



EXECUTIVE SUMMARY

THE MISSING SECTOR



Contract Schools: International experience and South African prospects

August 2013



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South Africa has an undeniable crisis in education. Quality schooling for the poor is a key challenge. How South Africa delivers education is out of step with much of the world. We are ignoring a form of schooling provision that could have a real impact and improve the available options for quality schooling for pupils in poor communities.

South Africa has only public and independent schools. Creative collaborations in which the private sector delivers education in tandem with the public sector, as have evolved in numerous developed and developing countries, have not taken root. The Centre for Development and Enterprise (CDE) reviewed a variety of international schooling arrangements, which we have categorised as ‘contract schools’. This term describes a model where there is an agreement between the government (which finances the school) and a private provider (which manages it). These schools most often cater to disadvantaged and low-income communities and have shown that they can offer better education for the poor.

Contract schooling can bring private sector energy, funding and creativity into the public school sector and lift the overall performance of the public school system. Importantly, this type of schooling can provide educational choices and a potential way out of poverty for a significant number of poor children at low relative cost.

CDE analysed the concept and its applicability to South Africa through five commissioned research reports, discussions and workshops with local and international experts.

A note on terminology: In the United States, the kind of schools we are reviewing are known as charter schools and in Britain as academy schools. In much of the developing world, such schools are partnerships combining public ownership with private provision. CDE has chosen to take the key element of these arrangements — a contract between the public and private sector — and will call publicly owned/funded but privately managed schools contract schools.

International Case Studies

The World Bank has identified over 20 countries where contract schooling takes place. This report focuses on the most prominent and relevant examples. In the developed world, we examine US charter schools, Britain’s academy school programme and similar Swedish education reforms. In the developing world we review Venezuela, Peru, Colombia and Pakistan. All provide important lessons and insights that we need to take into account.

The evidence on US charters is complex and changing. Charter schools comprise more than 6 per cent of all American public schools, with 42 of the 50 states and Washington DC having charter laws. In several large cities, charter schools represent more than a quarter of all public schools. These schools are open to all learners who apply and cannot charge for tuition. Most charter schools are not-for-profit organisations and can be started by groups of teachers, parents, community groups or others. In general, charter schools are schools of choice, meaning that no learners or teachers are assigned to them — as is the case in traditional American public schools — but rather must be selected explicitly. Like many similar schools in the developing world, control over hiring and firing, curriculum and discipline are decentralised to school level. The evidence is that the majority of charter school pupils perform as well as or better than their government school peers in maths and reading, controlling for other possible influences. Also, in the longer run and where there is a high market share of charters, government schools tend to improve by competing with charters.

Sweden undertook major education reform through a programme that decentralised funding and allowed municipalities to fund every pupil that chose to attend a privately managed school. The effect on average learner performance has been positive. In Britain, academy schools, introduced by the Labour Government, have become one of the world’s largest initiatives to decentralise the provision of education and bring private providers into the public system. Like American charters, they have often been directed at inner city, poor constituencies, and do not charge fees. They have since been supplemented by Free Schools, which often combine public and private resources to yield schools with a particular ethos preferred by parents and local communities. The evidence suggests that schools that have been converted into academies achieve much better results than government owned and operated peers.



THE MISSING SECTOR

Contract Schools: International experience and South African prospects

Evidence on the impact of contracting and public-private partnerships on schooling quality in the developing world is complex, but largely positive. Fe y Alegría (FyA for short, and in English ‘Faith and Joy’) is a church-based Latin American non-governmental organisation that provides preschool, primary, secondary and technical education programmes in very poor communities. There have been many evaluations of learner performance at the Fe y Alegría schools compared to public schools in Venezuela and Peru. Although some are more scientific than others, they all point to the superiority of Fe y Alegría in comparison to public schools. The superior performance of Fe y Alegría schools is particularly impressive as the organisation tends to cater exclusively to poor and disadvantaged communities.

In Colombia, the Concession Schools programme was initiated in 2000 when 16 schools were purpose-built in low-income neighbourhoods of the capital, Bogotá. Existing private education providers were asked to apply to manage the schools, with the government funding the per-pupil cost of education. The private organisations were allowed substantial autonomy in managing the schools. The model produced positive results. Drop-out rates have been reduced, and Concession Schools outperformed public schools in tests. Financially, Concession Schools are proving to be more efficient. Budgeting reports show schools spend approximately 55 per cent of funding on salaries in contrast to public schools’ 90 per cent.

In Pakistan, the Punjab Education Foundation (PEF) is a regional schooling initiative where the private sector contributes to the management of public resources devoted to supporting largely private schools for the poor. According to a 2010 report from the Asian Development Bank, the PEF has been ‘extremely successful due to the combination of private sector efficiency and public sector funding. The combination has resulted in better learning outcomes, fewer school drop outs, less absenteeism among teachers and reduced truancy among students.’

Key Features

It must be emphasised that contract schools, while drawing on the strengths of private providers, remain firmly within the public domain. They are public schools and part of the public schooling sector.

Three common features of all the case studies reviewed include: 1) contract schools are often established in under-served, disadvantaged and low-income communities, thus expanding choices and improving access to quality education; 2) they introduce innovative teaching techniques as they can move away from the rigid bureaucracy that often stifles innovative practices in the public sector; and 3) contract schools often positively impact on public education, raising the general standard for schooling.

From these common features and an analysis of the case studies, there are some key lessons that CDE would highlight.

- Contract schools tend to produce better outcomes and have higher educational standards than ordinary public schools. These achievements often stem from strong accountability and oversight.
- The schools’ success is most often attributed to autonomy and administrative decentralisation that provides school-level control over human capital elements, such as school leadership and teachers. Critical is control over hiring and firing.
- Adding to school choice broadens the education delivery spectrum, allowing more high-quality education to reach the poor.
- Implementation requires a strong relationship between government and the managers of the schools.
- Developing, monitoring and evaluating the effectiveness of such schools is vital, and should be a public-private partnership with the district or provincial authorities.
- Non-performing contract schools must be closed down.



THE MISSING SECTOR

Contract Schools: International experience and South African prospects

Contract Schooling for South Africa

The research raises two fundamental questions for South Africa. Firstly, is there a role for contract schools, particularly in poor communities? Based on our assessment of the international evidence and discussions with local experts and stakeholders, CDE concludes that South Africa would benefit from initiating such a schooling sector. The areas in which these schools have had the greatest impact internationally — economically deprived areas with underperforming schools — is exactly where South Africa faces its greatest educational challenges. South Africa's schooling system is also insufficiently diverse and we should be looking for innovative ways of improving the performance of the public sector without putting additional strain on the education budget. Contract schools provide an opportunity to deliver quality schooling to the poor in ways that could potentially save tax payers money. And, through their existence and nature, contract schools would provide a research and development (R&D) sector for the schooling system as a whole.

The second question was more strategic. Would a focus on this missing sector be a diversion away from improving public education? Contract schools concentrate on enhancing the quality of education available to the poor, often in communities who have no access to high-quality education options. The contract schooling model does not detract from fixing the public sector education system. The contrary is true.

The Way Forward

There is widespread agreement that South Africa could benefit from the development of this missing sector, and most experts consulted supported the idea that contract schools should be piloted. The legal environment allows this, but it would be advisable to liaise with national and provincial treasuries and education departments, as well as the national Public-Private Partnerships Unit, before initiating pilots.

The following essential issues and questions must be addressed before a successful contract model can be introduced. What type of contract arrangement can be adapted for South African circumstances? Which schools should be converted? How much autonomy should the contracts permit? How important is monitoring and oversight? What are the best methods for monitoring contract schools? Where should the funding for contract schools come from? Will a contract school model succeed in South Africa? In brief, CDE would propose the following:

- The best first step is to develop a management contract that allows an individual or organisation to apply to run a state-funded school. The contract will need to emphasise high standards and high-quality outcomes, and failure to meet these requirements will lead to termination of contract.
- Next, it must be decided who qualifies. The contract itself must stipulate which types of schools are eligible. Contract schools will start on a small scale, with the possibility of growth. We suggest that contract schools should initially be confined to underperforming, underused or closed/abandoned public schools.
- Contract schools entail the delegation of school management to independent entities. A school's leadership and teachers are fundamental to its success. School managers must be able to 'hire and fire' principals and teachers.
- A competent public authority for regulating contract schools should be established at regional or national levels, and is critical for overseeing school contracts. It is also vital to mitigate potential corruption in the private sector.
- As contract schools are publicly financed, they should receive the same per-learner funding as other public schools in the province.



THE MISSING SECTOR

Contract Schools: International experience and South African prospects

- Government is central to the process, but setting up contract schools should be an inclusive process involving all stakeholders. There is potential to use the expertise and capacity of non-state actors, specifically existing providers and those already involved in education. These providers can either become directly involved by opening a contract school (while continuing to run their independent school(s)), or they can lend support to or partner with new organisations that wish to become involved.

Concluding Remarks

Based on this, CDE suggests the next step is to launch a pilot programme or a few programmes. Developing a contract schooling system needs public sector support, buy-in and understanding from all stakeholders. Additionally, with the complexity of this undertaking, more information and a better understanding, particularly of the regulatory environment and financing of education, will help improve delivery across the spectrum.

The evidence disproves many opponents' fear that school choice programmes increase inequality or create more segregation in schools. Indeed, the reverse is usually true. Piloting, and later expansion, of contract schools should stress the opportunities they provide for poorer South Africans and that is where the emphasis of the pilots should be placed.

Contract schools could form an important new contributor to South Africa's development through an innovative and dynamic schooling sector that reaches the poor, thus building on learner's talents and abilities.

This is an executive summary of a CDE Report, THE MISSING SECTOR: Contract Schools: International experience and South African prospects. (August 2013). The full-length publication is available from CDE, and can also be downloaded from www.cde.org.za.



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