PUBLIC-PRIVATE PARTNERSHIPS IN EARLY CHILDHOOD EDUCATION:

INTERNATIONAL EXPERIENCE AND LESSONS FOR UZBEKISTAN
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INTERNATIONAL EXPERIENCE AND LESSONS FOR UZBEKISTAN
DOCUMENT FOR DISCUSSION

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## Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>ECE</td>
<td>Early Childhood Education</td>
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<tr>
<td>ECD</td>
<td>Early Childhood Development</td>
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<tr>
<td>GoU</td>
<td>Government of Uzbekistan</td>
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<tr>
<td>IaDB</td>
<td>Intra-American Development Bank</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
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<td>IDB</td>
<td>Islamic Development Bank</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<td>USD</td>
<td>United States Dollar</td>
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<td>WB</td>
<td>World Bank</td>
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Introduction

The Government of Uzbekistan acknowledges the importance of preschool education and the impact it has on different aspects of human life. A number of measures that reinforces the Government’s intentions to invest in early childhood education have been undertaken, including recent establishment of the Ministry of Preschool Education, adoption of a «road map» which was followed by passing of relevant legislative acts aimed at the development and effective functioning of pre-school education.

Yet, preschool education enrollment rate in Uzbekistan equals 30%, which is much lower compares to middle-income (74%) and OECD countries (83%). Government of Uzbekistan is currently planning «moving gradually towards achieving a full enrollment in preschool education». Achieving this ambitious task, requires restructuring of the preschool education system, including expansion of infrastructure (over the past 20 years the number of public institutions decreased by 45%), provision of sufficient number of teaching workforce and delivery of educational services at a new quality level. The proposed reforms, if not supported with adequate financial resources, can become a burden for families, create inequalities and limit accessibility of quality preschool education services for all groups of population.

Currently, the share of public expenditures in preschool education (0.8% of GDP) in Uzbekistan is comparable with that in OECD countries. At the same time, during the period of active expansion of preschool education in OECD countries, the total expenditures allocated to the sector averaged 2.36% of GDP (OECD, 2016).

In the context of scare public resources, high share of children in the structure of population and continuing population growth, one of the main challenges is balancing between the increasingly complicated tasks of the state policy in the field of preschool education in Uzbekistan and the limitations of the state budget.

In regard to this, the President of Uzbekistan emphasized the importance of introducing new innovative funding mechanisms and attracting private investment, particularly one of such mechanisms - public-private partnership (PPP).

PPP is used internationally as one of the tools for managing limited public finances and mobilizing additional resources to achieve development goals. Such partnership is a relatively new phenomenon and a complex form of interaction between the state and business. PPP is widely employed not only in sectors where it had a history of success, such as transport, energy and infrastructure, but is also actively expanding in the field of education. For example, in OECD countries more than 20% of government spending is channeled to private educational institutions to employ their potential in providing quality educational services. In addition, OECD countries spend an average of 12% of the education budget on attracting private companies to manage or operate public institutions. In developing countries, the state subsidizes some of the costs of private schools, such as teachers’ salaries, training materials, or provides per capita financing.

Starting from 2018 the cities of Tashkent, Nukus and all regional centers of the republic are expected to pilot one model of public-private partnership in pre-school education. The results of the experiments will be analyzed and the most successful ones will be further recommended for scaling nationwide. Besides, state pre-school educational institutions of Tashkent city are allowed to contract business entities for catering food provided it is in line with state requirements. The cautious approach in introduction of different types of PPPs would help to avoid mistakes along the road. There is a variety of PPPs types, forms and models in education that have been successfully implemented and employed for decades in some developed and developing countries (for example, in South Asia and Latin America). However, at the moment there is no clear answer on which of the models is the most effective one.

Important aspects here are the country context, the level of economic development, and the priorities

2 Decree of the President of the Republic of Uzbekistan No. 3261 dd. 09.09.2017
3 Patrinos, 2009
in Uzbekistan's development. At the same time, it's useful to analyze international experience in order to understand the main advantages and disadvantages of each model, their limitations and opportunities, as well as the pre-requisites for their successful implementation. This experience can be taken into account when developing Uzbekistan's own approach to PPP in pre-school education and its successful adaptation to the country context.

The success of PPPs should be assessed in regard to how it increased the enrollment, quality, and efficiency of the learning process. Further, a more essential set of questions to ask would be what enabling factors the governments can re-enforce to set a PPP for success, and how PPPs add to equality and equity in education or reduce the cost (Aslam et al. 2017).

UNICEF Country Office in Uzbekistan has initiated a review of different models in general and pre-school education, including potential benefits and challenges during their implementation. The purpose of this analytical review is to provide the Government of Uzbekistan with recommendations on adaptation of these PPP model to Uzbekistan context.

This review is based on the extensive literature available on different models of PPPs since 2009 onward. The review has specifically addressed the definition of the PPP and types of models, as well as the potential benefits and challenges for education. It also looked at the impact of different PPPs on the main educational objectives with regard to access, quality, equity and efficiency. Finally, it specified the key factors and "pre-requisites" for the successful implementation of each model and drew applicable conclusions for Uzbekistan.
1. Public-Private Partnerships in Education

1.1. Defining a PPP

There is no universally agreed definition of "public private partnership", nor there is an internationally used classification of its forms. PPP is a general term used to describe a wide range of agreements between the private sector and other stakeholders - government organizations, departments or consumer groups – for provision of certain services. PPPs can range from partnerships with large international or national companies, small local entrepreneurs, self-governing bodies and non-government organizations, which can play the role of the private sector.

The PPP Knowledge Lab defines PPPs in education as "...long-term contractual relationships between the government and a private provider for all or some part of the delivery of education infrastructure and services."\(^{4}\)

Patrinos et al (2009) have defined PPPs in education as an arrangement between the government and private provider to deliver services of agreed quality and quantity for a pre-defined period of time.

OECD's Committee on Science and Technological Policy defines the following key features that characterize PPP and differentiate it from other types of public-private arrangements:

a) PPP participants are public and private organizations;
b) relationships between PPP parties are of equitable and partner nature;
c) relationships between PPP partners are defined in official documents (contracts, agreement, etc.);
d) partners share common goals and combine their resources to reach them;
e) receipt and use of joint results is based on cost and risk-sharing principle.

The various definitions of PPP in education are by no means exclusive. PPPs can be narrowed into arrangements involving a contract between the government and the private sector or only involve infrastructure partnerships such as the United Kingdom's Private Finance Initiative.

It is important to emphasize that the public sector defines the scope of work, targets and outputs while the non-state provider delivers them. Moreover, any arrangement between the public sector and the non-state provider should include clear risk-sharing caveats.

Taking into account diversity of the approaches to understanding PPPs and their forms for the Government of Uzbekistan it would be of paramount important to agree on the main definitions under each type of PPP and eligibility as well as performance criteria for all actors. The ambiguity of the interpretations and definitions can lead to confusion in the process of implementing the cooperation, as it was in Russia and Kyrgyzstan, in particular at the initial stages (for example, when determining participation criteria, standard requirements, etc.), and also affect the accuracy of data collection at a later stage and make it difficult to assess the effectiveness of PPPs.

1.2. What Are the Benefits and Challenges of PPP?

Both low- and middle-income countries have experienced a rise in engaging non-state providers into education service delivery process. Figure 1 below clearly demonstrates the role and scope that non-state providers play in providing education services.

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\(^{4}\) https://pppknowledgelab.org/sectors/education#intro
Proponents of PPPs in education identify the following advantages of enhancing the role of the private sector in delivering education services:

- **Flexibility** – oftentimes rigid procedures applied in the public education that impact the achievement of results can be overruled within a private setting without jeopardizing the outcomes (for example, private sector has more freedom in defining teacher salary scale or hiring process or budget planning and implementation)

- **Risk sharing** – both parties of the contract share relatively equal responsibilities over the risks which increases efficiency and attract private players into education market

- **Competition** – through carrying out an open competition among the service providers the governments promote a healthy transparent environment in which both public and private providers operate equally

- **Efficiency** – some literature suggests that private sector bears lower cost while delivering better quality education; for governments, it also means reducing the costs of increasing access versus bearing costs related to building new schools and hiring new teachers

- **Enhancing the skills** – private sector has specific skills in operations and management that lack in the public education system

### Table 1. Main benefits of PPP implementation for partnership participants

<table>
<thead>
<tr>
<th>State</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitated implementation of socially important projects within a short period of time</td>
<td>Reduced risks due to state participation in funding and state guarantees at the most risky stages of innovative projects</td>
</tr>
<tr>
<td>Reduced financial burden on the state budget by attracting private investments and transferring part of the costs to end users of products and services</td>
<td>Independent examination, which gives greater confidence to business partners in the efficiency and profitability of the proposed projects</td>
</tr>
<tr>
<td>Reduced financial risks due to risk-sharing among all PPP participants</td>
<td>Expansion of the scope of activities due to attraction of additional sustainable funding</td>
</tr>
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5 World Bank 2011; Patrinos et al. 2009; LaRocque 2007
Incentives for expanding the use of partnerships at local levels

- Improved company image due to participation in large-scale state programs and projects
- Improved management due to adherence to state and international quality standards
- Favorable conditions for risk insurance and provision of guarantees due to partnership with the state
- State preferences and benefits from participation in priority programs and projects
- Promotion of innovations

<table>
<thead>
<tr>
<th>Incentives for expanding the use of partnerships at local levels</th>
<th>Source: compiled based on UNECE UN publications</th>
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<tr>
<td>State preferences and benefits from participation in priority programs and projects</td>
<td></td>
</tr>
<tr>
<td>Promotion of innovations</td>
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</tr>
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</table>

The effectiveness of any of those advantages, however, would depend on the following:  
- Design of a PPP modality
- Regulatory framework of the country
- Capacity available within the government to oversee the contracts, and
- Capacity of the private sector to implement those contracts

Due to lack of rigorous evaluation both the benefits and risks remain their hypothetical nature until more evidence becomes available. Sufficient capacity in the non-state sector is required if the Government of Uzbekistan would consider contracting delivery of “core” education services. Inadequate regulatory and policy frameworks and administrative systems may also hinder the effective implementation of PPPs and the delivery of quality education.

Critics of PPPs argue that under certain circumstances providing public funding for private schools might affect the governance of a school and take the voice and power from parents which would potentially impact educational outcomes. In addition, if performance criteria are not clearly outlined in the contract or the legislative framework is not substantial to hold contractors accountable, it can result in financial fraud or marginalization of “less profitable” students (Aslam et al. 2017). A more comprehensive list of arguments in favor and against the engagement of private partners in education is compiled by Steer et al. (2015) and attached in Annex 1.

The opponents of the PPPs in education criticize the idea due to the fear that control over a public good is eventually transferred to the private sector. This process should not be mistaken for privatization as PPPs can be distinguished from privatization, with the latter involving a permanent transfer of control from the public sector to the private sector, while the main aim of PPPs is to promote improvements in the financing and provision of services without altering the balance of control of one over the other.

Despite the growing concern about the risks related to PPPs in education, the majority of studies reviewed here indicate that with adequate monitoring and guidance from the governments the non-state providers could effectively fill in the gaps between the education goals and the limited resources available.

1.3. Public-Private Partnership Framework

A PPP could be a one-time engagement and may not require significant changes to be introduced by the government for it to operate, however, PPPs are more likely to succeed if introduced as part of a more comprehensive PPP framework that consist of the following components:

- **Policy** — articulation of the rationale behind the government’s intent to use PPPs to deliver public services

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6 LaRoque 2008; Patrinos et al. 2009, and World Bank 2011
7 ADB and UNICEF, 2011
8 ADB and UNICEF 2011
with the objectives, scope, and implementing principles of the PPP program.

- **Legal framework** — laws and regulations that underpin a PPP program—enabling the government to enter into PPPs, and setting the rules and boundaries for how PPPs are implemented. This can include PPP-specific legislation, other public financial management laws and regulations, or sector-specific laws and regulations.

- **Processes and institutional responsibilities** — how PPP projects are identified, developed, appraised, implemented, and managed. A comprehensive PPP cycle is efficient, transparent, and monitored regularly to ensure quality of PPP projects.

- **Public financial management approach** — how fiscal commitments under PPPs are controlled, reported, and budgeted for, to ensure PPPs provide value for money to manage the associated fiscal risk.

- **Other arrangements** — how other entities such as auditing entities, the legislature, and the public participate in the PPP program, and hold those responsible for implementing PPPs accountable for their decisions and actions.

Table 2. Conditions for step-by-step development of public-private partnership

<table>
<thead>
<tr>
<th>First Stage</th>
<th>Second Stage</th>
<th>Third Stage</th>
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<tbody>
<tr>
<td>Political decision making</td>
<td>Legislation reform</td>
<td>Creating a complete, integrated system</td>
</tr>
<tr>
<td>Verification of compliance with current legislation</td>
<td>Publication of strategic and practical guidelines</td>
<td>Eliminating legal barriers</td>
</tr>
<tr>
<td>Building a portfolio of projects</td>
<td>Establishment of specialized bodies to manage PPP related issues</td>
<td>Fine-tuning and reproduction of PPP models</td>
</tr>
<tr>
<td>Defining basic concepts and a strategy</td>
<td>Clarification of PPP models</td>
<td>Integrated risk sharing</td>
</tr>
<tr>
<td>Applying previous experience of other countries and sectors</td>
<td>Stimulation of market development for PPPs</td>
<td>Building a guaranteed project portfolio</td>
</tr>
<tr>
<td>Setting up a market of PP services</td>
<td>Expansion of project portfolio</td>
<td>Ensuring long-term political consensus</td>
</tr>
<tr>
<td>Attracting new funding sources</td>
<td></td>
<td>Establishing an investment market for infrastructure facilities covering pension and private mutual funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use of PPP experience by well-trained government officials</td>
</tr>
</tbody>
</table>

Source: compiled based on UNECE UN publications

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9  PPP Knowledge Lab, retrieved on November 20, 2017
2. Models of Public-Private Partnerships in Education

This section describes different types of PPPs in general education, and in early childhood settings in particular. Each type is reviewed with regard to under which circumstances the PPP model would be appropriate, highlights the main questions to consider while designing a PPP and what would be the key challenges that the government can envisage that potentially hurdle the implementation.

2.1. PPP for Education Infrastructure

Participation of the private sector in infrastructure projects involves financing, design, construction, and operation with varying degree of risks and responsibilities but the most common type of a PPP arrangement used is Build-Operate-Transfer (BOT). The government’s responsibility being to provide a land while the private entity designs, constructs and further operates a public school under a contract for a prolonged period of time, usually up to 25-30 years. At the end of that concession period, ownership of the school facility is transferred to the government. The operator is paid a management fee according to pre-set performance standards. This model may be suitable for very large projects for which the private sector is unable to finance wholly. This type of PPP has been widely used in the developed countries such as UK, US, Canada, but later was adopted by some countries in the developing world (for example, Colombia). The immediate effectiveness is hard to assess as most contracts are still ongoing.

The Government of Uzbekistan plans to explore the mechanism of public-private partnership similar to BOT. The state is determined to provide free allocation of land and vacant premises to investors for a period of 50 years for the establishment of modern and accessible pre-school educational institutions. It is expected that investors will be responsible for observing state educational requirements, sanitary and hygienic norms and other norms in the pre-school educational institutions, maintaining those standards throughout the duration of the agreement, and ensuring the acceptability and affordability of cost for pre-school education services. In return, investors will be granted broad tax privileges and other preferences, as well as soft loans.

The questions to consider though will be whether these schools will be affordable for the majority of the population, whether there will a demand and would the Government consider targeting more disadvantaged groups of children and to what extent? Other things to keep in mind are the convenience of location, hours of operation and quality assurance.

**When is an education infrastructure PPP appropriate?**

- Government has the capacity to fund operations of a school but do not have immediate resources to build it

**How to design an education infrastructure PPP?**

- Conduct a feasibility study for the perspective PPP
- Set up a clear timetable for completing design and construction of facilities
- Ensure the process for design, changes in the design and inspection of the construction site
- What are the operational standards for routine maintenance of school?
- Develop a guidance note on payment mechanism
- Allow for flexibility in case of changes in law that would affect specifications and requirements. The variation provisions should be fair to both the public and private sector.
- What are the procedures and mitigation activities in case of a failure?
• What monitoring system is in place to evaluate the performance during all phases of the PPP? Monitoring involves the collection and evaluation of data that should be objective, relevant and quantifiable, and agreed with the provider. Results indicators have to be connected to the financial penalties for underperformance. Incentives could be also agreed on in case the provider exceeds the standards.

What are the “pre-requisites” for success?

• Technical capacity to evaluate the proposals
• Mechanisms to ensure quality of construction and building maintenance – strong legal framework is required to prevent fraud and corruption during implementation
• Promoting flexibility in contract delivery - the government’s role should be to spell out the desired outputs and performance standards, set penalties for failure and rewards for success. It is provider’s responsibility to figure out the best way to deliver on the contract’s expected results.
• The PPP contractor must comply with applicable law, there will often be specific obligations about the licenses and other regulatory approvals such as environmental and other regulatory requirements, which the private provider must obtain
• Completion requirements – including connection of relevant utilities (water, power, sewage etc.) and also ICT
• Once the school become operational, availability and performance standards must be measurable and realistic

Case studies

Canada

Public-Private Partnerships (P3) for Educational Infrastructure, Nova Scotia, Canada The Province of Nova Scotia, Canada used a PPP model to build 39 schools in the late 1990s. The government pursued the P3 model because its financial situation was such that it could not afford to build the large number of schools required, especially given its desire to outfit new schools with state of the art technology. The P3 schools were leased by the government for 20 years. Most of these contracts expire between 2017 and 2020. Incentives were built into contracts to ensure quality construction and maintenance. Approximately 14 percent of the square footage in the province’s schools is found in P3 schools. The government had planned to build 55 schools, but the number was cut back when the project was beset by a variety of political and other problems, including cost overruns driven by project ‘gold plating’ (that is, increasing school standards, expensive site selection) and weak bureaucratic management (Meek: 2001).

Brazil

Brazil initiated its first concession in 2012 to finance, build, equip, and operate non-pedagogical services for 32 new preschools and five primary schools. The new units were expected to be delivered within two years of signing, which is significantly shorter compared to traditional governmental procurement. Under the terms of the concession, the municipality is required to provide sites for the facilities while the private sector partner is responsible for the construction and operation of non-pedagogical services, such as cleaning, surveillance, laundry, maintenance, and utilities management. This approach improves overall administrative efficiency by consolidating these services under a single provider.

Over 18,000 children from low-income areas of the municipality were able to attend kindergarten and elementary school.

It is important to foresee the plan in case the work is under risk of being stalled. For example, Brazil’ private partner has been recently accused of financial fraud. And such cases the clear exit strategy is of paramount importance.

Practices to avoid

• The government should not be prescriptive on the design, and should only set minimal input specifications on how the facility is to be designed.
• To the extent possible the payment mechanism should not be fixed regardless of the availability or performance of the service. It should be tied to a number of separately identifiable availability and performance indicators (e.g. availability of office building space and performance of catering services).

2.2. Education Service Initiatives

Block Grants

Preschool development grants based on competition among service provided can be provided by the government to (1) build or enhance a preschool program infrastructure that would enable the delivery of high-quality preschool services to children, and (2) expand high-quality preschool programs in targeted communities that would serve as models for expanding preschool to all children aged 3-6 from low- and moderate-income families.

Block grant program could be appropriate in the context of Uzbekistan as the existing network of kindergartens has "empty seats" which with subsidies used for accepting tuition-waived children, teacher training and improvement of facilities could impact the enrollment rates and quality. Given that majority of the young children live in rural areas tapping into existing resources or using alternative community-based facilities would be a more viable immediate step for Uzbekistan, rather than building a network of new modern facilities which still might not be affordable for the majority of population. The ongoing project in Uzbekistan in ECD has already registered positive experience from the implementation of the half-day model of early childhood care and education, and the early reading program is showing results, such as the increase in enrollment of children aged 3-6 in rural areas of Uzbekistan.\(^\text{11}\)

When are block grants considered appropriate?

• Budget constraints – the government experience constraints to build preschools but could allocate some funds to encourage private providers to either start a new preschool or expand the existing grounds.

How to design a competitive block-grant program?

• Define the administrator of the program
• Develop eligibility criteria for pre-schools
• Set up a monitoring and evaluation framework
• What are the check and balance mechanisms that would allow timely interventions from the government if schools encounter any problems

What are the “pre-requisites” for success?

• Institutional capacity - on both sides: government and private sector
• Both public and private institutions should be eligible to apply
• Clear rules for participation (eligibility rules)
• Clear standards for quality - schools would have to demonstrate improved performance or enrollment to be able to participate in the program
• Prevention of fraud – a clear reporting mechanism would have to be spelled out in order to prevent fraud. Unannounced independent checks of enrollment figures and grant utilization would ensure that funds are used appropriately. Other engagements that promote transparency would be involving parents into decision-making with regard to budget planning and utilization, parents’ satisfaction surveys etc

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10 Source: Aslam et al 2017
Practices to avoid

- Restricting some providers from entering the competition for the grant
- Providing too much freedom to regional municipalities in defining the standards for eligibility, quality, outcomes etc. Key criteria should be uniformly agreed and defined at the central level with broad participations of main stakeholders and passed down to municipalities

**Case studies**

Grants to the institutions provided on a competitive basis have been tried in Russia and Kazakhstan. Although the results are not generalizable they still provide some lessons learnt.

**Russian Federation**

Competitive grants to public and private schools are becoming very popular in Russia but have certain limitations. The evidence indicated that it is important for private providers to have clear instructions at entry point of a PPP. Lack of normative acts for operating a daycare, eligibility requirements and monitoring process mechanism reduces the chances of receiving a comprehensive picture on the quality and impact of the PPPs on learning outcomes.

**Kazakhstan**

Kazakhstan's block grant known as “state order” is administered to the non-state providers based on the budget's availability and the need. The government finds the placement of the state educational order in private kindergartens as one of the effective ways of solving the problems of the deficit of public pre-school organizations. If the child is registered in the waiting list for a place at a public kindergarten, then it has an opportunity to place the child in a private kindergarten that receives funds from the state order while still waiting for place in a state kindergarten. As part of the state order, payment for education in a private kindergarten can be divided with the state. The state pays for the cost of services for preschool education for the actual stay of children from the republican budget, and parents pay for food, and, if desired, for additional services from the kindergarten.

Parents are required to clarify the availability of a place in a private kindergarten that receives a state order. A list of private kindergartens participating in program is formed by the local akimat. Guidance for the private kindergarten are issued by the education department. The head of a private kindergarten enters into a contract with the parent, which stipulates the rights and obligations of the parties, as well as the amount of payment for the kindergarten.

The kindergarten can provide additional paid services. Additional services are provided at the request of the parent and on the basis of a written application, where the parent lists the selected services. To provide additional paid services, a separate agreement is signed, which specifies the types of services, their cost and time. A parent's refusal to use additional paid services is not an excuse for refusing to admit a child to a kindergarten or for expelling a child from a kindergarten.

**2.3. Vouchers**

Under a voucher program, governments provide subsidies directly to a non-state institution to enroll a student at no or low cost or to an individual student that allows the student to attend private schools at no or reduced costs. The government can target certain students, for example, children from poor families, girls, or children from minority groups to subsidize.

**When are vouchers considered appropriate?**

A voucher program would require significant investments from the government. Therefore, it is essential to assess the country's legislative and institutional structure as well as challenges that might hinder the implementation before designing a voucher program. Voucher programs are appropriate under the following circumstances:
Unequal access - when data suggests that access to quality education is constrained for certain groups, the government might consider introducing vouchers to tackle the issue of equity based on the geographical location, gender or socio-economic status of the recipients.

Existence of private schools providing affordable, high-quality services - a voucher program is possible when students have a choice between schools.

Capacity of the government to administer a voucher program - when the government is supplying the vouchers through students, schools do not receive direct government funding anymore. To secure their funding, the institutions would have to compete for students and therefore strive to improve the attractiveness of their programs (through innovations), quality of pedagogical personnel and facilities.

How to design a voucher program?

A voucher is allocated to each student or a prospective student and has either a value equivalent to money or an entitlement to a particular amount of education services for a limited timeframe. Once a student enrolls at an institution, the voucher is handed over to the institution which claims it accordingly for reimbursement or the student transfers the money upon successful enrollment.

By nature, vouchers could be:

• Restricted or unrestricted
• Targeted or universal

There are different ways to target. If it is difficult and costly to identify the poor through means-testing, government can still target the poor by: (i) targeting poorer regions; and/or (ii) only allowing students currently enrolled in public schools become eligible to receive the vouchers, as was the case of the voucher program in Colombia.

Depending on the nature and the goals of a voucher program, the following key elements have to be outlined before implementation:

• Who is responsible for administrating the program?
• Who is eligible to receive vouchers?
• What costs will the voucher cover?
• Can the institutions charge additional fees on top of the vouchers’ value?
• Can vouchers be transferrable between the institutions?
• How would the reimbursement take place (lump sum or installments)?
• What are the obligations on the demand and supply sides of the "transaction"?
• Would vouchers be tied to a condition/performance on any side?

What are the "pre-requisites" for success?

• Institutional capacity - on both sides: government and private sector
• Information - providing information on school quality allows parents to make better choices and increases competition between schools; also, transparency of information would help the governments to curb possible cream-skimming when schools might turn away students with lower social-economic status or those who are unable to pay for additional service. For example, in Kazakhstan, children entering a private through a “state order” do not pay any fees but have to contribute toward the payment for food. Any extracurricular activities offered at the facility (music, dance, art) are usually fee-based and if the family chose not to sign up for those activities the management is prohibited to turn them away and choose another family that will be willing to pay for other services.
• Clear standards for quality - schools would have to demonstrate improved performance to be able to participate in the voucher program

• Prevention of fraud - clear reporting mechanism would have to be spelled out to prevent fraud. Unannounced independent checks of enrollment figures would ensure accountability

Practices to avoid

• Private schools should not be allowed to be selective and deny access to certain groups students. Moreover, the contract should clearly discourage them to charge top-up fees from students coming through a voucher program. Although the experience of Colombia demonstrates the opposite, Philippines’ program has faced many shortcomings in relation to equity. The students coming through the program were expected to pay for any differences between the subsidy they receive and the fees charged by the schools, thus leaving poorer households unable to pay the difference. Additionally, the contract did not specify any performance criteria in terms of targeting students from disadvantaged families.

Case studies

Colombia

In 1991 the Government of Colombia launched a large voucher program that had robust condition and limitations: it was targeted, performance-based and did not regulate the environment:

• Vouchers were assigned using a random lottery;

• Students from low-income neighborhoods, currently enrolled in public schools, but accepted at a private school, were eligible to receive the voucher;

• The vouchers typically did not cover the full tuition costs of the participating private schools, and private schools were allowed to charge a top-up fee;

• Pupils only continued receiving the voucher if they progressed to the next grade.

Limited but consistent evidence indicates that conditional and targeted subsidies can raise the quality of inputs and perhaps outputs in specific contexts, and set equity conditions such as increased female enrolment. However, it does not provide insights into whether subsidies improve the sustainability of private school provision.

Chile

Basic education in Chile is provided by three types of schools: municipal schools, subsidized private schools, and non-subsidized private schools. A remarkable change in Chile education system happened in 1981 as Chilean government sought drastic market-oriented reforms and introduced a nationwide school voucher program with financial incentives for both public and private institutions. The reform included (i) decentralization of public schools with municipal schools being transferred to municipalities; (ii) budget planning and financing of public schools - while municipal schools still received their funding from central government each municipality received funding based on a per-student formula; and (iii) introduction of public funding for private schools. The size of the voucher payment depended on the educational level, availability of special programs, and its distance from urban centers. But most importantly private schools received exactly the same per-student payment as the municipal schools (McEwan and Carnoy, 2000).

The Chilean model is an example of an unrestricted voucher model. The Colombian model, on the other hand, is considered a targeted voucher scheme.
2.4. Operations or Management Based Contracts

As in general education, this initiative involves government contracting of non-state providers to either manage or operate public pre-schools. In this case, private actors are responsible for managing or operating existing public ECD programs, publicly-owned facilities, and institutions, with governments having the final responsibility for performance. Under this model, programs receive either a management fee or a per-student fee and are held accountable against a set of performance-based indicators. The infrastructure and facilities remain public. Teacher hiring models vary depending on a contract and can be done through central government contracts or include more flexible contracting. The private management of public schools is typically utilized to reach students in poor or remoted areas.

There is a slight yet significant difference between an “operational contract” and a “management contract” as the former provides more flexibility to work processes, selecting staff, setting the salary scales to attract and retain good staff and dismiss nonperforming staff. Operational contracts are particularly successful in giving a “failing” public school a second chance as weak teaching staff is usually one of the major factors of school’s poor performance.

Charter schools

Charter schools are most common in the United States. The laws regulating charter schools can differ significantly across states and are usually classified as either weak or strong. Weak laws would usually restrict schools’ operations and impose additional administrative burdens on schools, restrict the range of providers who can operate charter schools and provide only one avenue through which schools can be chartered (for example, only the school district can approve charters). Stronger laws provide schools with more management freedom, limit red tape, has no limitations on who can manage charter schools and who could sponsor a charter school (Gustafsson-Wright et al. 2016).

Charter schools have some level of flexibility comparing to a traditional public school and can be specialized in a certain area such as STEM, art, music etc. Charter schools are unique in a way that they are not quite public schools because they have more educational freedom but also not private because the attendance is free.

When is an operations/management contracts appropriate?

• Government has funds to build a new school but does not have enough funds to operate a public school
• Government would like to improve poor-performing public schools
• Consumers are not happy with a traditional public school and the government would like to grant parents and student a choice

How to design an operations/management program?

• Who will authorize establishment of an operation?
• Who can apply?
• How long will the charter be valid? How often it has to be renewed?
• To what extent can the charter school deviate from the standard national curriculum
• Does the regulatory framework allow charter schools receive donations for capital improvements as normally they would heavily rely on them?

What are the “pre-requisites” for success?

• Institutional capacity - on both sides - government and private sector
• Availability of facilities
• Reimbursement mechanism – if the government is not planning to reimburse 100% of operating cost the

12   LaRocque 2008
private provider is required to demonstrate evidence that it will be able to cover the funding gap for at least first three years

**Practices to avoid**

- Complicated regulations that would add administrative burden for the operator – one study revealed that more than two-thirds of US school district superintendents indicated that reducing bureaucracy and increasing flexibility could be important steps in improving public education (Patrinos et al 2009).

The opponents of the charter school model claim that they are taking away the scarce funds from traditional public schools. They also criticize them for picking best students as charter schools can set requirements for admissions, even though it will be free. Charter schools model is widely used in the United States and despite the positive outcomes they bring into the education system their existence is still very controversial.

Until almost a decade ago charter schools were only at primary level. They were actually preferred by the operators to be at this level due to smaller size, easier procedures to operate etc. However, charter school at pre-primary level is a new wave in the ECE. These preschool programs have emerged for the same reason as charter schools themselves i.e. they provide an alternative that is not available within the existing public system. Like charter schools, the charter preschool programs reflect a broad spectrum of educational philosophies and methods. They accept students from as young as 3 years old.

### Case studies

#### United States

The US experience with charter schools indicates that ‘strong’ charter school laws (that is, those that are favorable to charter schools) are correlated with both the number and viability of charter schools in each state. States with stronger charter school laws also have higher and more comprehensive student achievement than states with weaker laws. Among the 26 states that had ‘strong’ charter school laws in 2004, 65 percent saw significant gains in student achievement. The Center for Education Reform has identified a number of desirable properties that make charter school laws ‘strong’. These include having multiple bodies that can authorize Charter schools, an automatic waiver from laws and regulations, granting Charter schools legal/operational autonomy and exemption from collective bargaining agreements/district work rules.

Pre-primary charter schools are public schools that are free from many regulations as long as they meet certain academic and financial requirements. The programs for younger children differ greatly in philosophy, ranging from individualized, multiage programs to structured activities emphasizing the basic skills. When it comes to funding, administrators secure money for charter-based pre-K programs from a variety of federal, state, and private sources.

Some preschools at charter schools receive child-care subsidies for children of low-income families, and others are paid for through parent fees. The Santa Rosa Charter School, for example, is a parent cooperative. Parents pay nominal fees to enroll their children in the preschool and work at the school to cut costs.

13 Source: Center for Education Reform
3. Overview of International Experience of Public-Private Partnerships in General and Early Childhood Education

According to the Results for Development, PPPs might be actually more suitable for ECE because of its non-compulsory nature. Sub-sectors which governments are unable to provide with universal coverage are considered a better match for PPPs.\(^\text{14}\)

In the Philippines, the Early Childhood Care and Development Law encourages non-state sector initiatives in early childhood education, through the model of Education Service Contracting (ESC) with specific guidance and supervision provided through the Department of Social Welfare and Development, Department of Education, and the Council for Welfare of Children (ADB and UNICEF 2011; UNESCO 2006). Most rural day-care function as three hour or half-day activity- and playgroups for three- to five-year-olds, five days a week. A day-care center functioning at full capacity usually serves two shifts: one in the morning and another in the afternoon. In the late 1990s, a national policy was introduced to promote the establishment of day-care centers in the workplace. As a result, there is an increased number of government offices, as well as private corporations, which provide full-day childcare programs that match parents’ working hours. Some of these are linked to the local government units of cities which are also the employers of public civil servants. The ESC program has proved its cost-effectiveness over the years of implementation.

A recent review of ECE policy in Kazakhstan conducted by UNICEF (2017) indicates that the country has made significant progress in ECE services development. About one-third of the whole country has almost reached full enrollment of children aged 3-6 in preschool programs. Kazakhstan focused on expanding private sector in the preschool network which followed by a number of consistent actions such as abolishing license requirements for preschools, contracting private institutions for service provision (through “state order”) and introducing per-capita financing. Later the government introduced changes into sanitary and hygiene requirements and infrastructure standards for preschool settings. All these positive decisions allowed for rapid expansion of the private sector in ECE and increased enrollment of children. In 2017 about 43% of the allocation of public funding in preschool institutions went to private schools.\(^\text{15}\) The Annex 2 provides more description on the ECE policy in Kazakhstan.

Some of the regions in Russian Federation have piloted different types of PPPs to increase enrollment in ECE, vouchers and grant blocks are among a few. Thus, Perm oblast have piloted a program equivalent to a voucher program when families with children aged 1,5 and 5 and not enrolled in a preschool received a voucher to use it in a non-state kindergarten. Development of home-based preschool centers in one of the regions in Russia have been a path of success and mistakes, but an alternative way to provide enhanced access to ECE.

Azerbaijan piloted a community-based pre-school project that started as a Corporate Social Responsibility (CSR) initiative with British Petroleum funding the establishment, in partnership with the local municipality of Shamkir region. The community-based preschool is part of school readiness program for 5-6-year-old children in the Shamkir region that demonstrated sustainability over the years of implementation. The fees are agreed with community members thus allowing for affordability and accessibility of the preschool services for the families. Parents are actively involved into the education process and quality of service is periodically checked by an NGO and the British Petroleum. The positive case as such was suggested to be studied more and replicated nationwide (Radsky et al, 2014). But this process would require a lot preparatory work to be done that would involve broad stakeholder discussions, engaging major actors and beneficiaries in the design and later in implementation, creating enabling regulatory framework and incentives for the private sector to invest in education.

\(^{14}\) Results for Development, 2016
\(^{15}\) UNICEF 2017
For their most part, the types of PPPs for ECE would not differ from the rest of the general education sector. Thus, for example, school vouchers could be applied at pre-primary level as well. The Pre-primary Education Voucher Scheme in Hong Kong is an example of a voucher program for pre-school provision. Pre-primary education in Hong Kong is not compulsory, and all services are operated by either non-profit institutions or private organizations. The Voucher Scheme aims to enhance the quality of teaching and learning outcomes. Another example when PPP in general education has successfully found its way into early childhood education level is experience of pre-primary charter schools in the US, which found a lot of support from municipalities and parents and became an integral part of charter schools providing general education.

Countries have different priorities while planning ECE policies. In Sri Lanka, for example, the nurseries reserve 70 percent of their places for vulnerable children from poor families, 20 percent is allocated through an open draw, attracting wealthier families who want to avoid the costs of private education. The remaining 10 percent is allocated to children living near the school.

Pakistan has a variety of PPP models gaining support from private sector with every year. The box below highlights a few to give a sense of the experience of PPPs in this country.

Adopt a School Program has become the most popular PPP program within education sector in Pakistan since 2001. The program, however, had its inception during the mid-1990s and by 2000 had already been experimented by some large NGOs. The program implies that a non-state actor, NGO or for-profit, takes responsibility to improve the status of a government school. The exact nature of adopters’ engagement with the school varies enormously: some simply focus on improving the infrastructure while others are more concerned with improving the educational content. Even in the latter case, there are variations, whereby some NGOs just focus on occasional teacher training sessions while others adopt a more interventionist approach and take over the entire school management including monitoring the day-to-day performance of teachers.

Concessions to private schools: The second PPP program proposed in the education sector plans involved giving concessions to private schools which included allocating free land to schools, charging domestic rather than commercial rates for electricity and gas bills, tax exemptions on imports, and exemptions from income tax.

The Program under Punjab Education Foundation (PEF) funded by the Government of Punjab, shares World Bank’s approach that the state should finance education for all children, but it should not necessarily provide the service as financing private providers can lead to cheaper and more efficient alternatives. The Foundation is thus experimenting with multiple programs with the private sector.

Education Voucher Scheme (EVS) & Foundation Assisted Schools (FAS) PEF runs two different but slightly overlapping PPP models: Education Voucher Scheme (EVS) and Foundation Assisted Schools (FAS). Under the scheme, the PEF gives each child in the age cohort of 4-17 a non-redeemable voucher valuing Rs. 300 per month, which is paid directly to the school. The child’s parents have the freedom to select the school of their choice from amongst the institutions that have been accredited by the PEF.

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16 Source: Bano 2008
4. Impact of PPPs on Main Education Objectives

The number of rigorous studies that would clearly demonstrate the impact of different types of engagements is very limited. Even less information is available on the enabling factors that play either a positive or negative role during the implementation of different types of PPPs, especially in preschool education. However, based on the literature review, it appears that a number of PPP models yield mixed results, and each type has a different level of impact of education objectives. Important is that both technical capacity and legislative framework play a major role in the success of a model.

1. Access to education: Research shows that involvement of non-state educational service providers results in increase of enrollment in countries where it was previously low and the tuition fee was high. The greatest effect, especially in terms of increasing enrollment and ensuring equal access for children from low-income families to paid education, was demonstrated by educational vouchers. For example, in Colombia, only students from poor neighborhoods were eligible to receive a voucher. However, because the main pre-requisite for successful implementation of a voucher-based PPP is equity, the government should take all measures to ensure access to information and develop clear standards for private service providers. A poorly thought-out program can increase inequalities and cause further damage to the education sector.

2. Learning outcomes. The effects of PPP mechanisms on improving quality of education are mixed. Thus, a number of studies show that there is a positive correlation between educational services provided by the private sector and indicators of quality education, which demonstrates that the private sector can provide high-quality education at a lower cost. At the same time, the greatest positive effect on learning outcomes was observed in public schools managed by private partners (or private schools with additional state funding). On the other side, Patrinos et al. (2009) find the impact of implementing PPPs on education outcomes to be moderate. For example, a study conducted in the Pacific region (EQAP 2015) demonstrates that students’ skills in numeracy and literacy do not differ between public and non-state schools.

3. Cost reduction: Some studies confirmed the lower cost of delivery in private schools versus public. At the same time the studies suggest that the low costs are reached due to lower teacher salaries, which in turn can have a negative impact on education quality.17

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17 Aslam 2017.
5. Conclusion and Lessons Learnt

Analysis of theoretical approaches and principles of PPP development in education, results of empirical research, and study of international experience suggests that the successful PPP implementation at the country level requires a systems approach that would be based on comprehensive analysis of technical potential of partners and the regulatory framework, as well as economic feasibility study of certain PPP models. PPP is not a goal, but rather a tool for achieving key objectives in education sector, and although private funding seems to be the most effective way of reducing government spending, a risk analysis is critical, because in the event of a project failure, the responsibility will fully lie with the state.

Systems approach to implementation of PPP mechanisms in education requires implementation of the following measures:

1. Development of holistic PPP policy including of PPP in education sector.

The strategy should describe the rationale for the state’s intention to use PPP mechanisms, have a holistic view of the role and potential of the private sector, and identify goals, objectives and key principles of implementing PPP programs.

- **Comprehensive PPP policy should be the base for the changes to educational policies and respective regulatory framework.** Development of PPP policy should reflect the role of private providers in the national education strategy; set up clear and objective criteria for private companies interested in establishing and managing a pre-school institution; introduce a funding system that will bring together public and private schools; establish an effective quality assurance system.

- **Establish a single state body to manage PPP related issues.** In many countries, changing the role of the state in economic life and expanding the scope of partnerships made it necessary to establish special institutions to initiate and manage PPP projects. These institutions carry out project assessment, evaluate results of project implementation, including projects in the field of education, develop PPP models, assess risks and profits, and assist projects during implementation.

- **Participatory approach is essential pre-requisite in the process of designing a partnership and a policy.** Sharing a mutual understanding of what the ECE system strives to achieve and being able to review what has been already achieved could significantly improve and strengthen the trust of private providers and beneficiaries. Having a feedback mechanism and being able to reflect on it with immediate changes in legal and regulatory policies would further ensure private sector of the political support from the government.

- **Building up an experienced team which could promote PPP both from the business and the state side.** Given that PPP as a tool for implementing investment projects is at its early development stage, it is important to train and enhance capacity of government officials and representatives of private sector.

2. Improvement of the regulatory framework. Setting up an enabling regulatory and legal environment is a critical to success of PPP arrangements.

The more conducive the regulatory environment is the more likely it is that the government and potential non-state provider will be able to reach a mutual agreement on terms and conditions that are satisfactory to both sides. This includes:

- **Development of a law regulating public-private partnerships.** Today, the law “On public-private partnership” is under review. Adoption of this law will provide clear definition of basic concepts and terms, determine eligibility criteria for participation in PPPs, establish regulations and limitations of such partnerships for implementation of socially significant projects.

- **Adoption of legislative acts to regulate public financial management, budget allocations to PPP projects, for example, procedure for granting subsidies, use of private initiative contracts, use of project funding, interagency cooperation issues related to PPPs, coordination of activities between the center and the regions, etc.**
• Ensuring public support and guarantees to private sector partners. Uzbekistan has made significant progress in developing private sector and setting respective regulatory framework for businesses. Past experience has demonstrated that oftentimes various decrees and norms contradict each other. The legislation therefore needs to be improved, with the gaps and limitations being eliminated and the law enforcement practices being strengthened. In addition, the monitoring of compliance or non-compliance with a series of scattered decrees and norms by the private sector has been implemented in a manner that did not nurture mutually trusted relationship between the public and the private sector. Private sector has played a subordinate role which in case of formal entrance into a PPP would not guarantee a seamless implementation. The interest of the private sector in investing into public domain is stipulated by the shared vision, mutually beneficial agreements and shared risks.

3. Definition of mechanisms for the entire PPP project cycle.

Only adequately managed and well-established cooperation between strategic partners can result in acceptable economic and social effects, and satisfy the general state interest.

Poorly defined partnership mechanisms can lead to failures in PPP implementation. For example, too complicated criteria and registration process, inconsistent regulations, funding restrictions for non-state providers – all of these would prevent private actors from fully engaging with the public sector. For example, too complicated registration criteria and process, weak legal frameworks, inconsistent regulations, funding restrictions for non-state providers would prevent them from fully engaging with the public sector.

• Entry – it’s important to set up a transparent and competitive process for selecting a provider. Bidding for service delivery contracts should be open to all private organizations, including both for-profit and not-for-profit providers. Clear rules of engagement for all players have to be defined: rules on where and how to apply, policies on services to be purchased;

• Exit – Government has to develop clear rules for exiting a partnership if at any stage the partner is not performing up to the standards agreed in the contract; regular monitoring and quality assurance mechanisms have to be in place as well as the process of intervention in case of underperformance;

• Quality assurance – monitoring system is an integral part of quality assurance and should regularly monitor the progress of PPP implementation. QA system has to be put together before engaging into any partnership. A comprehensive monitoring system can help i) to collect information that can be used to improve quality of services; ii) to inform policy making; iii) to inform the public about the level of quality provided, which provides more transparency to the users of ECE services.

The system should have sufficient funds and staff which adds to overall quality assurance at all stages of PPP cycle. It’s crucial to develop and introduce quality monitoring mechanisms - quality standards should clearly describe what constitutes the quality and set clear and comprehensive quality goals for service quality, staff quality and child development outcomes.

• Ensuring effective planning, management, and control over preparation and implementation of PPPs requires a specific methodology and project performance criteria. Performance indicators should be measurable.

• Promoting flexibility in contract delivery – the government’s role should be to spell out the desired outputs and performance standards, set penalties for failure and rewards for success. It is provider’s responsibly to figure out the best way to deliver on the contract’s expected results.

Different PPP models have different degree of impact on the learning outcomes (see Annex 1) but not a single one will guarantee significant changes if public education system is handed over to private sector. It is important to note though that while there may be some evidence on the relative effectiveness of PPPs on improving learning outcomes, such comparisons must be carried out with the understanding that some PPP interventions have been implemented with the intention of improving educational access in situations where children may not be able to attend a school otherwise. Therefore, it seems unfair to judge such interventions on the parameters of quality alone.

Governments are encouraged to pilot PPPs before scaling up – the GoU is taking the angle in this regard and plans to try a PPP model, however, scaling down the geographical coverage could save time and funds for both state and non-state actors.
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### Arguments in Favor of and Against Non-State Engagement in Education

<table>
<thead>
<tr>
<th>Access and scale</th>
<th>Arguments in favor of non-state engagement</th>
<th>Arguments against non-state engagement</th>
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<tbody>
<tr>
<td>The public sector is not able to keep pace with demand for education. Charitable giving and non-state investments can help mitigate financial constraints. Non-state actors can also help provide much needed capacity to deliver education.</td>
<td>The public sector is responsible for providing and financing education. Financing gaps need to be closed by raising domestic tax revenue and international donor finance. Non-state support can only be a temporary stop-gap measure.</td>
<td>For-profit actors (investors/providers) reach scale and maximize profit at the expense of teacher pay and quality of learning.</td>
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<th>Quality</th>
<th>Arguments in favor of non-state engagement</th>
<th>Arguments against non-state engagement</th>
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<tr>
<td>Competition and choice. The non-state actors can compete with the state sector for students. This provides incentives to increase the quality of education.</td>
<td>Information asymmetry. Poor households do not have enough information to be able to judge quality of schooling and benefit from competition (and if they do may not have the means to pay for it). Competition can undermine public schools and may not yield quality or innovation.</td>
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<td>Accountability and results focus. Partnerships with non-state providers can include measurable outcomes and requirements for the quality of education. This can raise the quality of education.</td>
<td>Weak accountability. Higher learning outcomes are achieved because the non-state actors attract more advantaged children. Legal frameworks and accountability mechanisms are too weak to enforce results-based partnerships.</td>
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### Arguments in favor of non-state engagement

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<th>Equity</th>
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<td><strong>Flexible and innovative approaches of non-state actors allow them to reach population groups governments are unable to reach.</strong> Innovations can be scaled through the public system.</td>
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<td><strong>Targeted support can guarantee equitable access to non-state schools.</strong> Government can support publicly funded students in non-state (for-profit) schools (using vouchers, for example) often at lower per student cost than in the public sector.</td>
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<td><strong>Business and social impact can go together.</strong> New class of impact investors are focused on social outcomes and reaching lower income brackets.</td>
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<td><strong>Free public schools can have higher indirect costs than low-fee private schools.</strong></td>
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<td><strong>Flexibility (e.g., in teacher contracting and innovation).</strong> Non-state actors have more autonomy in hiring teachers, organizing schools, and introducing program innovations.</td>
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<tr>
<td><strong>Risk-sharing.</strong> Engaging non-state actors can increase risk-sharing between the state and non-state sector. This can increase efficiency and channel additional resources to education.</td>
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### Arguments against non-state engagement

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<th>Equity</th>
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<tr>
<td><strong>Non-state schools cannot reach the poor without state subsidy, making them a public responsibility.</strong></td>
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<td>• For-profit non-state actors have no essential interest in delivering education to the poor.</td>
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<td>• Non-profit actors cannot deliver services on a national scale without relying on a public subsidy.</td>
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<tr>
<td>• Non-state schools attract children from better socio-economic backgrounds, whose parents can afford the fees, and perceived social status from attending those schools is signaled to employers.</td>
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<td>• State subsidy schemes (e.g., vouchers) are ineffective and lead to inequalities even in countries with strong regulation.</td>
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<tr>
<td><strong>Effects on wider education system.</strong> Non-state schools can undermine the effectiveness of the public education system. Leaving public schools to cater to the poorest and least educationally advantaged at high cost.</td>
</tr>
<tr>
<td><strong>Risk-sharing.</strong> Students and families bear the burden of risk in risk-sharing schemes, not non-state or government actors.</td>
</tr>
<tr>
<td><strong>Perverse incentives.</strong> Cost savings rest on the inappropriate and unsustainable treatment of the teaching workforce, particularly women. They also go at the expense of quality by, for example, employing unqualified teachers or excessively standardizing education.</td>
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*Source: as compiled in Steer et al. 2015*
Implementation of PPP for Preschool in Kazakhstan

A recent review of ECE policy in Kazakhstan conducted by UNICEF indicates that the country has made significant progress in ECE services development. About one-third of the whole country has almost reached full enrollment of children aged 3-6 in preschool programs.

ECE programs benefited from extensive public investment and a strong policy focus on early childhood education. As a result, the great majority of children over the age of 3 receive some form of early education. Public-private partnership modality, introduced in the education sector, along with liberalization of preschool organization licensing requirements, allowed the government to rapidly expand the network of preschool education settings. The system ensures per capita funding of ECE services in both public and private sectors. Contracting of private institutions for publicly financed service provision was another positive political decision, which removed access barriers to preschool education and advanced expansion of the private sector. Early childhood education infrastructure standards have been revised to improve efficient use of space and resources. The new, integrated curriculum standards developed is a prerequisite for the quality of ECE services. National and local strategies foster improvements in the workforce.

Attainment of ambitious targets for preschool enrolment rates required an easy entrance of private sector into the market. In response, the government abolished licensing requirements for private sector that boosted expansion of the given sector. The introduction of the public funding (contracting of private institutions for publicly financed service provision), so-called “state order,” for both, public and private sectors, was another positive political decision, which removed access barriers to preschool education and advanced expansion of the private sector. Pre-school institutions receive per capita financing from local budgets and parents are responsible for monthly payment to cover cost of the meals. The per capita funding differs across regions and are defined based on regional characteristics. The number of private kindergartens receiving “state order” almost doubled in the period of 2013-2015 (from 898 in 2013 and 1553 in 2015). In 2017, the government allocated more than 0.34 billion US$97 mln for public funding of preschool institution, of which 42.9% are for private preschool organizations. The leaders in public-private partnership among the regions of Kazakhstan are East Kazakhstan, Almaty, Aктobe, North Kazakhstan and Akmola regions. Equalization of per capita financing of public and private kindergartens is a step forward for further expansion and enhancement of the private preschool institutions. Up until recently, per-capita funding of public and private preschool institutions differed. Private preschool institutions were paid less than public institutions, which put the private sector in disadvantaged position. Stretch budgets in the private sector could have potentially affected the quality of preschool programs. In response to the given challenge, the government introduced equal per capita funding for both sectors. Whilst this a positive step forward, it partly resolves the problems. The current per capita funding scheme for ECE provisions is not very efficient. The acute problem of the per capita funding scheme is that the services provided by an ECE setting are not clearly defined and accurately budgeted for. At present, preschool education service is not appropriately compensated as its per capita amount is not based on a formula that accounts for the different services it provides and the budgetary categories it should receive funding for, such as education, care, utilities, and subsistence.

Source: UNICEF 2017