
PUBLIC-PRIVATE PARTNERSHIP FOR HIGHER EDUCATION FINANCING

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Abstract

Owing to the popularity of the Public-Private Partnerships, it has become a fashionable slogan in the new developmental strategies adopted by any country over the last couple of decades. Public-Private Partnerships (PPPs) is the “cooperative venture between the public & private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards” - **Canadian Council for PPPs**

PPPs has been advocated as the innovation idea in order to tap the private resources along with public sector for the active participate in country’s development. The reason behind adopting it is the general opinion that his resource gap which is existing in the socio, economic & political structure of the country can be met by only one way out i.e. Public-Private Partnership. So, keeping in mind this opinion that PPP model has already been adopted in several infrastructural developments such as railways, roads, airports and so on but now onwards the policy initiative are no longer confined to these sectors but extended to human development sectors such as health and education.

Thus, in this paper the author will they to analyze what is Public-Private Partnership, whether it would work in higher education, if yes, then what should be the appropriate model for that. Secondly, the author will attempt to analyze whether this PPPs model which is delicensing one will help to solve the problems in better manner and in what way along with the common criticisms and trends regarding PPPs that are available.

Keywords- Higher Education, Public-Private Partnership.

Education is what remains after one has forgotten what one has learned in school – Albert Einstein.

Introduction

For every country's development, education is the essential element which empowers the poors, enabling them to have more participation in the country's upliftment. Education is broadly viewed as the intellectual and more training of individuals through which their potentialities are developed, the traits of the creators are inculcated in them and the culture of the people is transmitted to the coming generation. Since the education inculcates citizenship value as well as make an individual more productive, it serves the interest of both public & private sector.

Traditionally it has been the role of the government to provide education to young citizens, nevertheless the participation of the private bodies including non- governmental organization have significant contribution since long. Thus public – private partnership is the essential requirement in the education sector.

Definitions of Public – Private Partnerships (PPPs)

In general , A public – private partnership is essentially a long- term & complex partnership between the government and the private sector in which the monitoring and setting of norms are generally done by the public sector and the operation & management often rests with the private sector, the risk is divided between both .

A more comprehensive definition has been provided by the Ministry of Finance :

“Public – Private Partnership means an arrangement between a government / statutory entity / government owned entity on one side and a private entity on the other, for the provisions of public assets and/ or public services, through investments being made and / or management being undertaken by the private sector entity , for a specified period of time . Where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance linked payments that conforms to specified and the pre- determined performance standards, measurable by the public entity or its representatives” .

Higher Education : Changing Context

- Knowledge economy – Higher education increasingly seen as important contributor to economic growth & development .

- Increased diversification of higher education provision:
 - *Specialized institutes, universities of technology, virtual universities.
 - * For profit higher education, public- private hybrid Institutions, franchises.
 - * Fee paying public universities, corporate universities, foreign higher education institutes
- Private sector is an important part of higher education canvas.

How did Public – Private Partnerships (PPPs) in Education Evolve?

The last two decades has witnessed the drastic rise in PPPs in every sector specially the educational one along with the broadening role of the private sector from policy making to management to financing and delivery of educational services. The educational partnership in their current form has been emerged only recently in the late 1980s. The motive behind it is to achieve a fine balance between state and the market in delivering essential services. Such partnership was seen as a corrective measure to stop too much state intervention on the one hand and to refrain market failures.

Further the towards giving momentum to PPPs was initiated by United Nations in the 1990s. However, it was the World Bank, The International Finance Corporation (IFC) of the World Bank Group and the Asian Development Bank (ADB) that championed PPP in education, coming from a period of promoting 'Private sector participation 'in educational projects and that subsequently became the strongest proponents for such partnership arrangements on a global scale . The World Bank has identified at least 92 PPPs in education in 47 countries from the period 1995 to 2005. In Asia –Pacific, PPPs initiatives have already been implemented in countries like India, Pakistan, Thailand, Bangladesh etc. Some examples of existing or newly implemented forms of PPPs programmers include the following-

- Financial assistance paid to private schools in Pakistan on a pre- child enrolled basis.
- System of grant-in- aid providing subsidies to privately - owned and managed institutions in India .
- Subsidies to base salaries of teachers in community - managed , non- government schools in Bangladesh .
- Adopt a school programme in the Philippines where the private sector provides funding assistance to partly support the operation of public schools .

Is Privatization of Education same as PPP in Education?

As it has been seen over the long period of time, the state has been bounded with various problems like debts, deficits and corrupt practices. Privatisation i.e. 'the transfer of activities, assets and responsibilities from government/public institutions and organizations to private one was seen as only alternative.

Privatization means "the opening up of public education services to private sector participation on and for- profit basis and using the private sector to design, manage or deliver aspects of public education. " (Ball and Yondell,2007,pp. 8-9)

A PPP, on the other hand, is the mutually negotiated and agreed arrangement between the public and private sectors, and as a partnership it implies the shared control, responsibilities, costs and benefits. The main idea to promote PPP is to improve financing and deliver of essential services with special emphasis on achieving efficiency, effectiveness, quality, equity and accountability. PPPs do promote the greater participation of the private sector i.e in fact it is the form of privatization of education. By World Bank's definition, full privatization, occurs when there is disinvestment of the assets concerned or the total transfer of ownership, provisioning, funding and management of education to the private sector. On the other hand, PPP in the full sense of partnership is supposed to have terms that do not tilt the balance of control to favor one contracting party over the other.

Role Of Public Private Partnership In Education

The key objectives of the PPP in the education are quality, quantity and equity . The PPP works in a four- fold targeting that are –

- Facilitation of service delivery
- Additional finance for education
- Expression of equitable access
- Improvement of leading outcome i.e. quality of education.

The participation rate of the private sector in any educational project depends upon the government policy and strategies. The areas in the educational project in which private sector is active, may broadly be classified as infrastructural, educational and support services.

- Infrastructural services include design, construction and maintenance of school building.
- The service producing education includes teacher training, examination, curriculum design etc.
- Support services include library, IT facility, transportation, cafeteria, gymnasium etc.

Thus, the interaction of the private partner in all such PPP are different based upon the society's demand along with the economic & political requirement of the state.

Need for PPP in Education

PPP was primarily developed to expand the accessibility and qualitative accept of the educational system. As the time passes, the interventions like teachers training, school up- gradation, ancillary service provisions etc. can be made to reach and benefit the children of the marginalized groups and poors who are not been not served adequately in traditional education system.

The PPP provide the following –

- A mode for filling up the infrastructure gap .
- Fiscal relief in the public sector budget
- Charismatic option of new financial investment.
- Finance off balance sheet
- Better efficiency and performance in the services which a government was required to provide.

Nature of Public Private Partnership in Education

It is essentially an arrangement where the private sector participates in the provision of services that are traditionally provided by the public sector . The justification behind PPP are primarily to accelerate the expansion of education, supplement investment and enable different models for improving the quality of education .

Broadly PPP can operate to provide –

(1) Infrastructural services (ii) support services and (iii) educational service . As time passes, the role of the private sector is progressive in nature .The nature of partnership for PPP are enumerated as –

- Formal in nature
- Development of a long term relationship between the partners

- Focus on outcome
- Element of risk sharing among the partners
- Involvement of both the voluntary and commercial sectors as private sector partners .

Rationale for PPP in Education

Ministry Of Human Resource Development of India, in the document proposing the Public Private Partnership in education, has argued the rationale for PPP in Education . The said document put forward following eight reasons rationalizing the approval of PPP in education –

- Easing the budget constraint
- Efficiency gains
- Appropriate risk sharing
- Speed of implementation
- Reduction of costs
- Accountability for performance
- Quality monitoring
- Greater flexibility

Who are the Stake Holders in PPPs?

Who’s who in Education PPPs?

Stakeholders in Public-Private Partnership in Education.

PUBLIC	PRIVATE		
<ul style="list-style-type: none"> • Government and Government Corporations • UN Agencies • Multilateral Donors (OECD); Global Partnership for Education (GPE) • International Financial Institutions (IFIs)-ADB, IMF World Bank 	<p>For-Profit Business Sector</p> <ul style="list-style-type: none"> • Corporations (Local and International) 	<p>Not-for-profit Civil society</p> <ul style="list-style-type: none"> • Local & international NGOs • Teacher’s Union • Community-based organizations • Social movements • Academic • Professionals • Education Co-alitions • Faith-based organizations • Grassroots Advocates and practitioners • Corporate foundations & Philanthroplats 	<p>Household</p> <ul style="list-style-type: none"> • Learners • Parents and family of learners • Taxpayers

Models of Public-Private Partnerships

The university Grants Commission, set up an expert committee to look out for the possibilities of public-private partnerships and come-up with models which could be utilized to improve access and quality of the higher educational institutions in India, both existing and the future ones. The said committee submitted its reports to the Planning Commission in March 2011 for consideration.

The report highlights that PPP in higher and technical education bring following benefits-

- Saving of resources and time
- Improve the efficiency of the system
- Improve performance
- Promote autonomy
- Qualitative improvement in higher Education

The report also identified four possible models of public-private partnerships to be made applicable in the higher education sector. They are-

- (i) **Basic Infrastructural Model** - Under it all the physical infrastructure and ancillary services would be provided by the private sector. They are also allowed to each third party revenues from some of the pre-determined infrastructure from some permissible activities. What type of activities are permissible would be decided by the government itself. Government would also decide the location of the institution, provide the land and specify the standards up to which the physical infrastructure needs to be built and maintained. The Basic loopholes in this model are-
 - It would prove ineffectual as it required huge capital investment from the private sector.
 - It does not view as partnership at all, here the government is simply looking to raise capital from the private sector for setting up educational institution.
 - It would bring no gains in the efficiency of the higher education system as the control of operation and management is retained by government itself. So, the similar story of hundred of government run poor quality institutions would be repeated.
 - It provides very low incentive for the private sector to participate.

(ii) **Outsourcing Model** - In it, on the one hand, private sector would invest in infrastructure along with operation and management including the core teaching activities of the educational institution and on the other hand the government would pay for specific services such as hostel, canteen, library etc. on per student basis. In it also the government would also set up standards for teaching and physical infrastructure and decide the location of the institution. The drawbacks of this model are-

- It also not reflects a true partnership. Here the government is trying to reduce the cost of providing education and asking the private sector to carry out the objective of providing higher education.
- In it the government is not providing the required capital, so the private sector has to borrow for the market to proceed with the process of setting up and operating the respective educational institution.
- In it the whole operation is not handed over to the private sector, therefore coordination problem persists.

(iii) **Hybrid Model** – In it the infrastructural work would be developed using the funds raised through government and private institutions as equity. The equity contribution would be pre-decided by the partnership contract and the operational and management work would be managed by the respective board which would be formed from amongst the equity holders. The operating cost will be recovered through user charges (tuition fee, hostel fees etc.) and third party revenues. The main characteristics of this model-

- It provides sufficient autonomy as the equity holders of the board are largely independent.
- It may involve innovation in curriculum design and teaching methods.
- It is a true partnership as the equity holders would have direct interest in earning the return on the revenue over long term.
- It also expects the possibility of participation from various entities like central and state governments non-government organizations, companies etc.

- (iv) **The Revenue outsourcing Model** – In it the role would be reversed. The government would invest in infrastructure and the private sector would run the operation and management. The cost of operation would cover in the same way by user charges and third party revenues.

The nature of this model is as follows-

- This model will bring gains in efficiency in the existing institutions as the government institutions are countered by excessive red type and other bureaucratic procedures where as the private sector can easily overcome from it.
- It also inculcated flexibility in matters related to teachers pay, curriculum design, administrative matters and modernization of teaching facilities etc.

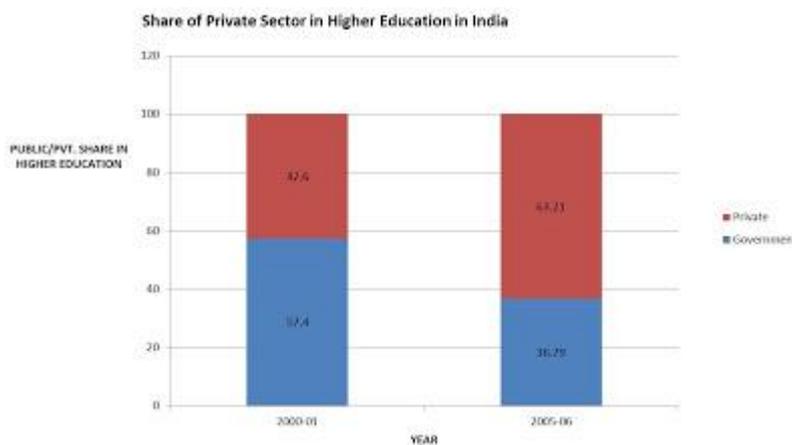
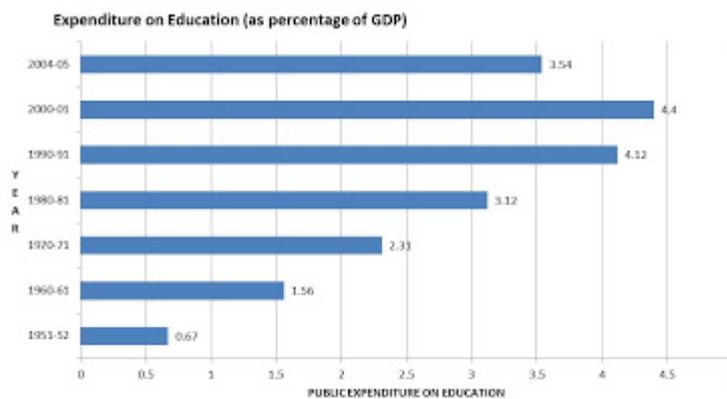
Thus, it has been seen that both public and private sector has entered the educational system keeping in mind their respective objectives. The earlier one came to fulfill the objective of inclusion, accessibility of education to everyone along with quality assurance. The later is driven only by profit motive.

How is Higher Education financed in India?-Facts and Figures.

The Central Government of India (GOI) considers education as one of the key priority sector for the country. As a result, the GOI has spent a significant amount of time, money and effort in initiating the availability, accessibility and affordability of the qualitative education. While elementary and secondary education is largely government financed, same is not true in context to higher education as whole lot of private stakeholders is there in it.

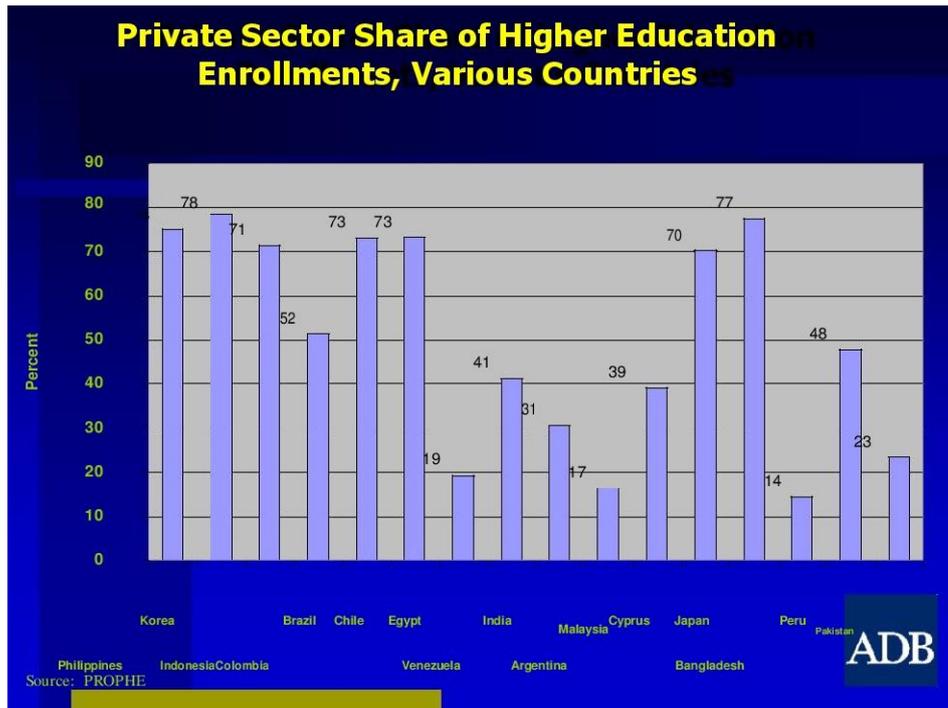
Although the public-private partnership have the potential to bring efficiency and healthy competition, an increased private sector presence will be a problematic issue.

The trends related to expenditure by public and private sectors has been highlighted diagrammatically-



This increasing graph of the private sector share in the provision of higher education is largely due to the varieties of courses offered by them in management, engineering and medical sciences. So, the increased dependency on private sector in higher education, lack of scholarships and reduced public expenditure (as a % of GDP) over the years indicated that GOI is shedding its responsibilities to fund higher education.

The trends in financing higher education globally are no different. The country-wise comparison is as follows



Public Funding of Private Higher Education-Types of Assistance

Direct Assistance	Indirect Assistance
<ul style="list-style-type: none"> • Subsidies to higher educational institutions. • Tax benefits • Competitive research funding • Capital funding for infrastructure development • Free land or land at discounted prices • Soft loans • Capacity-building/staff training etc. 	<ul style="list-style-type: none"> • Scholarships for students at private higher education institutions (HEIs) • Student loans for tuition fees and living costs for students at private HEIs • Students living allowances for students at private HEIs.

Practices and Policy in India

The Indian Education System is divided into different levels such as pre-primary education, primary education, elementary education, secondary education and higher education. The primary objective of government is to improve accessibility and ensuring equity in education but in context to higher education, our system is lacking in qualitative terms.

- **MHRD Initiative**

Under in PPP engagement was formed in November 2008 in the form of Model schools. In it the school infrastructure will be provided by private entity and government will contribute to recurring cost on per capita basis for students.

- **Ongoing models of PPP in India**

In various forms, India has witnessed the partnership between public and private entities.

Some of the popular models are as follows-

- Government aided school
- Residential schools in Andhra Pradesh
- Adarsh schools in Punjab
- PPP schools in Rajasthan

- **Other Evocative Models of PPP in India**

PPP has been seen as viable alternative to improve accessibility along with equity and social justice. Other models that are proposed in India are-

- Reform or Government Aided schools
- Expansion of existing government schools
- Private sector shifts in Public sector facility
- Private Financing Initiative
- Whole School Management

Arguments in favor of PPP in Education

- PPPs can create competitive environment in the education market.
- PPP contracts can be more flexible than most public sector arrangements.
- PPP contracts can achieve an increased level of risk sharing between the government and the private sector.
- As PPP contracts can reflect specific standards and quality targets, therefore with adequate supervision, it can lead to better educational results.
- This partnership will help in promoting autonomy and saving resources.
- Increased participation by private entity in higher education.
- Secure new skills that may not exist in the higher education sector.

Arguments against PPP in Education

- By entering into a PPP, the public sector loses control over service provision.
- Service quality will fall under PPPs
- Public sector employees will lose under PPPs
- Cost of service will rise since private sector need to make a profit.
- The lack of participation, transparency and accountability add to the issues raised against PPPs implemented in the education sector.
- Absence of required coordination among and between the Centre, state governments with the private entities.

Conclusion

It has been seen that due to deficiency of funds, inefficiency and lack of accessibility government will not be able to fulfill the objective of standardized educational system to the country especially in the higher education. Thus, this scenario led the govt. to take private sector along with it in the form of PPPs. The PPPs is the required and innovative move to uplift the educational level out one should keep an eye on the private activities also as they are only eager to make profits.

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