guide. – Bogotá, Colombia : Ministry of Education.

Government Accountability Office (GAO). (2003). Public Schools : Achievement Results for Students Attending Privately Managed and Traditional Schools in Six Cities. --. Washington, D.C. : GAO.—(GAO-04-62).

-------- (2002). Public Schools, Insufficient Research to Determine Effectiveness of Selected Private Education Companies. -- Washington, D.C. : GAO. – (GAO-03-11).

-------- (1996). Private Management of Public Schools : Early Experiences in Four School Districts. -- Washington, D.C. : GAO. – (GAO/HEHS-96-3).

Hannaway, Jane (1999). Contracting as a Mechanism for Managing Education Services. – Philadelphia, PA : Consortium for Policy Research in Education. – (Policy Brief RB-28).

Hanushek, Eric A. (1986). "The Economics of Schooling : Production and Efficiency in Public Schools". – In: Journal of Economic Literature 24(3): 1141-1177.

-------- (1996). "Measuring Investment in Education". – In: Journal of Economic Perspectives 10(4): 9-30.

Harding, April L. (2002). Introduction to the Private Participation in Health Services Handbook. – Washington, D.C. : The World Bank, Private Participation in Health Services Handbook. – Keystone Module Background Paper. – 46 p.

Heckman James J. (2001). "Micro Data, Heterogeneity, and the Evaluation of Public Policy : Nobel Lecture". – In: Journal of Political Economy 109(4): 673-748.

-------- [et al.] (1998). "Characterizing Selection Bias Using Experimental Data". – In: Econometrica 66(5): 1017-98.

-------- Robert John LaLonde and Jeffrey Smith (1999). "The Economics and Econometrics of Active Labor Market Programs". – In: Handbook of Labor Economics Vol. 3: part A : pp. 1865-2097.

International Financial Services London (2001). Public Private Partnerships : UK Expertise for International Markets. – London : IFS.

Ioannidis, John P.A. and Joseph Lau (2001). "Evolution of Treatment Effects Over Time : Empirical Insight from Recursive Cumulative Meta Analyses". – In: Proceedings of the National Academy of Sciences 98(3): 831-836.

King E. (1997). Conceptual framework for PACES (Programa de Ampliación de la Cobertura y Mejoramiento de la Calidad de la Educación Secundaria) scholarships. – Washington, D.C. The World Bank.

Kremer Michael (2004). "Randomized Evaluations of Educational Programs in Developing Countries : Some Lessons". – In: American Economic Review 94(2): 102-106.

LaRocque Norman (2004). Contracting for the Delivery of Education Services : A Review of International Experience. – Washington, D. C : The World Bank. -- Paper Prepared for the World Bank.

Lin, Margaret and Bryan Hassel (2001). Charting a Clear Course : A Resource Guide for Building Successful Partnerships Between Charter Schools and School Management Organizations. – 2nd ed.-- www.charterfriends.org.

Loevinsohn, Benjamin, April Harding (2004). "Buying Results : A Review of Developing Country Experience with Contracting for Health Service Delivery". – In: Public Health Vol. 366 : August 20, pp. 676-681.

Los Andes University (Cede and Cider) (1996). Evaluation of the PACES Voucher Program. – Bogotá, Colombia : Universidad de los Andes.

Manizales, Secretary of Education (2004). Evaluation of the Post-primary Program. – Bogotá, Colombia : Ministry of Education.

McEwan, P.J. (1998). "The effectiveness of multigrade schools in Colombia".—In: International Journal of Educational Development 18(6): 435-452.

-------- and Luis A. Benveniste (2000). "Constraints to Implementing Educational Innovations: The case of multigrade schools". – In: International Review of Education 46(1-2): 31-48.

-------- (2001). "The Politics of Rural School Reform: Escuela Nueva in Colombia". – In: Journal of Education Policy 16(6): 547-559.

McMeekin, R.W. (2003). "Networks of Schools". -- In: Education Policy Analysis Archives 11(16) (http://epaa.asu.edu/epaa/v11n16).

Meek, J. (2001). "School's Out". – In: Summit Magazine 4(1) (www.summitconnects.com).

Ministerio de Educación Nacional (2003). ¿Cómo Entender las Pruebas SABER y Qué Sigue?. – Bogotá, Colombia : MEN.

-------- (2002). Plan Sectorial : 2002-2006. – Bogotá, Colombia : MEN.

Molnar, Alex, Glen Wilson and Daniel Allen (2004). Profiles of For-Profit Education Management Companies : Sixth Annual Report 2003–2004. -- Arizona State University. – (EPSL. Commercialism in Education Research Unit ; EPSL-0402-101-CERU). – 129 p.

National Audit Office (2003). Delivering Better Value for Money from the Private Finance Initiative. www.nao.gov.uk

Patrinos Harry Antohony (2003) . Contracting Out Education. – Washington, D.C. : The World Bank.-- (Processed).

-------- and David Ariasingam(1997). Decentralization of Education: Demand-Side Financing. -- Washington, D.C. : The World Bank.

Peterson, AV Jr., LD Fisher (1980). "Teaching the Principles of Clinical Trials Design and Management". – In: Biometrics 36(4): 687-697.

Prodebas (1995). Methodology Innovations for Urban Marginal Zones and for Rural Post-primary : Background and Current Developments. – Bogotá, Colombia : PRODEBAS. – (Working Paper ; 1)..

Psacharopoulos, George, Carlos Rojas, Eduardo Vélez (1993). "Achievement Evaluation of Colombia's Escuela Nueva : Is Multigrade the Answer?". – In: Comparative Education Review 37(3): 263-276.

Ramírez, A.I. y J.N. Ramón (1998). "Una Alternativa para la Ampliación de la Educación Básica Rural". -- En: Educación para la Población Rural : Balance prospectivo. -- Bogotá, Colombia : MEN. – (Serie Documentos de Trabajo).

Ravallion, Martin (2001). "The Mystery of the Vanishing Benefits : An Introduction to Impact Evaluation". – In: World Bank Economic Review 15(1): 115-40.

Sarmiento, A., L. Becerra y J. González (2000). La Incidencia del Plantel en el Logro Educativo del Alumno y su Relación con el Nivel Socioeconómico. – Bogotá, Colombia : DNP. – Borrador.

Savas, E. S. (2000). Privatization and Public Private Partnerships. -- Washington, D.C. : CQ Press. – 328 p.

Snell, Lisa (2002). "Charter Schools as School Privatization". – In: Reason Public Policy Institute (www.rppi.org).

Swope, J. and M. Latorre (2000). Fe y Alegría Schools in Latin America : Educational Communities Where the Pavement Ends. -- Centro de Investigación y Desarrollo de la Educación, Santiago. -- pp.104-105.

Ulrico, L. (2002). Case Study of the Mildura Base Hospital Contract. – Washington, D.C. : The World Bank.

Villa, Leonor y Jesús Duarte (2001). Los Colegios en Concesión de Bogotá, Colombia : Una Experiencia Innovadora de Gestión Escolar Reformas o Mejoramiento Continuo. – Washington, D.C. : BID. – 33 p. – "Diálogo Regional de Política : Red de Educación (Tercera Reunión : Educación Secundaria : Washington, D.C. Abril 4-5, 2002)".

Villegas Rodán, Luz Alba (2000). The System of Tutorial Learning —SAT : An Educational Proposal for a Harmonic and Sustainable Human Development.

World Bank (2004). Word Development Report 2004 : Making Services Work for Poor People.-- Washington, D.C : The World Bank. – 271 p.

------ (2004a). Public Training Reform Issues in Colombia : The Case of Sena. –Washington, D.C. : The World Bank. -- (Colombia Country Study Report ; 27752).