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Educational Reform in Developing Countries: Private Involvement and Partnerships

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EDUCATIONAL REFORM IN DEVELOPING COUNTRIES: PRIVATE INVOLVEMENT AND PARTNERSHIPS*

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Abstract

The paper looks at recent changes in the role of government in the provision of education in Developing Countries. It begins with a reflection about the concept of public-private partnership (PPP), discusses the rationale that inspires the 'contracting out' of educational services and describes several cases of private sector involvement in education. After looking at the conditions for building PPPs and the necessary requirements for assuring an effective regulatory framework, the paper closes concluding that while contracting out needs not be made a priority there is a large room for other forms of private sector involvement in education in developing countries.

Keywords: *Contracting out, educational reform, market/government failure, NPM, public-private partnerships.*

JEL codes: H52, I28, L33.

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1. Introduction

The specificity of education in developing countries is well known. A different demographic structure makes that demand for education in developing countries is more pressing than in developed ones. But besides this, while in high-income countries 'differentiated' demand leads to a demand for private schooling, as a sophisticated clientele demands different kinds of schools (Patrinos, 2000), in low-income countries excess demand for schooling does not always result in private supply and, when this happens, it is because the state cannot afford schooling for all and, simultaneously, people recognize the benefits of schooling (James, 1987, 1991).

Traditionally, public intervention in education has been justified on basically two reasons: It can increase efficiency – obtaining the greatest possible output from a given amount of expenditure; it can reduce inequality, opening opportunities for the poor and disadvantaged, compensating for market failures in lending for education, and turning information about the benefits of education more generally available. However, it has been argued that public spending on education is often inefficient because it is misallocated and inequitable since qualified potential students are unable to enroll in institutions for the reason that either educational opportunities are lacking or they lack the ability to pay for them (James, 1991). Furthermore, the goals of quality, efficiency, access and quantity usually conflict in that an increase in quantity or enrolment may be at variance with the goal of enhancing quality. Indeed, this conflict has been much more salient in developing countries owing to the scarcity of qualified teachers[1].

So, policy makers have increasingly recognized that the traditional methods of education financing and management, and provision were unable to deliver quality basic

[1] Two examples are illustrative of the scarcity of qualified teachers in developing countries: in Colombia 38 percent of teachers have no sufficient qualifications (Villa and Duarte, 2004); in PIEDAR schools, in rural Punjab, there are teachers that only have the primary level as qualification (Asia Foundation, 2000).

education to all children and that radical changes were needed. Additionally, it was argued that public financing is growing more difficult as enrolments expand (World Bank, 1995) and the scarcity of public funds prevent many countries, and particularly the less developed ones, from attaining the necessary increase in educational levels. To solve this problem, many countries have adopted policies to charge tuition fees to get back part of the cost of providing public education services (Tomasevski, 2003); and/or encourage development of private schools to handle at least part of the expansion (Patrinos, 2000), with an increase in the emphasis of participation in education from the private sector. But, the recognition of the need to change the way education is provided and funded is also intrinsically linked to the emergence of the New Public Management (NPM) type reforms.

In fact, in the end of the 1970s the disenchantment with government became apparent: the dominating view is that government has changed from the provider of public goods to a tax burden for the citizens. The government is regarded as 'bureaucratic' in the sense of too big, inefficient and unable to improve (e.g. Heclo, 1981). Partly owing to this disillusionment and partly due to fiscal pressures, there has been a wave of public sector reforms throughout the world since the 1980s. Many reforms in this wave share some characteristics that later have been known as NPM (see, e.g. Hood, 1991; Boston, 1996; Minouge *et al*., 1998). NPM is both a set of tools used to change the public sector and a new management philosophy, which seeks to enhance the efficiency of the public sector and the control that government has over it. The key hypothesis in the NPM-reform is that more market orientation in the public sector will lead to greater cost-efficiency for governments, without having negative side effects on other objectives. So, NPM looks to achieve efficiency gains by applying competition, as it is known in the private sector, to organizations of public sector, emphasizing economic and leadership principles.

A great deal of tools advocated by the NPM, and present in this wave of reforms, are forms of private involvement in the provision of public services, being one of them the public-private partnership (PPP). But, although 'Partnership' has become a standard buzzword in the NGO and 'development' world (Ahmad, 2006) and the idea of a PPP in general is theoretically appealing, there has been much confusion in using the expression PPP. Often donor agencies and governments promoted privatization and provided subsidies to private entrepreneurs in the name of building PPPs (World Bank 1986), while they are promoting other forms of private involvement, perhaps because 'the theoretical understanding of partnership, from an organizational perspective, is limited' (Lister, 2000, p. 236). On the other hand, there have been an excessive use of the term PPP in education, qualifying as a PPP any involvement of the private sector in education even in cases in which both services and funding are not provided by government, sufficing for that label that government set the rules where private providers play (see, for instance, Navarro *et al*., 2004), or even 'the simple act of sending child to a school' (Asia Foundation, 2000, p. 320). In this paper we use examples from the educational sector reforms and from private involvement in education in developing countries to show the diversity of forms abridged under the umbrella concept of PPP and to illustrate the potential of some of those forms in the provision of education. Additionally, the present paper aims to contribute to a more precise concept of PPP, one that underlines the strategic aspects of a sustained collaboration between actors of the two sectors.

The remainder of the paper is as follows. In section 2, we'll begin with some reflections about NPM and the concept of PPP. In section 3 we'll describe some reasons which must configure the role of government in providing education services. Section 4 discusses the 'making' versus 'contracting out' decisions and the pros and cons of the two options. Section 5 describes several cases of private sector involvement in education in developing countries, often referred to as PPPs. Section 6 deals with conditions for building PPPs and with necessary requirements in order to assure an effective regulatory framework in developing countries. The paper closes with some conclusions for discussion and future research.

2. The NPM debate and PPPs

The NPM debate opened in developed countries, like the USA (Osborne and Gaebler, 1992), the UK and New Zealand (Boston, 1996; OECD, 1995), spills over to the developing ones (McCourt, 2002) with a considerable impact on social services delivery, the provision of education being no exception. Additionally, in the context of a worldwide welfare systems reform, decentralization of services from the national to the local level is frequently suggested in conjunction with an improved participation of the population in determining and implementing the services (Mehrotra, 2006). However the management decentralization proposed by NPM is not equivalent to the political decentralization advanced by other more participatory theories (Polidano, 1999).

In the terminology of the supporters of NPM reforms there is often an imprecision on the use of the term PPP, mainly in the public services like education or health care sectors[2]. For instance, Savas (1990, 2000, 2005) defined PPP as an arrangement in which a government and a private entity, for-profit or not for profit, jointly perform or undertake a traditionally public activity. Examples of arrangements that can be included in this broader concept ranging from education vouchers used in private schools and other forms of public funding of private schools to the management of public schools by private firms (Navarro *et al*., 2004). Many of these forms of private involvement can be more accurately categorized as forms of privatization, in the sense of outsourcing public services by private firms, as is the case of several forms where the role of the private actor is the provision of the education service and the public role is limited to paying the service provided. Savas (2005) is aware of the ambiguity of the expression but he also recognizes its usefulness: 'public-private partnership' is sometimes a useful phrase because it avoids the inflammatory effect of 'privatization' on those ideologically opposed. In the present paper, rather than following this view we aim to contribute to a more precise concept of PPP.

We define PPP as a sustained collaborative effort between the public sector and the private sector[3] to achieve a common objective while both players pursue their own individual interests (Pessoa, 2007). This definition implies that in a PPP each partner shares in the design; contributes a fraction of the financial, managerial and technical resources needed to execute, and sometimes operate, the plan conducting to that

[2] A narrow concept of PPP is usually used for infrastructures, where PPP is defined as a complex relationship often involving at least one government unit and a consortium of private firms created to build large, capital-intensive, long-lived public infrastructure, such as a highway, airport, public building, or water system, or to undertake a major civic redevelopment project (Savas, 2005).

[3] The composition of the private sector is varied. The private sector can be classified into private-for-profit organizations (e.g., commercial enterprises) and private not-for-profit associations (e.g., humanitarian NGOs, professional associations, and other non-government institutions). Whereas the focus of PPP at first has been on the relationship between the government and the for-profit sector, in this paper we use the expression 'private sector' in a broad sense, encompassing both for-profit and not-for-profit activities.

objective in accordance with each partner's comparative advantage, and partially takes on the risks associated with the project and obtains the benefits, expected by each partner, which the project creates. The critical element reflected in this definition is the sharing of decision-making authority, which contrasts with the ‘supplier’ relationship in which government decides exactly what it wants and buys it to a private supplier, and the ‘public enterprise’ model in which the government produces the services with no private sector involvement.

Defined in the above-mentioned way, a PPP entails some assumptions. Firstly, a change in roles: a PPP requires a shift in the roles and attitudes of public and private entities, moving away from the usual client-contractor approach towards focusing on the core functions of supervision and regulation by the public authorities, and assuming greater responsibilities and risks in execution, operation and the mobilization of resources by the private sector. This change requires a transformation of the partners as some capacities of the public sector are transferred away to the private sector. Secondly, a sustained collaborative effort in order to attain a common objective is assumed. The basis of the third ‘P’ of the PPP, entails a joint alliance between the public and private sectors beyond the traditional contractual relationship. Such association brings the best of each partner’s competence to optimize the achievement of the common objective. Given the mid-term, or long-term, nature of that objective and the transformation generated by the shift in roles, the joint alliance needs to be sustained over a long period of time. The longer the nature of the objective, the larger are the uncertainties associated with the project and the more critical and relevant the third ‘P’ of a PPP becomes. Finally, an assumption on the individual interests of each partner is crucial: generally, it consists of a return of investment for the private partner[4], and a net benefit to the society and the economy as a whole for the public entity, through the achievement of specific goals, such as the improvement of the actual provision and deliverance of public services in an efficient way. Based on these assumptions, PPPs can be efficient forms of enhancing well-being and of promoting growth

[4] If the private partner belongs to the not-for-profit category, the private interest is generally a way of attaining its own main object more easily. For a review of the current literature on partnerships between Northern and Southern NGOs and for an assessment of the role of NGOs, see Ahmad (2006).

The strategic management literature suggests that PPPs can contribute to competitive (or collaborative) advantage in three different ways (Bovaird, 2004): first, supplying economies of scale in the provision of specific services; second, providing economies of scope or the ability to explore more fully the complementary capabilities and competences which exist in the partner organization(s); third, offering opportunities for mutual learning between partners which may be intended to lead to long-term dynamic process or interchange. While advantages of the first way can be found in outsourcing of education services depending on the capacity of the firm to whom the provision is approved, the two last are inherent to the collaborative effort of a PPP, as defined above. Advantages of both second and third ways are critical for enhancing the capability of a country to attain a development path.

So, if a PPP is a new entity with an enlarged capability it brings efficiency and better service delivery through positive governance synergies. In developing countries PPPs could potentially produce profound transformation of methods of government intervention, based on solidarity between the public and private sectors (Sedjari, 2004). For example, strategic partnerships composed by for-profit companies, community groups and non-governmental organizations have lent a hand to the Moroccan government to make large progress in fighting against poverty and social exclusion. These partnerships have promoted adult literacy and informal education, and developing income generating activities and youth employment initiatives sustained over an extended period of time with very successful outcomes (Sedjari, 2004). Viewed in this way, PPPs in developing countries can become instruments for modernization and renewal of the education delivery.

3. The role of government in education

In the provision of education, economic theory suggests that market failure and equity considerations call for governmental intervention. Overall the role of government can be described as consisting of the following:

- *Overcoming market failures.* To education, market failure means essentially either an under provision or a social and/or territorial unbalanced delivery. Where needs are likely to go unmet because of market failure, there is a role for the government to step in. When the social benefits of services exceed the private benefits, sub-optimal provision is likely and this often calls for government intervention. An example of market failure in developing countries is the education of girls. Many families fail to see any benefit from sending girls to school or are averse to give up the household labor, or income, they make available. However, as a social investment, girls' education is crucial because it is associated with improved opportunities for them to live longer, richer, and more rewarding lives — and with better health and social outcomes for their children. Thus, by encouraging the education of girls, through educational scholarships or consciousness-raising campaigns, governments can benefit both girls themselves as well as their families and communities. The list of positive externalities of education, that is, the positive effects of someone's education on others, includes beneficial effects on families, co-workers, communities, and society as a whole: improved health; consumer choices; productivity and labor market functioning; a social and political structure and environment with a common core of values; a better functioning democracy; lower crime; fewer individuals marginalized; etc.

- *Providing for the poor, the rural and under-served populations.* Providing education in rural areas tends to be particularly difficult, and generally unprofitable from a for profit private viewpoint. Not only rural populations are often small or dispersed but also private providers are often scarce or nonexistent. So, the public sector is best placed to provide a safety net for citizens who cannot otherwise afford education because offer is either nonexistent or, if existent they cannot pay its market prices. However, this can be achieved by providing services directly or by creating incentives for the private sector to carry out the task[5].

- *Implementing appropriate regulations to ensure quality.* In education, quality is usually monitored by evaluation and accreditation, with private institutions expected to meet minimum standards. Consumers will also act as a force for quality, but only if they have sufficient information. Governments can act as important providers of this information. To address this failure the government usually reacts doing

[5] Government clearly has a role providing services here, but it can also act in other ways. For instance, it can either support religious and community schools or place obligations on private for profit providers to provide broader access when they occupy a monopoly position.

something to minimize the effects of asymmetric information, e.g. implementing the registration of schools and the official recognition of its quality.

- *Controlling costs.* Quite frequently, government acts to put a ceiling on fees private sector providers can charge. This is controversial, as it causes a market distortion, and should be done with care. However, restrictions may be necessary where there is little competition, no parallel public provision, or where consumers are relatively poorly informed about their needs and about the quality of the provision.
- Additionally, government must deal with other examples of market failures, such as the problem of adverse selection and moral hazard, associated to the privately run schools, which leads to an unequal coverage of education services[6].

The presented stylized facts on the role of government have been mainly derived from theoretical considerations. However, some of the above mentioned points have to be equated with the possibility of government failures. If one looks at the government's performance, in practice one has to recognize that due to allocative inefficiency, operational inefficiency and equity problems the public provision sometimes poses more problems than solutions. Additionally, one can argue that if education is costless provided and is easily reached, there is a cost-quality trade-off: people prefer to go to a private provider and to pay fees for obtaining an assured guarantee of quality[7]. But if people prefer a private provider even if they have to pay fees, a question arises: Why not 'contracting out' education services?

4. 'Contracting out' educational services

The expression 'contracting out', in this context, means the outsourcing of activities formerly done by the public sector as popularized by the discussion of NPM. In the NPM debate context, outsourcing of public services is typically viewed as a means of maximizing economic efficiency—reducing government costs while increasing the scope and quality of service delivery by transferring (or 'returning') government

[6] For profit private schools will only include willingness to pay in their schemes. This behavior makes education spread among a society difficult and leaves the poor people to the public sector.

[7] Here we can trace some parallel with the health services: "If health care is provided for free and is accessible, then the quality is often so bad that people prefer to go to a private provider and to pay fees with a certain guarantee of a quality treatment" (Jütting, 1999, p. 10).

functions to the private sector (e.g., Butler, 1985; Donahue, 1989). In fact, the private sector is usually seen as more effective than the public sector at providing services because of two basic assumptions. On the one hand, for-profit firms need to be well managed for avoiding negative profits and consequent bankruptcy. One the other hand, private non-profit organizations are often supposed to be motivated by a strong sense of duty, which may lead them to offer higher quality services, especially social services for vulnerable people (Sanger 2001; Blank, 2000). As argued by Sedjari (2004), non-profit organizations have proved especially skilled at improving provision to the poorer people, because their size and flexibility allow them to achieve notable successes in areas where governments have failed.

Although on efficiency grounds governmental agencies, as well as private companies, need to consider the costs and benefits of contracting out versus in-house provision, the final decision is often based on some assumptions, which imply that outsourcing, if done in the right fashion, enables governmental agencies to benefit from the combined force of specialization and competition, and therefore to reduce their costs substantially. Outside education, there has been a lot of experience with government contracting out social service provision to private firms, and there exists a literature that examines the serious problems with doing so (Miller, 2001; Wisniewski, 1991). Looking at the private sector in general, and based on the above and on other references (Berman, 1997; Blank, 2000; de Bettignies and Ross, 2004; Pessoa, 2008), we can summarize the strengths and weakness of contracting out public services (table 1).

As is apparent from the analysis of table 1, several factors come into play in reaching efficient decisions. Factors like the need to fill a 'capability gap' or to reduce costs would advise the contracting out of some functions. If this is the case, public bodies face the need of, at least, maintaining quality constant. Such decisions should be based on the identification of the agency's core functions and on the consideration of the costs and benefits of contracting out versus in-house provision[8].

[8] Kelman (2002) discusses other, more practical (candidate selection, criteria for evaluate bids, etc.), issues in detail.

Table 1. Pros and cons of contracting out

Pros	*Cons*
Reducing production costs, for the same level of quality Filling the 'capabilities gap' The replacement of direct, hierarchical management structure by contractual relationships between purchasers and providers will increase: • transparency of prices • competition Which will lead to a gain in efficiency.	• Private providers respond to the population's willingness to pay for public services. As a result, they will serve those groups in the population who are most willing to pay, such as affluent urban residents. The result will be increased inequity in access and use of public services. • Because of lower willingness to pay, private providers will undersupply socially desirable services, such as primary education to the poorer part of population. This will worsen allocative efficiency in the corresponding sector. • Driven by the profit motive, and because they have significant control over demand, private providers will take advantage of clients by supplying more than is required. This is particularly significant in health care services, but may also occur in individual education services such as the distribution of textbooks or the management of subsidiary services such as catering. • Private providers can also take advantage of clients by providing low-quality services, which may result in welfare losses. The actual effect of these four major worries is as greater as there is lack of competition.

Source: Pessoa (2008).

The *pros* and *cons* of table 1 were stylized without considering the level of development of the countries where decisions are taken. However in a developing country context there are other additional problems arising from incomplete markets and information asymmetries, which have a significant impact on costs. In fact, considering the cost side, contracting out is justified only when one can expect to decrease the sum of production costs and the costs of managing the relationship between government and the supplier (Globerman and Vining, 1996). Outsourcing can lower the production costs but these savings cannot be sufficient to compensate the increase in the costs of governance. Where the complexity of the task is high, contestability or market competition is low, asset specificity, and consequently investment risk, is high, governance costs could prove to be tragically elevated for governments. As argued by

Van Slyke (2003) advocators of outsourcing seldom acknowledge that contracting out leads to additional public management costs such as developing program performance measures and evaluation tools, developing and maintaining management capacity to supervise suppliers, etc.

So, contracting out will increase transaction costs, including both contracting and monitoring costs (Sclar, 2000)[9]. Given the governance structure or institutional context within which governments transactions are negotiated and executed, contracts with private service or program providers are likely to be complex rather than simple, as was already argued by Williamson in late 1970s. In such environments, the transactions costs of designing, monitoring and enforcing complex contracts are very likely to be high (Williamson, 1979). These worries are more plausible in a developing country's context, than in more advanced environments. Moreover, in the former the costs related to the loss of monopsony purchasing power and the social costs arising from equity problems (Robinson, 1990; von Otter and Saltman, 1992)[10] could be significant. But, these direct costs are not the only ones that must be controlled in contracting out private firms to run schools. In this specific sector, contracting-out requires maintaining minimum levels of qualified staff in-house in order to specify the contract terms clearly and in a way that fits the specific purposes of the activity, or to correct the service provided externally in the event of provider failure.

There has been little experience in education with contracting out to private firms to run schools. Of course, in education there is considerable contracting out to the private sector for things like building schools or running a cafeteria, but these experiences with well-defined school inputs have little to do with the education service, which may be much more complicated in output measurement. And, as already argued by Grizzle (1985), output measurement is critical in reaching efficient solutions. McKean and Browning (1975) discuss how and why overlooking any relevant objectives could lead to poor choices in outsourcing solutions. In the following we summarize the evidence

[9] See also Coase (1960) for the economic framework in the 'make vs. buy' decisions, and Donahue (1989) for its practical applications.

[10] In addition, some other impacts should be taken into account, too. As Mills (1995) argues, the introduction of contracts may both lead to a fragmentation or lack of co-ordination within the broader public service system, and could have an impact on staff resources with a drain of key personnel to the for-profit providers.

on the outsourcing of social services, and particularly on education, considering two objectives: cost savings and quality improvement.

- ***Cost Savings.*** A basic view of economic theory is that competitive markets will result in cheaper and higher quality goods and services as consumers shop around for the best deal and suppliers work to provide the best products at the lowest cost. This view suggests that contracting out saves money as the positive pressures of competition force organizations to find ways to work more efficiently[11]. Although overall the empirical evidence about cost savings through contracting out social services suggests the potential for somewhat lower costs, it tends to be mixed. Some authors have argued that the savings provided by adopting outsourcing are significant, based on estimates of the benefits of competitive contracting out that imply reductions in costs by as much as 10-20 percent, at the same time as constant quality is maintained (Domberger, 1998, p. 163). Other researchers go further alleging that public bodies need to assess their functions according to their relevance to their core values, and contract out all the others[12]. In education, a few World Bank researchers have made the same argument for developing countries raised earlier for the US: even if achievement is the same, private schools are generally less costly than public schools and therefore more cost-effective[13]. For instance Jimenez *et al*. (1991), based on case studies that compare private and public secondary education in Colombia, the Dominican Republic, the Philippines, Tanzania, and Thailand, found that the unit costs of private schools are lower than those of public schools and that private school students generally outperform public school students on standardized math and language tests. These authors conclude that this finding is maintained even after controlling the fact that, on average, private school students in these countries come from more favorable backgrounds than their public school counterparts (see also Lockheed and Jimenez, 1996). However, researchers outside the World Bank point out that this cost analysis is erroneous.

[11] This is thought to hold true for competition broadly, not only for competition by for-profit corporations. In fact, for some observers, what matters most is the extent of competition rather than simply whether the public or private sector is the provider (Kettl, 2000; Donahue, 1989; Osborne and Gaebler, 1992).

[12] See Prahalad and Hamel (1990) for a managerial perspective on this subject.

[13] The most prominent example in the US deals with a private, for-profit firm, Edison Schools, Inc., that has been contracted by school districts to take over the operation of about 1,000 low-performing schools in several cities throughout the US. While Edison claims academic success, on the contrary, external evaluations report mediocre performance, with Edison's students doing no better than comparable students in public schools (Levin, 2006; Bracey, 2002; Saltman, 2000).

Often private school expenses are subsidized by religious organizations, parents' contributions are not counted, and private schools do not accept many students that require greater expenses (Carnoy, 2000, 2002).

- ***Improving quality***. The belief that the marketplace and competition will discipline organizations that provide low-quality goods or services by driving them out of business is prevalent and contributes to support for contracting out (Eggers and Ng 1993; GAO 1997). Although several experts argue that the different sectors will have different relative strengths, depending on the primary goals of the services (e. g., Osborne and Gaebler, 1992), some argue that private for-profit firms, especially large ones, might also have easier access to capital, which can allow them to enhance the quality of services (Sanger 2001). However, there are some dissonant views: quality may suffer with privatization because the public sector loses some of its accountability (Milward and Provan 1993, 2000). Also in contracting out education empirical research on the quality of services outsourced is very limited, but like that on cost savings, it appears to be mixed. On the one hand, some authors, as is the case of Bedi and Gard (2000), suggest that the quality of services contracted out might generally be higher than provision of identical services provided by the public sector. These authors (Bedi and Gard, 2000) show that graduates from private schools tend to earn higher wages in the labor market than those who are graduated from public schools. Also, in a few developing countries, research done by the World Bank reported that private school students performed better than public school students (Lockheed and Jimenez, 1996), but these studies hardly control for differences in students. On the other hand, a study looking at this question across ten Latin American countries found that private schools appeared better than public schools before other differences are controlled, in particular the fact that students attending private schools have a more favored peer group, is made. After controlling for these differences, private and public school students performed similarly (Somers *et al*., 2004). Also Benveniste *et al*. (2003) are skeptical about the idea that private schools provide a higher quality of education.

5. Cases of private sector involvement in education

The private sector involvement in education in developing countries is not new, as is demonstrated by several examples of schooling in isolated areas, where the government has little presence and/or the church carries out missionary activities. This is the case of *Mission Schools* in Colombia, an education modality provided by the Catholic Church and financed by the government since the 19th century, and developed in remote areas, particularly in the Amazon region (Levine, 1979). A more recent example is the *Fe y Alegría* school network, a Jesuit initiative, which began its work in Venezuela in 1955 and is mainly involved in providing educational services to low-income students. Its programs have spread through various Latin American countries in which it has also acquired a significant presence (Swope and Latorre, 2000). *Fe y Alegría* is mainly involved in the formal education system at elementary level and is funded by contributions from the State and from private individuals. But its action is generally spilt over the usual functions of public schools: *Fe y Alegría* schools were successfully transformed into community and social service centers ((Levine, 1979; Swope and Latorre, 2000).

Both Colombian *Mission Schools* and *Fe y Alegría* Schools are innovative experiences in terms of community participation, schooling autonomy and school planning. This way of managing the schools has several advantages: the optimization of infrastructures and other material resources, the engagement of community in the school management process, which enforces the connection school-community and increases the sense of control by the community over schools. These experiences have some similarities with the *IDEAL* project, which is a national collaborative project implemented by the government of Bangladesh with technical, financial and material support mainly from UNICEF to improve the quality of primary education (Mozumder and Halim, 2006).

Colombian *Mission Schools* as well as Venezuelan *Fe y Alegría* network are examples of not for-profit private involvement previous to the NPM wave of reforms. More recently, unmet demand for education coupled with shrinking government budgets has induced the public sector to develop pioneering solutions with the private sector — private for profit, private not for-profit, non-governmental organizations, religious groups, etc. These solutions often called partnerships have involved different combinations between the public and the private sector, and are usually associated to demand-side financing mechanisms focusing on educational access to disadvantaged groups and communities, encouraging private sector provision and finance, as well as supporting international investments in education. In the following sub-sections we are going to describe two groups of combinations between funding and provision of education.

(1) Private sector funding of education

The private sector funding of education provided by the government can be made by scholarships and student loans provided by private organizations. Some of such initiatives aim to improve the quality of public schools. In Colombia, there are two experiences that deserve mention. The first interesting case is that of privately managed institutions, which receive financing from companies, called *Cajas de Compensación* (Compensation Funds). The supporting firms have to contribute 4% of their workers' salaries to these compensation funds (Mora, 2007). A large part of these resources are used on education, setting up very well financed private schools, which are attended by *Cajas de Compensación*' members (Franco, 1991; Compensar, 1997; FPOS, 1999). In addition, the *Cajas de Compensación* carry out a wide range of activities in the educational environment: nursery and pre-school for the children of poor families whose mothers need to work, adult education (in this case financed by the actual companies they work in); vocational training using the school buildings outside school hours; training courses for young people who are not part of the school system; libraries, museums, theatres and many other cultural activities (Franco, 1991; Compensar, 1997; Mora, 2007). Although the *Cajas de Compensación* particularly assist their own members, they are outstanding illustrations of the use of private funds for public goals (Compensar, 1997; FPOS, 1999).

Another interesting initiative in Colombia is the *Empresarios por la Educación* (Entrepreneurs for Education). This association has three main objectives: taking the regional lead in education; using the professional resources of their own companies to help improve management in educational centers; and supporting educational centers via philanthropic resources (EXE, 2006). The association is divided into fourteen decentralized regional groups. Each region works on three areas: improving educational management by supporting educational authorities, training the people who manage educational centers and working to improve the employability of school leavers. These activities are carried out in many different ways, including volunteer programs. The companies also organize co-operation programs with schools, and staff from the companies involved may be included directly in the schools' management. The effects of this bilateral relationship between schools and companies improve mutual understanding between both systems and help teachers to be more receptive to more efficient management systems[14].

Private sector initiatives in the public education system are also relevant in Brazil. An interesting case is that of GIFE (*Grupo de Institutos, Fundações e Empresas* – Group of Institutes, Foundations and Companies), an association of 80 large companies that assures around 400 million dollars per year to support public schools (GIFE, 2003). This association began in 1985, when democracy was established, with the aim of trying to resolve some of the country's social problems. Some foreign companies were the first ones to start these initiatives (Mora, 2007). Even if we one consider this as a marketing exercise of the large corporations involved, they are also understandable the preoccupations of firms with the low quality of the public education system, and with the fact that companies themselves need to invest in education to improve the quality of the labor force they employ. So, GIFE focuses aid on training programs outside formal school hours, too (students of Brazilian public schools, just like the majority of countries in the Latin American region, have a part-time school timetable) (Mora, 2007).

AlfaSol, abbreviation of *Alfabetização Solidaria* (Solidarity Literacy) is a similar initiative carried out by private organizations with the aim of developing solidarity programs with lower status students. *AlfaSol* was founded in 1997 by 11 companies and 38 Institutions of Higher Education (IES). In its very first year of operation, *AlfaSol* attended 9.2 thousand students and trained 442 literacy teachers in 38 municipalities in the North and Northeast of Brazil, which have the highest illiteracy rates in the country. One of the innovative points within the activities of *AlfaSol* in Brazil is the formation of

[14] Other similar initiatives in Colombia are Fundación Corona, and the Corporación Mixta Para El Desarrollo de la Educación Básica – Corpoeducación. (See Mora, 2006).

an unprecedented high number of partnerships in Brazil. *AlfaSol* has consolidated significant results: associations are maintained with countless companies, universities, citizens, municipalities and Governments, and this has been essential for the development of the Organization. *AlfaSol* served approximately 3 million youths and adults throughout June 2002. The positive results have been acknowledged on both the national and the international levels. One the one hand, its model has been exported to other Portuguese-speaking countries such as Cape Verde, Mozambique, São Tomé and Príncipe, and also to Spanish-speaking Guatemala. On the other hand, in 2005, *AlfaSol* was admitted to operational relations with UNESCO (2005)[15].

(2) Government assistance to the private sector

Government support to the private sector usually consists of providing funds for students or financing private schools. In some cases the governmental positive effects on schools are linked to situations in which the government provides subsidies directly to private schools, whereas in other cases, government contracts with private providers all or part of the educational services for public schools. The latter instance covers a wide range of cases, from comprehensively outsourcing the entire management of a school to partially outsourcing individual services such as the distribution of textbooks or the management of subsidiary services such as catering.

Examples of schemes whereby government funding is provided directly to the beneficiaries include the provision of scholarships or student loans to students attending private schools and voucher schemes[16]. The basic mechanism behind voucher schemes involves coupons being issued by the government to school-aged children. The children or their parents are then free to choose which school they attend. Depending on how they are used, there are two more possible reasons for introducing voucher schemes: i) to encourage competition between schools, which is supposed to increase the quality of education provision, as argued below; ii) to reduce inequality, by attributing vouchers to specific groups of people in order to improve access to education for less favored

[15] The official announcement that operational relations had been established between the Brazilian and the international organization was made during the 172nd Session of the Executive Body on International Non-Governmental Organizations, which was held at the UNESCO headquarters, in Paris.
[16] For a critical view about school vouchers see Ladd (2002).

groups, in the same way as providing scholarships or loans[17]. Conditional on the number of accumulated coupons and under some voucher schemes, schools can apply to the government for additional public funding.

The use of demand-side financing mechanisms, such as vouchers, and capitation grants, is common in many developing nations (Patrinos, 2000). These types of mechanisms are being increasingly used to help poor families invest in schooling. Examples include compensating poor families for school attendance charges (e.g. in Bangladesh, Pakistan and Guatemala[18]), providing student loans at higher education level (e.g. in Jamaica), non-monetary community support in the form of land, labor, materials and social marketing of the benefits of education (e.g. in Tanzania). Additionally, many developing countries provide subsidies to private schools that take in poor students, such as the Dominican Republic and Côte d'Ivoire (Patrinos and Ariasingam, 1997).

Part of the conceptual framework of demand-side financing in education is the issue of choice. The focus is on the individual (or parents, in the case of basic education). In fact, the calls for parental choice are usually directly related to efforts to improve educational outcomes, as part of an overall reform effort. School choice is promoted as a means of increasing competition in the school system as has been argued along time (Friedman, 1997). It is believed that competition will lead to efficiency gains as schools – public and private – compete for students and try to improve their quality while reducing expenses. By encouraging more private schools, vouchers will allow school managers to become innovative and thereby bring improvements to the learning process. Free-choice schooling changes the incentives that schools are faced with and encourages them to deliver better quality schooling at a lower cost (Gauri, 1998; Levin, 2002). Public schools, in order to attract the resources that come with students, will likewise need to improve.

One pioneer experience in developing countries occurred in 1981 in Chile, as part of the Pinochet government's extensive market-oriented reforms, when a nationwide school

[17] The bulk of the discussion of the relative merits of school vouchers is about equity rather than effectiveness outcomes (see e.g., Epple and Romano 1998; Nechyba 2000; Ladd 2002).
[18] In Guatemala, for example, vouchers are issued only to girls from poor backgrounds between the age of seven and fourteen, in an effort to boost the number of girls in education. Very low scholarships ($4.00 per month) have been consistently successful in getting girls to stay in school (Cortina and Stromquist, 2000).

voucher program with financial incentives for both public and private institutions was introduced (Gauri, 1998; Hsieh and Urquiola, 2003; Delannoy, 2000). This initiative had three main components: (i) decentralization of public schools. Public schools were transferred from the Ministry of Education to roughly 300 municipalities, in such a way that they became known as municipal schools; (ii) public school funding. Municipal schools continued to be funded centrally, but each municipality started to receive a per-student payment for every child attending school. As a result, enrolment losses came to have a direct financial effect on the municipal education budget; (iii) public funding for private schools. The size of the voucher payment each school receives varies according to the educational level at which it operates, whether it offers special programs, and its distance from urban centers. Non tuition-charging, subsidized private schools began to receive exactly the same per-student payment as the municipal schools (McEwan and Carnoy, 2000).

The alleged objectives of this reform were twofold. On the one hand, the idea was to bring educational decision-making closer to the different territories and on the other, to generate competition for student enrolments between municipal and private school as financing was linked to the number of students enrolled at each school[19]. One of the results of this reform was the large-scale transfer of students from municipal schools to subsidized private schools. The subsidized private sector grew from 15% to 33% over a period of ten years, together with a similar decrease in the budget percentage for public education over the same period (MINEDUC, 2003).

In the recent past, programs for expanding coverage outside the traditional public system framework have been also promoted in Colombia[20]. There were two types of programs: direct subsidies to students (vouchers) and purchase of enrolment. The voucher scheme was introduced by the Colombian government in 1991, with the assistance of the World Bank, as part of a framework for decentralization (King *et al.*, 1998) and was predominant as a strategy to expand coverage during the 1990s. The program was co-financed by central government and the territorial entity. The aim of the scheme was to increase the percentage of children, particularly those from poor

[19] For an equity view on the use of school vouchers as competition tools, see Epple and Romano (1998).
[20] Voucher schemes have also been introduced in other developing countries, such as Ivory Coast and Kenya for formal education, and Paraguay for training (Patrinos and Ariasingam, 1997; Patrinos, 2000).

backgrounds, advancing from primary to secondary schooling and to expand the provision of secondary education services through the private sector (King *et al*, 1997, 1998). Because vouchers were issued to the children in the two lowest of six socio-economic levels, based on census data, this was a program that has targeted the poor. The children that have finished primary school were then issued with vouchers for the first year in secondary school and gained a new voucher when they advanced to the next year in secondary school. It has been confirmed that this program has increased the percentage of poor children advancing to secondary school and has stepped up competition between schools, including public schools (King *et al*., 1997, 1998[21]).

The second type of program of educational reform in Colombia was the Purchase of Enrolment in Private Schools which was used by departments and municipalities (such as Bogotá, Medellín, Cartagena) to respond in a quick and flexible fashion to the social pressures for broader, better quality coverage, due to the increase of the demand for new enrolments, particularly in the less favored social sectors. These authorities have contracted education services with private schools and pay for each child admitted according to defined standards (Villa and Duarte, 2004; Mora, 2007). The evaluation of these initiatives have shown that there were severe restrictions to the proposed objectives due to the characteristics of the market in which they were implemented, particularly the limits imposed by the availability and information in the poor areas they operate in (Villa and Duarte, 2004).

In this second modality, the public school concession (*Colegios en Concesión*) in Bogotá, which began in 2000 as an experimental program, is paradigmatic. Bogotá has a large concentration of private schools (28% of national private school enrolment), and many of these are among the best-performing in the country (46 out of the 96 best performing schools). Hoping to capitalize on the concentration of successful private institutions locally, the Secretariat of Education for the Bogotá District (SED) launched a concession program, through which a private organization or group takes over the management of one or more public schools newly built by the SED, largely in low-income neighborhoods. The opportunity to manage the schools was then offered in a public procurement process, where bidders were evaluated on their proposed

[21] See also Angrist *et al* (2002).

management plans. A total of 26 *Concession Schools* have been opened (World Bank, 2005).

Concession Schools are financially supported with subsidy per student (slightly higher than the maximum subsidy on the demand in Bogotá). These schools are built in new buildings with better services and the management is much more professional. In addition, these schools keep students the whole day (as opposed to public schools which have morning or afternoon sessions) (Villa and Duarte, 2004). Until now the evaluation of the performance of these schools is not made but it is quite likely that the levels of quality and performance in terms of drop outs and retention will be better than in many of the public or private schools with students from a similar family background (Mora, 2007). The most obvious reason for the expected positive results relies on the fact that concessions have been given to the best pools of private institutions (schools and universities) in the area (World Bank, 2005). This has an obvious advantage: to apply the experience gained from managing quality schools to the new schools in the poorest neighborhoods (Villa and Duarte, 2004). Concessionaries have already produced remarkable results in management improvements: they allocate on average 55% of the per capita income to human resources, well below the 90% allocation by the public school system, freeing up 27% for nutritional support and 5% for textbooks and educational materials (Rodríguez and Hovde, 2002)[22].

The predicted positive effects of the Public School Concession Model are based on the view that the program buys know-how and knowledge to strengthen the public sector and collaborate efficiently in the provision of high-quality education for the poorest. Also, because private institutions can apply either individually or as a group to manage one or several public schools, these linkages create a spillover effect by which knowledge and best-practices are extended to the public schools sector and hopefully will survive to the concessionary contract (Rodríguez, 2005).

In Brazil, public funding of private education is not legally permitted. However, there are various social responsibility initiatives from the private sector involved in public education, as well as some embryonic initiatives by the public sector towards the private

[22] This is beneficial, but it has a disadvantage. The salaries and working conditions of teachers in these schools are worse than in the public sector. In consequence, teachers may be motivated to leave Concession Schools when they have the chance with the consequent negative effects on the school. This may be a source of instability.

sector of the education system. According Mora (2007), the public sector has promoted several programs to help improve public schools and in particular the way they are managed with the aid of large corporations and institutions. Some of these programs are promoted by the Federal Government as the *Acorda Brasil* program, supported by the Ministry of Education; others are initiatives of the local authorities as is the case of the program implemented in Sao Paulo with the aim of bring private administrators to improve the management of public schools; some other programs are collaborations between governmental departments (education and labor) as is the case of PROEP (*Programa da Expansão da Educação Profissional*)[23] program. This latter program has built new vocational training schools, and provided them with economic support for technical development. Irrespective of the entity that has built those schools, in legal terms, they are private, owned by not-for-profit community institutions (MEC, 2001; Emerique, 2004).

There are also two notable cases of private involvement in higher education, in Brazil: the first is a recent program aimed at helping students with low resources to gain access to higher education in private institutions. This is called the University for All program. It offers tax exemption to private universities that use 10% of their income to provide grants to students with limited resources. The program currently provides free access to 112,000 students and there are plans for this figure to reach 300,000 (Mora, 2007).

An interesting phenomenon in Brazil is the fact that some big corporations from the private sector of the educational system also work in the public sector (Rodríguez and Hovde, 2002). We shall look at two cases: *Pitágoras* and *Positivo*. These big private corporations represent an innovative effort by the private sector to support both private and public schools through an integrated school improvement package offering administrative and technical support to affiliated schools. They have their own curriculum and provide textbooks for each grade and subject, which are updated yearly and sold to the parents of children attending the network schools. Besides providing schools with an integrated curriculum and textbooks, they offer principals and schools a wide range of professional development opportunities and management support. Administrators receive management support and teachers have access to training

[23] That is, Program for Expanding Professional Education.

courses, videos to complement classroom teaching, and a web-based information and question hotline. In the case of public schools, the participation of these companies is funded by selling books to the schools. In addition, *Pitágoras* provides training in quality management in schools that are funded by collaborating corporations (Rodríguez and Hovde, 2002).

In Venezuela in contrast, the fragility of civil society prevents the active participation of business leaders or other social actors in education. In fact, there is no active participation of social players in education, as is the case in Brazil or Colombia. The only public-private combination in education is the government funding of certain private schools. The most important example is the agreement between the Ministry of Education, Culture and Sport (MECD) and some of the Catholic schools associated in the AVEC (Venezuelan Association of Catholic Education)[24].

The AVEC is constituted of more than 700 Catholic schools (with the prominence of *Fe y Alegría*), the majority of which are involved in teaching the poorest sectors of society. The MECD-AVEC Agreement is focused on several types of schools: schools providing formal education at elementary level without receiving any fees from the students; technical and farming schools and other vocational schools, etc. The financial support given by the Venezuelan Government to private education, and in particular to Catholic education, goes back a long way. However, until 1990 the subsidies from the Government must be negotiated every year. From 1990 onwards, the Agreement between the MECD and AVEC was institutionalized and has finished with the instability resulted from uncertainty of the Government support. In 2001, the aid benefited 459,000 students (González and Arévalo, 2004).

In some countries, governmental assistance to private schools concerns teachers or textbooks. For instance, in Indonesia, where private junior secondary schools are generally considered to be of poor quality, the most important source of assistance from the government to the private sector has been the provision of government-paid teachers, who make up about 15 percent of all teachers in private schools. A government teacher is not only a substantial subsidy in itself, but it also has a halo effect: it appears that schools with government teachers are able to attract higher

[24] For a general idea of the different types of schools in Venezuela, see Navarro (1998).

contributions from families and non-profit foundations. The second major source of assistance is the distribution of textbooks (Duncan, 2000, pp. 147-9). In Bangladesh the government pays 80 percent of primary school teacher salaries in registered non-government schools and provides textbooks to non-government schools. However, in secondary education, in which 95 percent of all schools are non-governmental, and are managed by local school managing committees, they receive substantial subventions from the government (Ahmed, 2000).

In People's Republic of China, a private industrial and commercial company, South Ocean Development Group (SOG) got involved closely with the private education in 1994, when the first SOG School was set up. Five years later, the SOG educational consortium hoped to expand into a chain of six schools and two universities. Although its original business covered real estate, tourism, mining and high-tech products, nowadays South Ocean Development Group is a private education company in its full sense. As stated by one Director of SOG, the success of South Ocean Schools in education is mainly due to 'sufficient capital input, efficient school management, highly qualified teachers, enriched curriculum design, and optional higher learning opportunities' (Jiang, 2000, p.186). South Ocean Group has been raising expansion capital most often on a self-reliance basis, the contribution of the government being limited to a policy that does not place obstacles to the expansion of the school network, namely concerning to 'property ownership, profitability and a free flow of human resources' (Jiang, 2000, p.188). We may add to this picture the incredible market demand for private education together with the unparalleled high rate of economic growth of China.

6. Conditions for building PPPs and the need of regulation

Both macroeconomic and microeconomic conditions affect the building of a PPP in a specific country. Concerning the macro level, political factors are important: without an overall political environment favoring both private for-profit and not-for-profit activities no real partnership can be established. In countries where civil society and/or the private sector are discriminated, as in the Venezuelan case, the government will remain the dominant financer and/or supplier of education services. Concerning the micro-level, several conditions are also important. First of all, there must be an interest and a commitment of some individuals to make a PPP happen. If there is an interest in a PPP and an acceptance of the different partners to be involved, then one has to look at the capacities of the different actors. In this respect, we have to consider not only the skills of the staff to provide specific services, but also the financial availability for an engagement in service provision and the overall organizational and management structure. Ultimately, the sustainability of the reforms and the ability of the public sector to use money more effectively in leveraging private money will depend significantly on the political commitment to design and carry out effective regulatory policies.

The most important changes in the last two decades in the provision of public services, particularly if government follows a contracting out solution, call for strong and competent economic regulation of educational services, in order to ensure that the interests of all parties are protected, both in developed and developing countries. Such protection is necessary primarily, to defend the children' interests but also those of the public and private parties to a contract. However, the role of institutions in charge of carrying out regulatory functions is even more important in developing countries than in developed ones (Pessoa, 2007). In the former, owing to several reasons that affect differently the two groups of countries, a much more intrusive and demanding form of regulation is required. Besides the reduced educational level of the population and the scarcity of infrastructures, which may restrict the availability and circulation of information, the non-competitive industry structures and/or lack of capital market discipline make that too little market information is revealed and information asymmetries are overwhelming.

In educational services, as in public services in general, to be effective, regulators must fill three qualities: i) competence, ii) independence, and iii) legitimacy (Pessoa, 2007). However, many, if not all, regulators in developing countries lack one or all of the three qualities required for effective regulation (World Bank, 2004). This lack can result from different reasons, including limited resources, repeated political interference in regulatory decisions, difficulty in attracting and retaining competent staff, and short or no history of performing regulatory functions.

These deficiencies in turn limit the capacity of agencies in charge of regulation to act as effective regulators. Of course, developing countries can contract out regulatory functions taking advantage of the developing assistance. Though this can be a temporary solution it is in many cases seen as a foreign interference in internal affairs and it is consequently felt as a lack of independence of the regulators. Where there is lack of independence we can't prospect either great legitimacy or competence. Furthermore, as has been acknowledged 'paradoxically, those regulators who would most benefit from contracting out are the ones that have most difficulties in entering into such agreements to bring about a satisfactory outcome, either for lack of financial capacity or capacity to monitor performance…' (World Bank, 2004, p. 43).

Within the framework of NPM reforms, in order that the new, privatized market be efficient and equitable, it must be well regulated by the government so that it operates in ways that maximize social returns. Justifications for expanded outsourcing of basic services clearly recognize this: 'Capacity in government to contract out and to regulate is required' (World Bank, 2001, p. 17); 'strengthening the capability of the state to develop and supervise health and education systems is thus critical' [and so] 'major capacity and institution-building of public sector agencies is required to fulfill this role' (World Bank, 2002, p. 18). So, similarly to the occurred in the public sector in general, perhaps the single most important issue in the outsourcing of education is regulation.

In education, outsourcing requires considerable regulation so as to have a chance of operating well, equitably, in the public interest, transparently, and free of corruption. Regulation of a privatized educational system means setting up a structure that can undertake, among other things: approval of qualifying private schools; evaluation and approval of curricula; verification of student attendance; new financial disbursement and control systems; school inspections; some form of teacher and principal qualifications guarantee; development of standardized testing on a large scale for all grade levels; a safe system of carrying out and grading tests that guards against fraud; and an infrastructure devoted to test the eligibility for subsidies. All this calls for the development of a large new regulatory bureaucracy because those functions require personnel with different training and different tasks. Levin (1998) argues that, for these reasons, providing effective regulation will make large-scale voucher systems very costly[25]. Additionally, there is some apprehension about the potential of outsourcing to produce considerable fraud and corruption if managerial control by the public sector is weak, as had already been argued by Timmins (1986), in a more general context.

7. Concluding remarks

The different cases we have highlighted show that the possibilities of private involvement in the provision of educational services are numerous, varied and multi-purposed. They also show that between the 'supplier' relationship and the 'public enterprise' model, there is large room for building new forms of collaboration of private sector in education in a specific country. Among these forms an embryonic strategic PPP with capabilities, which are superior to the ones of its originator partners, can appear. With respect to education this type of PPP has more positive effects than a pure outsourcing solution because it can exploit more fully the complementary capabilities and competences, which exist in the partner organization(s), and can offer more opportunities for mutual learning between partners.

However, because the conditions that developing countries can offer to build strategic PPPs are limited, the importance of distinguishing among the forms of private sector involvement, which are strategic PPPs from those that are pure outsourcing solutions must not be overemphasized. The cases presented show that in practice there is an ample frontier zone between those two typical forms, where some interesting collaborative experiences are situated (e.g., *Alfasol*, *Acorda Brasil*, *Empresarios por la Educación*), which in addition to the direct effect on educational level have a significant importance in increasing social interactions and in building and maturing social capital. An importance that is seldom acknowledged.

In the logic of NPM, the decision to outsource a social service in a particular country is seen as a technical choice, a question of efficiency. This implies the assumption that there is a market containing a range of provider alternatives from which the government can decide who is best positioned to deliver the contract with the highest service, lowest cost, and greatest expertise (Van Slyke, 2003). However, assuming the existence of

[25] Perhaps this was the reason why Chile remains the only country that has adopted a countrywide system of vouchers.

such competitive markets could show overoptimistic especially in the case of developing economies often with a greater tendency for suffer simultaneously from market failures, incomplete markets, weak private sector capacity, and a smaller number of competent market players.

Given that the scarce empirical results about the superior quality of privately-run schools are at best mixed, the task facing education sector reform in developing countries at this point should not be the divestiture of public schools or contracting out education services to the private sector under abstract assumptions about market superiority over administrative mechanisms. Instead, the important task is to discover better approaches to building the necessary capacity advances, which address popular discontent in ways that take into consideration the realities of good governance. These other alternative approaches to educational reform should center the attention on improving the capacity of both public authorities and private providers and not in increasing the capacity of one partner in detriment of the other partner's role. Strategic and cooperative PPPs in which governments are substantially involved allow the exploitation of synergies and other positive results associated to the managerial flexibility and to the organizational competence. The cases highlighted show that such collaborative arrangements hold the potential for improving efficiency and positively affect the self-confidence of individuals and communities.

So, the main conclusion is that contracting out education services to private providers (for instance, *Concession Schools* in Colombia) need not be made a priority in developing countries. The real priority is to build the structural and policy capacity of the public sector, and to embed public entities within society through mechanisms that ensure accountability, transparency and participatory processes in their everyday actions. Participatory processes can take several forms, but in the context of this paper, we mean the inclusion of private sector organizations that can enter into strategic partnerships with public bodies in ways that will not prevent the active involvement of the public authorities in delineating the basic rules and directions.

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