Education International
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POLICY BRIEF

MYTHS AND TRUTH ABOUT PPP's

Public Private Partnerships in Education

Report by an Education International Task Force

Over the last 20 years, new forms of private participation in public education have developed. These forms involve contractual arrangements under which private entities build or operate public educational institutions or provide education services to them. They are based on the concept that the private sector contributes capital and exercise in return for the opportunity to make profits. These are the arrangements generally described as public private partnerships – PPPs.

This report does provide strong evidence that PPPs of the infrastructure or operational type are based on premises that do not hold up to examination, and that should be challenged vigorously and convincingly in the public and political arenas.

WHY PPP? THE MYTHOLOGY

Infrastructure PPPs have been promoted by governments ranging across the political spectrum as a means for mobilizing private resources for the construction or renovation of public educational facilities. It is no coincidence that such PPPs have come to the fore at a time of serious constraints on public budgets to political decision makers. They seemed to present an innovative way out of the tension between growing infrastructure needs and flat if not diminishing public resources.

The second type of PPP that is both well-known and a reason for significant concern is the private operation of public schools, or contract schools. This type of PPP can be associated with infrastructure PPPs, through a build-operate-transfer (BOT) process. The arguments advanced in favor of these PPPs are based less on the prospect of mobilizing private resources, and more on the perceived benefits of applying private sector operating principles to the delivery of an essential public service.

Outsourcing of education and support services through PPPs is presented as providing financial and technical support.

The current financial and economic crisis must also be taken into account. The crisis greatly increases the risk that large-scale infrastructure PPPs will fail and that public authorities will have to intervene to rescue them. Similar risks may emerge with schools operated under contract by for-profit business entities. In the developing countries, and especially in Africa, any prospect of mobilizing private resources through PPP will recede dramatically. It would be an illusion to suggest otherwise. Beyond these practical and realistic considerations, the current crisis does put into question many of the ideological underpinnings of PPPs, in particular the notion that the private sector would make up for the supposed short comings of the public sector.

WHAT DOES RESEARCH SAY?

This report does provide a strong evidence that PPPs of the infrastructure or operational type are based on premises that do not hold up to examination, and that should be challenged vigorously and convincingly in the public and political arenas. In particular, the arguments that have been advanced about saving taxpayers' money are demonstrably ill-founded.

In the best of circumstances, the private company will make a profit while the taxpayer, through the government, will defer costs. But these costs will have to be covered at some time in the future, with interest and including the profit margin. So the total cost to the public purse will be greater over time. The report provides specific examples of cases where build-operate-transfer PPPs have resulted in situations nothing short of scandalous for the communities concerned. When facilities have been below standard, avenues for recourse have been limited. Taxpayers have had to pay extra for repairs, and considerably more for the total project than if a standard procurement procedure had been followed. The business logic of private corporations may even lead to the closing of facilities. Risk is not really transferred to the private entrepreneur, because the government obligation to provide education remains.

The taskforce's survey has produced previously unavailable data on the impact of PPPs on working conditions. Two-thirds of unions reported that PPPs resulted in short-term or sub-standard contracts and increased part-time hiring, and hiring of non-regular staff. These effects were closely related to changes in the ethos of public education, and many unions noted negative impacts on the quality of education. Just over half noted negative impacts on women teachers, and two-thirds stated PPPs made union organizing more difficult. It should be noted that one-third of unions reported that the private entities engaged in PPPs determine wages and conditions, so by implication public authorities had abandoned this responsibility to their private partners.

LINK TO THE FULL REPORT

http://www.ei-ie.org/en/websections/content_detail/3272

institutions over the last few decades in artificially limiting public debt while relying upon the supposed virtues of the market to regulate the quantity and quality of private debt. The result has been to constrain many governments from using low risk public debt to finance economically and socially productive infrastructure in education and other areas. Now the effective debt of many governments has blown out massively due to taking over or underwriting much of the toxic debt of the private sector in order to maintain systemic stability.

There are likely to be fewer infrastructure PPPs because of greater difficulty faced by infrastructure companies in obtaining loans from banks and subsequently securitizing the debt. But governments that have accepted the toxic debt of the private sector may argue that along with the decline in tax revenue and rise in spending caused by the recession, they have additional constraints on making public sector borrowings to provide education and other infrastructure.

THE WAY FORWARD!

There is time for EI and its affiliates for active engagement. Following the current growing push by some political leaders and social movements, against the background of the global financial crisis, for the construction of a new international economic order, there is a political opportunity to challenge the restrictive orthodoxy on government borrowings. While this is a matter for EI affiliates at the national level, it is also a matter for EI and its engagement with international institutions and intergovernmental meetings.

That engagement also needs to take into account the specific needs of developing countries that already have very high levels of government debt.