



# IN DEPTH

## THE MISSING SECTOR



Contract Schools: International experience and South African prospects

August 2013

The Centre for Development and Enterprise is a leading South African development think tank, focusing on vital national development issues and their relationship to economic growth and democratic consolidation. Through examining South African realities and international experience, CDE formulates practical policy proposals for addressing major social and economic challenges. It has a special interest in the role of business and markets in development.

Series editor: Ann Bernstein

This report is based on five background research reports written for CDE as well as two workshops with leading experts. This synthesis report was written by Stefan Schirmer, Jeff McCarthy, Rebecca Oliphant and Ann Bernstein.

The study has been funded by the Michael & Susan Dell Foundation. The funders do not necessarily agree with the views expressed in this report.

This document can be downloaded from [www.cde.org.za](http://www.cde.org.za).

Cover: School education still life with books globe apple pencils and a paper with A grade  
(Photo by Gallo Images)

Published in August 2013 by The Centre for Development and Enterprise  
5 Eton Road, Parktown, Johannesburg 2193, South Africa  
PO Box 1936, Johannesburg 2000, South Africa  
Tel +27 11 482 5140 • Fax +27 11 482 5089 • [info@cde.org.za](mailto:info@cde.org.za) • [www.cde.org.za](http://www.cde.org.za)

© The Centre for Development and Enterprise

All rights reserved. This publication may not be reproduced, stored, or transmitted without the express permission of the publisher. It may be quoted, and short extracts used, provided the source is fully acknowledged.

ISBN: 978-1-920653-10-1

# Contents

---

|   |    |
|---|----|
| <i>Executive Summary</i>                          | 2  |
| Background and Objectives                         | 5  |
| US Charter Schools and Developed World Experience | 7  |
| Evidence from the Developing World                | 11 |
| Key Lessons Overall                               | 17 |
| Contract Schooling in South Africa                | 18 |
| The Way Forward                                   | 23 |
| Next Steps  | 27 |
| <i>Participants</i>                               | 28 |
| <i>Endnotes</i>                                   | 29 |

## EXECUTIVE SUMMARY

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.

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.

### 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.
- 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.

# Background and Objectives

---

## Rationale for this study

Delivering better quality schooling to the poor is a development priority, and some reforms that have been implemented in the public sector may be having a positive impact. A plethora of proposals for, and debates about, improving this sector have been put forward.

These initiatives are all important and should be further encouraged. However, efforts to reform education have, in one sense, had an unnecessarily narrow focus. They have largely ignored a major international trend. Numerous developed and a growing number of developing countries have sought to diversify the ways in which they deliver schooling. In many instances this has led to the formation of partnerships between governments and the non-state sector.

Analysis of a range of models that create partnerships and diversity in schooling provision for the poor reveals that, properly conceptualised and implemented, they can deliver diverse forms of quality schooling at least as cheaply as the public sector. CDE refers to these schools as 'contract schools', as they involve a contract or agreement between the state and the non-state actor that runs the schools with public funds in return for specified outputs. More broadly, these contract schools emerge out of a sense of common purpose between private providers and the public sector. Government provides funding, support and clearly defined goals, while the private providers introduce innovative ways of delivering education with the goal of raising the quality of education in the public sector, with a specific focus on raising the quality of education available to the poor.

Such contract schools can bring private sector energy, funding and creativity into the public schooling sector. They can pioneer new methodologies that can be adopted by traditional schools in the public sector. They can provide education choices and a potential way out of poverty for a significant number of poor children and lift the overall performance of the public schooling system.

This CDE report distils the lessons from international examples of contract schooling to assess and demonstrate how effective these models have been in delivering diversity and quality at low relative cost in developed as well as developing countries. It provides an in-depth investigation of core features behind their success as well as some pitfalls that need to be avoided when initiating such arrangements. It also takes into account the debates and discussions that CDE has held with local and international experts and stakeholders to investigate and develop the concept and its applicability to South Africa.

Finally, the report discusses the potential of contract schools and points to some features that would be required were such a model to be successful locally. Although some issues must still be addressed, there is potential for establishing a contract school programme in South Africa.

## The spectrum of schooling supply options and the South African anomaly

Contract schooling programmes come about when governments play a *supportive* role in relation to private sector delivery of education, often with local community support. Such governments have sought to bring private organisations within the ambit of public

Numerous developed and a growing number of developing countries have sought to diversify the ways in which they deliver schooling

schooling without undermining the institutional features that underpin successful private schooling. In many countries, the share of such types of schooling is much larger than in the case of similar, fledgling initiatives in South Africa. We might therefore learn from their more extensive and seasoned experiences.

The World Bank presents a complex array of schooling partnerships throughout the world, and a detailed table of these options is in the endnotes.<sup>1</sup> One dimension of this complexity is the simplified table below, which distinguishes between sources of financing and modes of provision.

**Table 1: Schooling diversity classified by sources of financing and modes of provision**

|           | Provision  |   |
|-----------|--|---|
| Financing | Private  | Public  |
| Private   | High levels of choice, flexibility, but not always affordable<br><i>(example: private schools)</i> | Low levels of choice and flexibility<br><i>(example: privately funded public schools and facilities or teacher training programmes)</i> |
| Public    | High levels of choice, flexibility and affordable<br><i>(example: contract schools)</i>            | Little or no choice, low flexibility but very affordable<br><i>(example: public schools)</i>  |

Adapted from Patrinos et al (2009)<sup>2</sup>

South Africa is weak on the bottom left case, where schools are financed by the public sector but managed privately. There is space for us to diversify. We have public funding for registered private schools in the form of subsidies for low-fee schools; we have private funding for publicly managed schools in the form of corporate social investment (CSI) and ‘adopt-a-school’ programmes. What we do not have are private or non-governmental (including not-for-profit) management of public schools. This is the missing element in education partnerships, as advocated by, among others, the World Bank. Aspects of this ‘missing sector’ form the focus of this report.

In the sections that follow, we summarise what we can learn from international experience of contract schools, that is private management of public schooling resources.<sup>3</sup> We concentrate on private management of existing public schools, or new schools to be built by the public sector, usually where there is local community demand. These are two clear ways in which private providers can be drawn into the public schooling sector, particularly where public schools are especially weak or in underserved areas. The other possibility is to provide existing private schools with a 100 per cent subsidy in return for making them part of the public sector, but unless fundamental changes take place in the way the government regulates these schools, it will be difficult to present this as a new schooling sector with the potential to reach large numbers of disadvantaged learners. A better option may be to require existing private providers who want to become part of the contract schooling sector to branch out and start a separate contract school in publicly provided facilities.

The closest examples that we have found for these cases, which hold potential relevance for South Africa, come from a mixture of the developed and developing world. In the report, we first review evidence from the United States on charter schools, where the experience of private management of public schools has been particularly broad and deep, and the phenomenon has been extensively studied. We follow this with brief observations on two other developed world examples, Britain and Sweden. We then consider a number of important cases from the developing world. This is followed by consideration of aspects

South Africa does not have private or non-governmental management of public schools

of the legal and institutional environment that may be conducive to, or may constrain, such initiatives in this country.

Finally, we address the critical questions and issues for consideration if contract schools are to have a significant future in South Africa.

**A note on terminology:** In the US the kind of schools we are reviewing are known as charter schools, in Britain they are called 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.

## US Charter Schools and Developed World Experience

---

### Charters

The evidence on US charters is complex and changing. Charter schools emerged largely from local community pressures for better schools. They have become a primary policy lever for improving equity and opportunity in underserved communities. They 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. New Orleans, with more than 70 per cent of learners enrolled at charter schools, has the highest rate; Washington DC, Detroit, Kansas City and Flint, Michigan all have 33-40 per cent enrolment rates in charter schools. American charter schools are largely an urban phenomenon. Approximately 53 per cent of all charter schools are in urban areas, with nearly 25 per cent in suburban and only 12 per cent in rural areas.

Charter schools are designed to be open to all learners who apply, they cannot charge for tuition, and are typically required to run a lottery for available seats to ensure fair and open access. 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 the school level.

The American experience provides a useful experiment in how best to set up and regulate contract schools because the charter school system is large, well established and run at the state level. Different states have different charter school arrangements, and not all have been equally successful. Many states and cities have employed charter policies to great effect, partnering with high-performing charter schools to replace low-performing government-run schools and replicating high performers through networks, management organisations and incubation (a strategy for guaranteeing a choice of quality schools by replicating high-quality charter schools and identifying practices that can be used in ordinary public schools). The states and cities that have been most successful offer lessons

US charter schools emerged from local community pressures for better schools

There is mounting evidence that low-income, minority and urban learners often benefit from charter schools

in policy and implementation. There are common features of charter schools, both those that have and have not proven successful.<sup>5</sup> We concentrate below on the evidence for the relative success and challenges within the model.

**Evidence on benefits**

There is mounting evidence that low-income, minority and urban learners often benefit from charter schools.<sup>6</sup> In addition, although there are very few studies of high school graduation and college-going attainment in charter schools, there is reason to believe that learners choosing charter schools are more likely to graduate and go on to college. Charter schools have also clearly achieved the goal of increasing the array of options available to parents. Multiple studies find that parent satisfaction rates at charters are consistently higher than in neighbouring or matched public schools.

Neither observed enrolment patterns nor in-depth investigations in specific jurisdictions indicate that charter schools take the highest-performing, motivated or economically advantaged learners out of district schools. There are many charter schools that intentionally recruit learners from diverse socio-economic backgrounds to create models of integrated schools.

Most of the early innovation within charter schools occurred around governance. Charter schools created clearly defined labour-management contracts, teacher co-ops and novel ways to engage parents and communities, but most had traditional classroom environments already common in government-run public schools or employed Montessori teaching models. More recently, individual charter schools and networks are experimenting with promising new instructional technologies and staffing models. Many are pioneering new approaches to serving learners with special needs and limited language proficiency. Traditionally, there has been some hostility between established public schools and charters, but co-operative district-charter partnerships are increasing.

**CHARTER SCHOOL CHAINS**

**Rocketship:** Rocketship is a chain of charter schools started in San José, California, and has now expanded to Milwaukee and will open in Nashville in 2014. They will have a total of nine schools, with plans to expand. The schools serve low-income learners, for the vast majority of whom English is a second language. This chain developed the ‘blended learning’ model, which uses teachers, teacher aids and computers for an integrated approach. This allows teachers to be more specialised while the use of tablets and other electronic teaching aids allows for more flexibility in budgeting.

**Carpe Diem Schools:** Although still small, with only a middle school, high school and student learning centre (all in Yuma, Arizona) these charter schools are also taking innovative measures to improve efficiency and outcomes. Teachers are electronically alerted when a learner spends too much time on a particular task, informing the teacher of learners’ needs and keeping them on task. They also rotate between online computer time and traditional classroom time.

**KIPP:** Knowledge is Power Program is one of the largest charter school chains. There are 125 schools, more than 41 000 learners, across 20 states and Washington DC. It focuses on children from low-income and disadvantaged areas. KIPP schools have a strong reputation for high performance, being among the highest performing schools in low-income communities in the US. The key components of KIPP are excellent teaching, excellent school leadership and learners spending more time on task. Specifically, KIPP schools have 67 per cent more classroom time than a traditional public school (time added includes Saturday and summer classes).

**CDE 2013**

A number of comprehensive studies have assessed the relative performance of charter schools. One found that across 16 states, 63 per cent of charter schools scored as well as or outperformed a matched traditional public school with similar characteristics, but 37 per cent significantly underperformed. Only some 17 per cent 'significantly outperformed' public schools.<sup>6</sup> However, it must be stressed that there is a high degree of heterogeneity in the charter sector, which makes it important to investigate in more depth what makes some charter schools more successful than others.

This high variation suggests that allowing schools freedom to innovate has created the experimentation and diversity of approach that proponents hoped for. However, this reality of mixed results places a premium on the public accountability part of the equation. In many states and cities, high-performing charter schools consistently outperform traditional public schools, suggesting that policy and implementation — the elements that vary most across states — greatly determine whether a charter law produces high-quality results.

### Reasons for variable performance

Certain charter schools consistently outperform others. Understanding why provides important lessons about the potential benefits that can be gained from a contract school model as well as how best to establish one. Studies of KIPP show impressive and consistent results.<sup>8</sup> KIPP schools were originally excluded from the study mentioned above, which showed only modest gains for charter schools. When the authors included KIPP, the results appear substantially more positive than those of traditional schools in both reading and mathematics.<sup>9</sup> KIPP's main reasons for success centre on strong emphasis on high-quality school leadership and teachers.<sup>10</sup> The leadership can set a particular ethos and culture for the school — one of high achievement and success. Additionally, direct control of teachers allows for flexibility in teaching styles and curriculum. This lets teachers be more responsive to parental and learner needs.

Apart from the school leadership and teacher factors, evidence on variable performance is complex.<sup>11</sup> Reviewing many successful charter programmes shows that, freed from bureaucratic constraints, there is potential for innovative ideas, entrepreneurial leadership and mission-driven staff to create better outcomes, particularly for disadvantaged and minority children. Charter schools offer a mechanism to start new schools quickly and an organisational structure designed to solve learning problems efficiently and creatively. Additionally, authorisers have the right to revoke a charter, which is normally done based on school performance. The willingness of a state to revoke, or at the very least not renew, a charter when a school is underperforming impacts on the overall quality and success of the charter programme.

Although charter schools are free from much of the burdensome bureaucracy and politics traditional public schools have to face, their success relies on thoughtful and vigilant oversight. Public and private organisations hoping to build high-quality public school choice through charter or contract schools should consider the following components:

- Programmes designed to target the learners with the greatest needs;
- Screens and accountability systems that allow for diverse school options but filter out low-quality schools;
- Information and support systems that enable families to make good choices;
- Transportation systems that allow them to access these schooling choices.

KIPP's main reasons for success centre on the quality of school leadership and the teachers

Improving learner achievement must be the unqualified and unapologetic goal at the forefront of all discussions and legal frameworks. An effective charter law is one that promotes strong autonomy, so that schools have control over their staffing, budgets, education programmes and strong accountability for results.

In the final analysis, smart government regulation and oversight are the key to ensuring quality. It is clear from the US experience that authorisers should be outside the school districts and the local agencies that run public schools. However, too many authorisers can be problematic. To provide the necessary regulations and oversight, authorisers will need to build specialised expertise.

### Two other developed world examples

At least two other cases in the developed world similar to charters deserve review: the Swedish and British cases.

#### Sweden

Sweden has a well-established history of reforming education, with the aim of drawing in the private sector and providing school choice. A former minister of education and current governor of Stockholm, Per Unckel, said: 'Education is so important that you can't just leave it to one producer, because we know that monopoly systems do not fulfil all wishes.'<sup>12</sup>

Sweden has taken dramatic action to expand the private provision of education and promote school choice. Before 1992 learners were assigned to public schools in their local areas, with few private schooling options. A parliamentary decision introduced a voucher reform for compulsory years of schooling to be funded at local level; the municipality had to provide the school with funds per learner for each enrolled learner. The reform took place after the non-Social Democratic government (the Conservative Party along with three other smaller parties) took power. They were able to reverse Sweden's long history of centralised, monopolistic education. When the Social Democrats got back into government, they did not reverse the reform.

Recent research has found that these reforms have improved the relative average performance and educational outcomes of independent school pupils.<sup>13</sup> The research covered data from 1988 to 2009, analysing various outcome variables and accounting for potential issues across different municipalities. The independent schools have not increased municipalities' expenditures, and much of the success is attributed to competition effects. Additionally, not only did this system improve learner performance at the compulsory grade level, but those gains were reflected in the long term, showing a positive impact on high school achievement and in overall years of schooling.<sup>14</sup>

#### Britain

British Free Schools and Academies have built largely on American and Swedish experience. The Academy model, introduced by Tony Blair in 2000, was fashioned after the US charter system. It has become one of the world's largest initiatives to decentralise the provision of education and bring private providers into the public system. The reform was intended to improve education standards by replacing failing schools with high-quality academy schools. When the Conservative government came to power in 2010, the model was expanded. Academies are, in terms of the official definition, 'publicly funded independent schools that give heads and teachers greater freedoms and flexibilities.'

Smart government  
regulation and  
oversight are the key to  
ensuring quality

Academies are independent of local authorities and managed by governing bodies established by sponsors. Initially, sponsors were expected to invest their own money (up to £2 million) to supplement state funding. However, in 2010, the new Academies Act was passed and opened up the programme to allow all schools to seek academy status. Academies have never been allowed to charge fees.

The Free Schools Programme, launched via the 2011 Education Act, aims to respond to unmet parental demand not just for places, but for a particular ethos or pedagogical approach. In this way, advocates say, the programme aims to create new educational choices for all income groups and break current monopolies of provision. The evidence thus far suggests that converted schools achieve much better results than government owned and operated peers.<sup>15</sup>

### ACADEMY AND FREE SCHOOL CHAINS

A core idea of the British free school and academy system is the establishment of chains of schools. A chain, or network of schools, is seen as helping to spread the best practices of the high-performing schools to other schools within the network. Chains also help build economies of scale by having centralised administration and financing.

There is evidence that chains are substantially improving the results of learners, with upwards shifts in the achievements of learners in these schools. ARK Schools is one of the most successful chains in Britain with 18 academies, focusing on turning around poor quality schools in deprived areas. Low-attaining learners in ARK schools progress faster than the national average, with about 50 per cent more than expected progress in English and in Maths.<sup>16</sup>

CDE 2013

## Evidence from the Developing World

CDE commissioned research into the global experience of schooling partnerships. The research unearthed multiple examples of mainly positive impacts through partnerships and contract schools on schooling in poor communities. Three particularly instructive examples have been identified in the developing world which shed light on key issues central to exploring a model of privately managed but publicly owned schools:

- The benefits such arrangements can deliver when the public sector is struggling to provide quality schooling to the poor;
- The reasons these contract school arrangements have achieved positive outcomes; and
- The challenges likely to emerge in developing country contexts.

### Fe y Alegría, Venezuela and Peru

The first examples come from Latin America. Fe y Alegría (FyA), translating in English to 'Faith and Joy', is a Latin American non-governmental organisation controlled by the Jesuit Order of the Catholic Church. It provides preschool, primary, secondary and

Improving learner achievement must be the unqualified and unapologetic goal at the forefront of all school reform discussions

Fe y Alegría provides perhaps the largest example of contract schooling in the developing world

technical education programmes in very poor communities and provides perhaps the largest example of contract schooling in the developing world.

Fe y Alegría began in Venezuela in 1955 and has since spread to 14 other countries, including Peru, Colombia, Brazil and Chile. In all these countries, schools are structured within national organisations which are associated in an international federation. The schools are therefore part of a broad, extremely well established private network in which educational ideas and practices can be shared and developed.<sup>17</sup> However, in many respects these schools are an example of private management of public schooling resources, as will become evident. FyA's primary mission is to provide quality education to the poor, ensure that learners complete at least basic schooling and support community development. Governments in a number of Latin American countries have entered into contracts with FyA to operate public schools in poor, deprived areas.

Two countries in which FyA operates that have been studied in some detail are Venezuela and Peru. In Venezuela, an agreement between the Ministry of Education and the Venezuelan Association of Catholic Education (VACE) in 1990 created a context in which FyA, a prominent member of the Association, could enter into a contract with the Ministry. Government pays for the teachers and FyA takes responsibility for the education delivered in what are still technically government schools.

In terms of this agreement, principals can hire teachers and recommend their dismissal. Teachers are hired through direct recruiting or job centres operated by FyA. Principals and management teams have the responsibility of assessing teachers and proposing professional recognition and disciplinary measures.<sup>18</sup> The schools can supplement the finances they receive from the state in a variety of ways. There is usually a community contribution and schools have access to a proportion of money raised by the broader FyA movement. Individual schools can raise funds from sponsors.

In Peru, FyA schools have entered into similar arrangements with the state. Fe y Alegría began operating in Peru's capital city, Lima, in 1966. By the end of the 1990s the school network consisted of 53 schools in urban areas, with about 65 000 learners and more than 2 600 teachers. In 1995 the organisation decided to move into rural areas, and by the 2000s had established 19 preschool centres, 58 primary schools and five secondary schools in rural Peru.<sup>19</sup>

In terms of the agreement, government meets the payroll for principals, teachers and administrative and service staff, subject to budget availability. To supplement its resources, FyA continually seeks funding from national and international donors. These contributions are used mainly to finance its central management, organise supplementary teacher training, equip schools and provide them with materials, pay support staff and invest in other improvements. For infrastructure maintenance and upgrade, the organisation relies heavily on volunteer work by local families whose children attend the schools.

While FyA school principals have substantial autonomy, they are integrated into the FyA network, which provides training and a strong sense of direction. The broader FyA works continually with principals to ensure that they identify with it and its goals. FyA also enhances the administrative skills and pedagogical knowledge of principals and their management teams and works to upgrade teachers.'

The curriculum is designed by FyA and focuses on providing a solid grounding in reading, writing and mathematics. The programme also emphasises vocational education 'to stimulate students' interest in training and technical careers.'

## Concession Schools, Colombia

Another potentially useful example comes from Colombia. There, the Concession Schools programme was initiated after demand significantly outgrew the primary and secondary school places available in the capital, Bogotá. There was a particular need to increase the supply of basic education in low-income areas. Additionally, to improve the quality of public education, problems common to government schools needed to be overcome, including weak leadership and management, lack of workforce flexibility and resource shortages.<sup>20</sup> Bogotá's private schools, on the other hand, were well run and outperformed public schools in national assessments. Of the 96 best performing schools in Bogotá in 2001, 46 were private institutions, which enrolled over 28 per cent of the city's learners.<sup>22</sup>

In 2000, 16 schools were purpose-built in low-income neighbourhoods in need of school places. Each cost over US\$2,5 million. The Secretariat for Education for the Bogotá District (SED) engaged established private schooling providers in a competitive tender process for the management of the schools. Contracts were awarded to single and multiple school management organisations. These are held for 15 years and specify performance measures that providers are expected to meet, including a high number of instructional hours, single-shift teaching days, suitable dietary provision for learners and pre-determined targets on tests. If any of the criteria are not met for two consecutive years, SED may terminate the contract. Consequently, the 15-year contract commits the government to a long-term pro-poor education initiative with no contract renegotiation disruption. It also ties the organisation into a performance-based contract and provides the state with a clause to end the relationship.

Concession Schools receive an average stipend of US\$520 per pupil per annum from the SED. This is more than the US\$430 received by public schools. Families apply for their preferred school choice, and Concession School applicants are means tested. This allows the initiative to reach the most disadvantaged pupils. However, it is not the additional funding that attracts the private sector, but the relative freedom from public education regulations, most significantly control over staff recruitment, school management and administration processes and pedagogical practice.

There are currently 25 Concession Schools in Bogotá, providing over 26 000 learners with quality education. The SED has planned for a total of 51 schools serving 45 000 learners for the current 15-year contracts. While limited to the city, expansion of the programme from 2000 happened rapidly and successfully.

### Promoting Equality in African Schools (PEAS)

Most examples of contract schools are in Europe, North America and Latin America. One example in Africa is Promoting Equality in African Schools (PEAS), a UK organisation, which has established partnerships in Uganda (13 schools) and Zambia (1 school) to deliver 'equal access to affordable, quality secondary education'. PEAS builds and runs sustainable schools that give poor children access to secondary education. The programme is a partnership with the government, which is supportive of the model.

While the cost of building the school is funded by PEAS, running costs are covered locally by government subsidy and fundraising. The Universal Secondary Education programme in Uganda established a grant for learners. The PEAS model functions because of the understanding and cooperation of government and the formal development of an education public private partnership. The Ugandan government has expressed interest in applying what it has learned from the PEAS network to other secondary schools.<sup>21</sup>

CDE 2013

Families apply for their preferred school choice and Concession School applicants are means tested

## The Punjab Education Foundation, Pakistan

The Pakistani case is slightly different and does not neatly fit into the category of private management of public schools. Although the government largely covers costs, the schools remain in private hands. So, strictly speaking, this model does not comply with our definition of contract schooling. Nevertheless, this case study contains a number of interesting elements, both in terms of its success in harnessing private schooling delivery and the ways in which schools are monitored.

The Punjab Education Foundation (PEF) was established in 1991 and restructured in 2004 into an autonomous independent institution with the overall objective of promoting quality education for the poor through partnerships with the private sector. It is funded by the government of Punjab province, but a majority of its directors, including the chairman, are drawn from the private sector. Since 2004, the PEF has introduced a number of innovative funding-based programmes aimed at increasing access to quality education for the poor. Its flagship is the Foundation Assisted Schools (FAS) programme, which pays low-fee private schools a monthly subsidy per learner.

Rather than pay for teachers' salaries, the PEF covers learners' school fees. Schools in poor rural and urban areas are paid between US\$3 and \$4 (about R40) per month per learner. This tends to be less than the average expenditure on a state school child but typically more than the school fees of the average low-fee private school. Schools in the programme may not charge tuition fees and have to meet steadily increasing achievement benchmarks. Schools which fail to improve their performance will not be allowed to stay in the programme. The PEF operates other programmes as well — vouchers for learners, teacher and principal training and training in specialist subjects. The PEF currently reaches over a million learners in over a thousand schools.<sup>23</sup>

There are similarities between the PEF and the Fund for Assistance to Private Education (FAPE) in the Philippines. FAPE is mandated to assist private education institutions. The Private Education Assistance Committee (PEAC), headed by the Secretary of Education as chairman, is a trustee of FAPE. Although FAPE funds private education, there are lessons to be learned from the structure that can be developed for a contract school system, as it has evolved from a funding body into an organisation that plays an active role in education programmes. It serves as the key government instrument to support the development of private education as an indispensable partner of the public school system.<sup>24</sup>

## Improvements in the quality of schooling

Evidence on the impact of contracting and public-private partnerships on schooling quality in the developing world is, as ever, complex. For example, until recently, the absence of nation-wide standardised tests in Venezuela prevented a comprehensive comparison of private and public school performance. However, studies at local level pointed to the contract schools providing a superior education. Tests administered to public school and FyA pupils in 1993 and 1998 clearly showed the superiority of FyA schools. In 1993, in the mathematics test, of the 27 pupils who passed (of a total of more than 1 000), 24 (89 per cent) attended FyA schools. FyA learners also performed on average three percentage points above public school pupils in the reading comprehension test. In 1999, FyA pupils scored on average eight percentage points higher on the maths test, nine percentage points in the reading and writing test and four percentage points higher in the written expression test. These findings do not control for learners' social backgrounds, but

Rather than pay for teachers' salaries, the PEF covers learners' school fees

it is unlikely that such controls would make a significant difference as most FyA schools are in very poor neighbourhoods.<sup>25</sup>

Using 2003 data, Professors Hunt and Ortega recently undertook a more scientific evaluation of FyA, comparing the scholastic performance of FyA graduates to a control group of public school learners. They used the results of the Prueba de Aptitud Académica (PAA), a recently introduced mathematics and verbal test similar to the American SAT (the standardised college admissions exam). A total of 413 607 graduating Venezuelan high school learners took the test. After controlling for a range of differences between the two groups, the authors were left with 46 460 public school learners and 2 237 Fe y Alegría learners. Their results showed that FyA learners performed 0,05 and 0,06 standard deviations higher in the verbal and maths scores respectively, after accounting for population heterogeneity and selection bias.<sup>26</sup>

Assessments of Peru's private schools are not very scientific. One study that provides some insights, but remains fairly superficial, was undertaken by the (UK) Centre for Education Research and Development in 1998. It found that, in comparison to public schools deemed comparable in terms of proximity, socio-economic level of the learners and number of grades taught, FyA schools had a drop-out rate of 6 per cent compared to the 14 per cent of public schools. In FyA schools 65 per cent of learners completed their schooling without repeating a grade. In public schools only 42 per cent achieved this.<sup>27</sup>

Assessments of the outcomes and educational achievements of FyA in Colombia have had mixed results. A study by Professor Juan Carlos Parra Osorio in 2010 of Fe y Alegría high schools in Colombia found that simple statistical evaluations show that many perform worse than other schools. However, this did not take into account that FyA caters to low-income learners from disadvantaged backgrounds. If socio-economic conditions are factored in, FyA schools often outperform or perform as well as the public schools.<sup>28</sup>

Unit costs in FyA schools may be higher than in public schools when the community contribution is factored in, but it has also been shown that, on average, schools in the FyA network have been successful in reducing grade repetition and dropouts. Progression and retention rates were 44 per cent and 11 per cent higher, respectively, in FyA schools than in other public schools.<sup>29</sup>

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.'<sup>30</sup>

A systematic comparison between PEF schools and other Pakistani schools has not been undertaken. However, an independent evaluation of a sample of 40 per cent of the schools by a Pakistani independent research organisation, Innovative Development Strategies, noted a marked improvement in the quality of education at PEF schools and concluded that PEF had made significant progress in making quality education accessible to the poor.

A more scientific evaluation by World Bank researcher Barrera-Osorio found that the programme has had large positive impacts. The cost-effectiveness estimates 'suggest that the programme is among the cheapest interventions in developing countries for inducing enrolment gains.'<sup>31</sup> However, the full evaluation of the relative quality of education that the foundation provides has not yet been published.<sup>32</sup>

The Concession School model in Colombia has also produced positive results. Enrolments in Concession Schools rose from 7 007 in 2002 to 26 308 in 2004.<sup>33</sup> Drop-out rates have been reduced by 1,7 percentage points in Concession Schools. This is

If socio-economic conditions are factored in, FyA schools often outperform or perform as well as public schools

A World Bank evaluation found that the PEF programme has had large positive impacts

significant when compared to drop-out rates in non-Concession Schools. Concession Schools also outperformed public schools in mathematics and reading 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. More money is then spent on resources and nutritional support.<sup>34</sup> Assessment, enrolment and budgeting results have proven the programme is achieving its targets.

Although the evidence from the four countries is incomplete, it suggests strongly that contract schools improve the quality of education, and especially in schools catering for poor communities, while diversifying the system.

According to all the research three factors contribute predominantly to the success of the contract school models: autonomy; accountability; and support.

Autonomy provides the space for private organisations, principals and teachers to introduce innovations and take responsibility for the educational outcomes they produce. Accountability ensures that principals and teachers are incentivised to do the best they can and be held accountable when things go wrong. Support helps teachers and principals to focus on core activities and learn from best practices introduced or discovered by others within the support network.<sup>35</sup>

Having said this, the record of implementation of such programmes in the developing world shows that they are not exactly plain sailing. A core source of the difficulties that often arise is a lack of trust between the public and private sectors. For example, while the almost universal support for the Catholic Church in Venezuela has made it easier for the government to support FyA, the government remains suspicious of private schools and has never provided a level playing field. Public schools are subject to intermittent, mostly ineffective supervision. By contrast, subsidised private schools are subject to constant supervision. Supervisors visit all the schools at least twice a year, and private schooling organisations have to compile detailed reports on the running and performance of schools under their purview.<sup>36</sup>

In Peru, the state has from time to time tried to interfere with the ability of contract schools to hire their own teachers. The state has argued that as long as teachers are paid from public funds, staff selection should be guided by the results of state sponsored examinations, and the schools should accept official assignment of teachers to specific establishments. As a result of this tension, education experts in Peru have proposed that the state should stop subsidising teachers' salaries and instead institute a payment-per-pupil system, which in practice would give schools greater management freedom.

While the PEF model in Pakistan, which uses the payment per pupil system, has been largely successful, its performance has not been unproblematic, and its relationship with the state has not been without tension. Firstly, PEF's monitoring and evaluation capacity is said to still be in the formative stages. The capacity to conduct inspections is limited so the Foundation focuses on spot inspections to ensure that schools are delivering the numbers and results they claim.

Further, in 2008 progress was stalled for more than a year due to a change in the Punjab government. Abrupt policy shifts caused by changes in the Board of Directors also seriously affected the integrity of the programmes. People began to raise questions about the transparency and accountability of the PEF management. In 2009 a scandal erupted regarding expenditures on staff vehicles and a further restructuring of the board and management followed. Within the year, appointments to the board of directors were completed and a new management team was in place.<sup>37</sup>

## Summary of evidence from the developing world

In short, the evidence from the developing world experience is complex but positive.

The decentralisation of school management and school control over issues such as hiring and firing teachers, as well as the curriculum, school hours, school ethos, etc., can be a powerful way to improve the quality of schooling in the public sector and, especially, to turn around badly performing public schools.

More decentralisation and autonomy by themselves will not, however, automatically produce high-quality schooling. It is also crucial that the private organisations offered government contracts are capable. The model of Colombia's Concession Schools, in which only private schools with a proven track record are offered contracts, is one way to ensure that organisations that are not sufficiently competent will not be allowed into the system.

Support for schools within the system, including training, knowledge sharing and the encouragement of best practice, is important. This can be provided by networks of schools, as with the Fe y Alegría schools.

Schools' performance must be monitored fairly and effectively. Setting clear performance criteria and enforcing compliance is equally critical. Departments of education in developing countries are not always best placed to take on this task. The reason is twofold: 1) there is often limited capacity to undertake this oversight and management role; and 2) contract schools are often seen as competition to traditional public schools, creating a conflict of interest. The case of the PEF demonstrates that these tasks can, to an extent, be effectively undertaken by a specially constituted entity that feels, and is, responsible for the performance of the contract school public-private partnership sector. Such an entity does not have to be part of government, but must have some relationship with government. Such organisations must have the support and trust of the public sector.

## Key Lessons Overall

---

Some important general lessons have emerged. These include:

- The impacts of contract schooling in terms of quality of outcomes are complex, but largely positive, especially if certain rules of oversight and regulation are followed.
- Causes of relative success among different types of contract school are again varied but primary are the ability to attract and retain high-quality teachers and principals.
- The challenges in initiating and effectively implementing contract schooling vary according to national context, but a common key factor is relationships between the initiators/managers of such schools and the governments with which they interact.
- Decentralisation of management control and the ability to hire and fire principals and teachers are central to the effectiveness of contract schooling; but
- Authorising and monitoring the effectiveness of such schools is also vital and should be a public-private partnership.
- In many contexts such authorising and monitoring has — at least initially — been done by district or regional/provincial authorities.

Education experts in Peru have proposed that the state should stop subsidising teachers' salaries and instead institute a payment-per-pupil system

- The regulator must have powers to hold the account the contractee, particularly in terms of ending a contract and closing a school for non-compliance (such as underperformance).

## Contract Schooling in South Africa

---

We now examine whether these lessons could be applied in South Africa. Can a new, contract schooling mode of delivering quality education to poor families take root and have a significant impact? First we look at the need and appetite for the contract schooling model. We examine legal challenges that would have to be confronted. We then chart the way forward by setting out the changes and initiatives required for successful introduction of contract schooling.

### Need and appetite

Is there a role for contract type schools to contribute to the many challenges facing South Africa's schooling system, particularly in poor communities?<sup>38</sup> In February 2013, CDE facilitated a workshop of leading South African experts in schooling reform. Two prominent international experts, Robin Lake, Director of the Center on Reinventing Public Education at the University of Washington; and Norman LaRocque, Senior Education Specialist at the Asian Development Bank, participated (see list of participants on page 28). After a day of examining the evidence, it was concluded that South Africa could benefit from initiating a contract schooling sector. Why?

- This type of public-private partnership is missing in the schooling environment, making South Africa one of few developing countries with a disproportionate reliance upon public schooling.
- South Africa's major schooling challenge is to ensure better quality education for millions of people who are poor. The country already spends some 6 per cent of GDP on education, this is in the upper range of countries in terms of education expenditure. Contract schooling provides an option for spending money more efficiently.
- Although they should be seen as part of a broader reform, contract schooling can have a more immediate impact than reform of traditional public sector schools.
- There has been widespread international success in countries that have used this model to tackle schooling quality for poorer, disadvantaged communities.
- Contract schools provide a research and development (R&D) sector for the schooling system as a whole. Contract schools' autonomy facilitates innovation and experimentation with better ways of schooling. This can have a positive impact and provide lessons for other schooling sectors, both public and independent.

A second question was strategic. Would a focus on this missing sector be a diversion away from fixing public education? The answer was a resounding no. Contract schools, in both the developed and developing world, have focussed on improving the quality of education for the poor, often in communities who have no access to high-quality education options. This is the fundamental challenge in South Africa — how to improve schooling so as to

Can a new, contract schooling mode of delivering quality education to poor families take root and have a significant impact?

reach the most disadvantaged. The contract schooling model does not detract from fixing the public sector education system. The contrary is true, for the following reasons:

- Like independent schools, contract schools can save the public sector money. They do not necessarily require less funding, but provide more value for the money spent.
- Although initially a small initiative, the concept can grow, especially in urban areas and provide a quality schooling choice in areas where this is limited or non-existent.
- Contract schools can have a positive influence on the public sector. The new methods of delivery and techniques developed can help address broader education reform.

Based on CDE's research and engagements, there is a willingness, at least at some levels of government, to discuss new schooling delivery models. For example, the NDP calls for greater diversity in schooling. It states: 'the different parts of the education system should work together allowing learners to take different pathways that offer high quality learning opportunities.'<sup>39</sup> At a CDE round table in 2010, the Director General of Education, Bobby Soobrayan, said: 'We believe diversity is vital, and that independent schools, especially those that serve the poor, introduce an element of diversity that will help to benchmark schools.'<sup>40</sup> These statements suggest that, at least at the national leadership, there will be a willingness to discuss drawing private sector expertise into the public sector, specifically to address the weaknesses of the schooling available for the poor. Moreover, CDE research and consultation has established that at least two provincial governments are interested in alternative models of school funding and management.

In addition, there is already a wide array of schooling partnerships between the private sector and government, including the subsidies that low-fee private schools receive and the Adopt-A-School programme favoured *inter alia* by the Deputy President of the ANC.<sup>41</sup> These partnerships are well established, although they are beset by challenges and quite different from our focus on the contract school concept. In the Adopt-A-School programme, government has drawn some private expertise and funds into the public schooling sector. The public schools 'adopted' remain firmly in the control of the centralised public schooling bureaucracy. Independent schools that receive some government subsidy must comply with a number of regulations, but remain privately owned.

The contract school concept will therefore constitute a new kind of partnership. It gives non-government actors space to use their expertise in innovating and managing schools. It will make school managers both responsible and accountable for the performance of this type of public school.

Of course it is important to note that public-private partnerships can fail and need to be properly designed to achieve maximum benefit. A prominent example involves the outsourcing of educational services that led to the Limpopo textbook delivery scandal in 2012. The complexity and politicisation of public-private partnerships is such that many government departments do not want to become involved. As one provincial government official commented in the February 2013 workshop at CDE: 'Nobody wants them. Everybody is trying to stay away from them. Go to government departments and ask for a partnership and they will immediately say "no"'. Reasons mainly relate to operational complexities, but also scandals over alleged, and sometimes actual, corruption.

South Africa's major schooling challenge is to ensure better quality education for millions of people who are poor

The contract school  
concept will constitute  
a new kind of  
partnership

For a contract schooling model to take off, ‘buy-in’ and support from government will be vital. Without the public sector on board, authorisation and financing cannot be adequately undertaken. And the conditions need to be encouraging and welcoming to private providers who will have to come forward to take advantage of the management contracts that government will offer.

It is, of course, difficult to know what the response to this hypothetical situation will be. Positive indications can be found in a slew of initiatives, such as Curro Holdings and other private school initiatives for private schooling for the poor, which suggest that private operators are looking for opportunities to get involved. However, given that this is a new kind of partnership, the model will likely first have to prove itself as practical on a local scale.

An additional indication of support comes from calls for what are being called ‘impact schools’, which largely emanated from schools within the Extraordinary Schools Coalition.<sup>42</sup> Impact schools seek to provide affordable, high-quality learning to disadvantaged learners. Although the notion of impact schools is not tied to a particular concept of public-private partnership, they do advocate stronger private-public partnerships to permit them to find the funding to deliver quality schooling to low-income communities.

The Coalition was established in 2010 by three of the current member schools. It began as a fairly informal coalition of independent schools serving socio-economically deprived learners but has since grown in size and formality and, at the time of CDE’s research, included 15 independent and public schools (the four public schools in the Coalition are all part of the Department of Basic Education’s Dinaledi programme). The Coalition receives financial support from private donors.<sup>43</sup> While members share a common vision of becoming impact schools and seeking a stronger partnership with government, the schools themselves are very different in most other respects. They range in size from less than 100 pupils to over 800. They include fee-charging and no-fee schools, historic and new schools, focussed and general schools, schools targeting the FET band and combined schools accommodating children from grades R to 12, schools serving rural and others serving urban populations, and some that offer boarding facilities.<sup>44</sup>

Schools must meet specific criteria to retain membership of this Coalition. At least 30 per cent of pupils must qualify as socio-economically disadvantaged, at least 50 per cent must do mathematics and a science, and schools must demonstrate a commitment to integrating Information and Communications Technology (ICT) in their teaching and learning. Secondary schools must achieve a minimum 90 per cent matric pass rate, with at least 45 per cent bachelor’s pass (making them eligible to apply for university), and primary schools must achieve an average of 60 per cent in literacy and numeracy in the external Grade Three and Six Annual National Assessments.

Coalition schools also share a common value system and place an emphasis on the development of the ‘whole child.’<sup>45</sup> The strongest element within this Coalition is the extent to which the schools are committed to a common goal and share best practices and experiences. This kind of supportive environment has been shown to have positive effects in the Latin American Fe y Alegría schools and some British academy chains.

The independent schools within the Coalition currently face a lot of pressure to generate income through school fees and fundraising. This may be an important factor behind the readiness of some school leaders to enter into contract arrangements with the state. Although low-fee independent schools can receive subsidy from the state, the amount depends on fee levels, and the lowest-fee schools may receive only a 60 per cent subsidy. Instead of receiving a fraction of the per learner transfer received by state schools, they

would hope to receive at least the equivalent amount once they became part of the public sector.

At the same time, independent schools in the Coalition are reluctant to sacrifice autonomy. Without this, school leaders believe, they will not be able to continue to deliver quality instruction. Critical to running their schools is control over the appointment and management of staff, school leadership and governance structures, choice of religious practices, the targeting of learners and decisions regarding subject focus. The goals of this Coalition and discussions with those schools committed to seeking a greater partnership with the state show both an appetite within the private sector for exploring the contract schooling model as well as pointing to the challenges. The core challenge is to create a workable arrangement in which private organisations are given independence to manage schools while becoming part of the public sector in a way that goes beyond merely receiving a top-up on the subsidies already available to low-fee independent schools.

Before we can explore the steps needed to establish such a model, we have to understand the opportunities and challenges presented by the legal and regulatory environment.

### The legal and regulatory environment

The South African Schools Act (SASA) delineates public ordinary schools and independent schools. Public schools are supported from provincial education budgets with an allocation of departmental posts, buildings, land and transfers for expenses, programmes and subsidies. Public schools, except those designated as no-fee paying schools (which now make up 60 per cent of schools and, in terms of government policy, should eventually reach 80 per cent), can charge fees to supplement their income.

Independent schools all charge fees, and those with low to medium fees (i.e. on average about R25 000 p.a. or less) can receive a subsidy from government calculated on a sliding scale based on the provincial average estimate of expenditure per learner (PAEPL) and the percentage of the school fees as a ratio of the provincial PAEPL.<sup>46</sup>

According to official norms and standards, the lowest fee-paying independent school should receive about R6 600 per learner (60 per cent of an average PAEPL across the provinces of R11 000). Each province calculates its own PAEPL, and they differ. Since 2006, the PAEPL has been calculated on estimates of expenditure for the next academic year and based on the Medium Term Expenditure Framework. 'Actual past expenditure' was previously used.<sup>47</sup>

The existence of a state subsidy for private schools means that the private and public sector already co-operate in bringing schooling to the poor. However, quite a lot of tension has surrounded this. In October 2012, the Independent Schools Association of Southern Africa (ISASA), the largest independent school association, representing over 700 schools, asked the Public Protector to investigate the KwaZulu-Natal, Mpumalanga, Limpopo, Eastern Cape and North West education departments for failing to correctly subsidise qualifying independent schools. ISASA claimed that 630 schools and 130 000 pupils in these provinces have been harmed by inadequate subsidies.<sup>48</sup> In April 2013 the Constitutional Court ruled that the education department in KwaZulu-Natal should pay R6m out of the R23m that the applicants were seeking in unpaid subsidies for the 2009 financial year.<sup>49</sup>

These problems suggest that elements of provincial government may be reluctant to extend financial support to private sector providers. This could be due to how provincial education departments receive money from National Treasury. However, it is well known

Public-private partnerships can fail and need to be properly designed to achieve maximum benefit

that both national and provincial treasuries are looking for ways to minimise schooling expenditures.

For contract schooling to be an attractive option, it will need to deliver quality schooling in a way that will save government money, and make the spending more productive. At the same time, the amount available per learner, even if raised to the full R11 000 per annum that government schools receive, could be insufficient to finance quality schooling. The financing amount is still uncertain and raises additional complex issues, such as of teacher salaries, land and building access, etc., which still need to be addressed. If contract schools are to be no-fee schools (which is the common arrangement to ensure access for even the poorest of the poor) they will either have to find additional funding from elsewhere, or realise substantial new efficiencies, such as through chains of schools.

Most of the funds allocated to public schools cover teachers' salaries. However, the state also provides the school building and the property, funds to buy equipment, consumables and to support maintenance transfers to support school feeding, and other transfers for special national or provincial programmes (such as school safety, 'school improvement', and Grade R grants). Accessing these funds may help contract schools to become more viable.

Setting up contract school arrangements between existing independent schools and the state at scale will almost certainly require new regulations. The legal advice is that current legislation has the possibility for alternative interpretation to address some aspects of a contract school model. Key sections of the South African Schools Act include:

- Section 14: outlines the rules when a public school functions on private property. There have been court cases in regard to the interpretation of this section. One example of possible broader interpretation and scope to Section 14 comes from the agreement between the Royal Bafokeng Institute and the North West Provincial Education Department, which has given the Royal Bafokeng legal right to contribute to core curriculum, extra-curricular activities and school governance costs.
- Section 17: is important in addressing the need for quality human resources across contract schools, specifically for management and governance to be shared. This provision allows for a school governing body to act as governing structure for more than one school.
- Section 16: applies to Further Education and Training (FET) colleges and how government intends to establish public colleges, how they are to be governed and funded and how private colleges are registered. Aspects of this section can provide optimism for similar transformation in the basic education legislation, particularly in regard to teaching and other staff being employed by the institution rather than the state. It creates the college as the employer of both educator and non-educator staff.
- Section 21: outlines the responsibilities that represent various levels of autonomy available to school governing bodies. These include issues around school property, employing staff, payments, etc. Schools are designated responsibilities based on the decision of the head of department of the provincial education department. It does provide some autonomy, but is limited in scope, and does not give schools the power to act as the employer of teachers.

It is important to understand the opportunities and challenges presented by the legal and regulatory environment

The contract schooling model depends on autonomy in managing schools, especially in the hiring and firing of teachers. The international experience makes this clear, and the current schools in South Africa that support contract school arrangements almost always argue that the employment of management, teaching and non-teaching staff must rest with the school if it is to be held accountable for quality outcomes. In the current legal framework, this would be difficult to establish as the government is the employer of all teachers in the public sector. Although school governing bodies make recommendations, the head of department of each of the provincial governments is the employer.<sup>50</sup> The South African Schools Act along with the Employment of Educators Act defines the 'cooperative' relationship between government (national and provincial education departments) and school governing bodies. The Employment of Educators Act also describes the relationship between the employer (government) and labour unions. Unless government is prepared to give contract schools autonomy to hire and fire, private providers may be very reluctant to become part of this model.

The best way to ensure that the contract schooling model is truly a new sector rather than just an extension of the existing independent school subsidy is to focus on converting existing public schools, or new public schools, into contract schools that will be managed by and become the responsibility of a variety of carefully vetted private organisations. The necessary legislation and regulations would largely fall under National Treasury's Public-Private Partnerships Unit.<sup>51</sup> At the appropriate point, therefore, discussions with Treasury and the PPP Unit will be required.

## The Way Forward

---

Privately managed, state funded contract schools could provide quality education to low-income and disadvantaged learners. In order to do this they will need to be accountable for the results they produce while having greater autonomy than ordinary public schools. The literature and case studies reviewed suggests that this relationship yields positive results, but it can by no means easily be transferred to South Africa. Each country that has a contract schooling model has developed locally-rooted arrangements to address specific educational issues and overcome legislative challenges.

Based on CDE's research and discussions with local and international experts and stakeholders, the following essential issues and questions need to be addressed before a successful contract model can be introduced:

### 1. What type of contract arrangement can be adapted for South African circumstances?

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. A key lesson from US experience is to prevent a 'free for all' in terms of access to the sector. Additionally, the Concession Schools in Colombia show the benefit of at least giving preference to existing credible private providers with a substantial track record who can produce a well formulated and clear business plan. The Concession School practice is to allow companies that run existing, successful private schools to enter into a contract to manage a government constructed

The contract schooling model depends on autonomy in managing schools

school, *in addition* to running the established private schools. This encourages the formation of school chains and brings private sector best practices into the public sector.

In terms of strategy, Robin Lake highlighted how, in the early days of the US charter school movement, ‘A lot of charter schools came out of the gate proposing ideas that sounded cool, innovative, really interesting. They promised to figure out the instructional side, teacher quality side, later. This was a huge mistake. It overlooked the importance of high quality leadership and teaching. Those authorising the contracts need to ensure that there is a strong human capital strategy in place for the management contract.’

A vital part of the contract has to include how and when a contract is terminated and a school is closed down through failure to perform at the standard required.

## 2. Which schools should be converted?

Once it is determined who can be eligible for a management contract, the contract itself needs to stipulate which types of schools are eligible. Contract schools will start on a small scale, with the possibility of growth. A contract system should not ‘crowd out’ the development of the independent schooling sector. Rather, the contract school model is intended to provide more choice and increased diversification of the education system by creating a new sector of schooling in South Africa.

We suggest that contract schools should initially be confined to underperforming, underutilised or closed/abandoned public schools. This will provide contractors with access to infrastructure (and government should commit to restoring schools that have fallen into disrepair). In this way a clear strategy can be designed of using this model to turn around failing public schools, strengthening the performance of the public sector as a whole. This is how the British Academy Programme was initially implemented, before (partly as a result of its success) being expanded to other schools.

In time, contract schools can be new start-up schools rather than conversions — once the sector is established and has proven successes in addressing the critical needs in the areas of vacant and low-performing public schools.

## 3. How much autonomy should the contracts permit?

This will be critical. Contract schools are based on the premise of autonomy; they must promote rather than stifle the initiatives of private school management entrepreneurs. This has been the key lesson across all the case studies and literature from both the developed and developing world. The contract needs to underscore the level of autonomy for the school and what will be achieved with this freedom. The most critical factor is human capital. The management must be able to hire and fire. The school’s leadership and teachers are fundamental to its success and ability to achieve the results. Increasing management’s autonomy decentralises control and allows for flexibility and innovation. Both elements are critical to high success and turning around performance in short timeframes.

## 4. How important is monitoring and oversight?

High autonomy leads to a need for strong accountability and oversight. Again, international experience has shown the importance of this in ensuring that contract systems produce the results agreed to in the contract. In the South African context, of potential challenges raised in discussions with experts and stakeholders, capacity and corruption within the public sector were the most commonly expressed and regarded as the most difficult to overcome in terms of oversight and regulation of the contract schooling sector. A

Privately managed,  
state funded contract  
schools could provide  
quality education  
to low-income and  
disadvantaged learners

competent public authority is critical for overseeing school contracts. It is also vital to mitigate potential corruption in the private sector as well. A strong regulating body will ensure that poor and underperforming schools are shut down as per the stipulations in the contract. The oversight is critical for ensuring that contracts are upheld. A fundamental component is the willingness to close down schools where necessary.

### 5. What are the best methods for monitoring contract schools?

Contract schools have used different methods for oversight and accountability, both 'top down' from government bureaucracies and authorisers as well as 'bottom up' from parents. Methods of accountability include various authorisers, overseers and partnerships. South Africa's lack of capacity within some government departments and the rising tide of corruption (in the private and public sector alike) need to be addressed but should not be a barrier to adopting a contract schooling approach. Rather, these limitations should lead us to explore innovative ways to implement and administer contract schooling systems.

There are important examples of partnerships in the developing world, where an external organisation, in cooperation with government, can be used as a regulatory body. This can help address a lack of capacity in the public sector and mitigate potential corruption. These types of systems, as demonstrated by the Punjab Education Foundation (PEF) and the Philippines' Fund for Assistance to Private Education (FAPE), are not just funding entities but actually help build capacity within the partnership. As we have seen, the PEF is an autonomous and independent institution funded by the government of the Punjab province, but a majority of its directors, including the chairman, are from the private sector.

South Africa could establish a Punjab-type foundation at national or even provincial level, where the government may give the lead while a majority of its directors, including the chairman, are drawn from the private sector. At any level, it will need the approval and support of the Department of Basic Education (DBE). A semi-autonomous body related to the DBE, such as UMALUSI (the standards monitoring authority) or National Education Evaluation and Development Unit (NEEDU) could be sensible and objective sources of representation on the authorising structure.

In addressing any suspicions of corruption, a South African PEF equivalent could have representatives of the Auditor-General on the governance or authorising structure. This would create collaboration between relevant stakeholders in both the public and private sectors, promote accountability and transparency, and build capacity. Setting up this type of system would provide the functional framework that can fully harness the potential of the private sector. Once initially done as an experiment, the arrangement can be expanded, or refined, if proven successful.

Creating a partnership between the public and private sectors can also help ensure high quality and standards for contract schools. Arrangements used by school associations to evaluate and encourage standards should be employed as monitoring and quality control mechanisms. Once there are unified regulations for contract schools — i.e. national norms and guidelines — school associations can be contracted in to ensure adherence.

Once again, there are international examples of quality assurance being delegated outside the public sector. Some countries have established boards responsible for accrediting the accreditors. This is the case in the Philippines, which has a federation of accrediting agencies comprising different school accreditation boards. Each board has to meet certain standards, after which they are allowed to accredit the schools under their jurisdiction.

A contract system should not 'crowd out' the development of the independent schooling sector

In the US, the National Association of Charter School Authorizers (NACSA) works to improve the policies and practices of the charter school authorisers. It provides a comprehensive set of principles and standards, detailing best practices for soliciting, screening, monitoring and renewing or closing charter schools. Organisations like NACSA and the authorising bodies themselves help to relieve the pressure on government by providing capacity. Two key lessons from the US are that 1) having a limited number of authorisers is better for quality control; and 2) independent organisations such as universities or city councils can play a useful role as authorisers.<sup>52</sup>

### 6. Where should the funding for contract schools come from?

Funding is fundamental for the success of contract schools. Since contract schools are intended to benefit and cater to the poor — those without access to high-quality education — they should preferably be no-fee or charge only a nominal fee. As contract schools are publicly financed, they should receive the same per-learner funding as other public schools in the province. The funding arrangement is a vital component of the management contract, as financing of the school is contingent on its evaluations and ability to adhere to the specified outcomes. Although the direct costs of a contract school are equal to a public school, under the arrangement, the contract schooling model will relieve pressure on the public sector by using private expertise to improve the performance of the public sector.

Additionally, as part of their autonomy, these schools should be free to raise additional funds. They may not charge high fees, but should be allowed to ask parents, community members and others for donations, including corporate social investment. This is another potential benefit of the Punjab-like model of oversight: in addition to addressing the capacity issue, this type of partnership can be a productive way of using CSI spending and ensuring the effectiveness of programmes. There must be clear consequences for poor performance. Only successful schools may stay in the programme for the long run. This would allow CSI spending to become more targeted and careful in its selection of schools and interventions. Thus, using this type of government supported and privately managed authority to run the contract school programme could help to attract private funding, while using private sector skills to enhance capacity

### 7. Will a contract school model succeed in South Africa?

There are clear roles for various stakeholders. By building support amongst stakeholders and creating a viable system that addresses challenges in the public sector and bringing in private sector capabilities, South Africa has the potential to develop an effective and high-quality contract schooling system. The public sector has a role in finance, oversight and regulation. The private sector (including civil society) has a role in bringing in management providers, using their strong expertise, capabilities, entrepreneurship and innovation. Additionally, there is potential for organisations, existing providers and those already involved in the education sector to either become involved in the contract schooling sector in addition to the independent schools they already run, or act as partners and supporters of new organisations that wish to become involved.

South Africa could establish a Punjab-type foundation at national or even provincial level

## Next Steps

---

The next step should be to launch a pilot programme or programmes. As shown in our discussion of the regulatory framework, there is some space for such initiatives. CDE's projection is that the best way to proceed is incrementally and by experiment. In the first few years, pilots will likely comprise no more than 1 per cent of all schools, and after 10 years not more than 5 per cent. Contract schooling is not about the number of schools, but the quality and communities served. Although a small number, they would be in areas serving the poor and those least likely to get a quality education at present. Additionally, contract schools can have a positive impact on traditional public schools and in this way they expand their influence.

Developing a contract schooling system needs public sector support — national and provincial. Any partnership agreement will require buy-in and understanding from all stakeholders. CDE's research and engagement with the public and private sectors has indicated interest in going forward.

Developing management contracts and ensuring the necessary accountability will be a complex undertaking. Additionally, more information and a better understanding of certain aspects of the education sector will help improve delivery across the spectrum. Two critical elements are the regulatory environment and financing. There is potential in South Africa's legal system. However, it will require skilled legal expertise to navigate and understand how to use the legislation in a way conducive to contract schooling. CDE's initial research indicates this is possible, but it is likely that we will need legislative reforms if contract schooling is to move beyond a piloting phase. Secondly, there is still much to be understood about the financing of education. The amount spent per pupil in the public education system, and what value the government is receiving for that money, are not known. This knowledge will help determine the impact of contract schools. (CDE hopes to do work on this in the next year).

Given the crisis in our education system, the need for reform is intense. International experience shows that there is a vast range of schooling options that use public-private partnerships to improve the quality of education, particularly for the most disadvantaged. CDE's analysis of a range of models that create partnerships and diversity in schooling provision for the poor reveals that, if properly conceptualised and implemented, they can deliver diverse forms of quality schooling at an equivalent or lower cost than is possible in the public sector. This system of contract schooling is widely accepted internationally. We have provided key insights into a few examples, but the World Bank has identified over 20 countries — developed and developing — using this approach.<sup>53</sup>

Creating a spectrum of school choice is vital, helping to provide high-quality educational services to all children. In South Africa the most important issue is how to provide improved quality of schooling to poor people. In all the countries we have examined, contract schools serve the most disadvantaged and therefore provide higher quality education to those most in need. As we have noted in several places above, if a contract school is not performing, it should be closed down.

Many opponents of school choice programmes argue that they increase inequality or create more segregation in schools. The evidence shows that this is not the case. Contract schools, which are often in low-income and disadvantaged areas, cater to the needs of the poor and provide opportunities for those who previously could not access such opportunities. As a result opportunities would become less unequal and more South Africans could contribute to the development of the country according to talent and ability rather than where they live or how much their parents earn.<sup>54</sup>

There must be clear consequences for poor performance

## PARTICIPANTS

**Alex Beyers**, Consultant, FirstRand

**Allison Rouse**, Co-Founder & Chief Executive Officer, EdVillage

**Barun Mohanty**, Managing Director International & Director India, Michael & Susan Dell Foundation

**Brian Figaji**, Non-Executive Director, Private

**Caitlin Baron**, Country Director, Michael & Susan Dell Foundation

**Chinezi Chijioko**, Associate Principal, McKinsey & Company

**Clive Coetzee**, General Manager of Infrastructure Management and Economic Services, KwaZulu Natal Provincial Treasury

**Clive Roos**, Advisor, Western Cape Education Department

**Fatima Adam**, Senior Manager of Research and Communication, Zenex Foundation

**Felicity Coughlan**, Director, The Independent Institute of Education

**Fidelis Hove**, Economist, Oxford Policy Management

**Gail Campbell**, Chief Executive Officer, Zenex Foundation

**Gareth Rossiter**, Researcher, South African Regulatory Environment

**Helene Perold**, Director, Helene Perold & Associates

**Irene Menell**, Board Member, Read Educational Trust

**Janet Mountain**, Executive Director, Michael & Susan Dell Foundation

**Jennifer Bisgard**, Director, Business Development and New Initiatives, Khulisa

**John Gilmour**, Executive Director, LEAP Science & Maths School

**John Kruger**, Senior Consultant, Oxford Policy Management

**Joyce Wanjogu**, Client Relationship Manager, Tshikululu Social Investments

**Le Roux van der Westhuizen**, Chief Executive Officer, Millennium Trust

**Linda Vilakazi**, Associate Professor, Wits School of Education

**Liz Gips**, Senior Education Advisor, United States Agency for International Development

**Margie Keeton**, Consultant, Tshikululu Social Investments

**Martin Prew**, Director, Centre for Education Policy Development

**Martin Gustafsson**, Economist: Social Policy Research Group, University of Stellenbosch

**Michael Latham**, Principal International Consultant, CfBT Education Trust

**Mpho Letlape**, Managing Director, Sasol Inzalo Foundation

**Nalini Reddy**, Programme Manager: Education, United States Agency for International Development

**Nick Segal**, Independent Consultant

**Norman LaRocque**, Sr. Education Specialist, Asian Development Bank

**Percy Moleke**, Education Specialist, National Planning Commission

**Robin Lake**, Director of the Center on Reinventing Public Education, University of Washington

**Sandile Ndaba**, Director: Policy and Government Relations, Independent Schools Association of South Africa

**Sandra Ngwena**, Grants Manager, DG Murray Trust

**Sarah Gravett**, Dean of Faculty of Education, University of Johannesburg

**Sonja Giese**, Director, Promoting Access to Children's Entitlements

**Stephen Ross**, Independent Consultant

**Taryn Casey**, Program Officer, Michael & Susan Dell Foundation

**Tricia Maas**, PhD Student, University of Washington

**Ann Bernstein**, Executive Director, Centre for Development and Enterprise

**Jeff McCarthy**, Programme Director, Centre for Development and Enterprise

**Stefan Schirmer**, Senior Research Manager, Centre for Development and Enterprise

**Tessa Yeowart**, Senior Project Manager: Education, Centre for Development and Enterprise

**Rebecca Oliphant**, Researcher, Centre for Development and Enterprise

# Endnotes

---

1. The World Bank in its report, *The Role and Impact of Public-Private Partnerships in Education* (H.A. Patrinos, F. Barrera-Ororio, J. Guáqueta, 2009) points out that providing high-quality education for all learners requires innovation and drawing on additional resources from outside the public sector. What is fundamental for success and sustainability is an appropriate regulatory framework, but one that is not so restrictive that it prevents leadership and decision making at the school level. Effective programmes can increase access and improve the quality of education.
2. Ibid.
3. CDE has previously worked on science and mathematics schooling results; see the 2010 CDE publication, 'The Maths and Science Performance of South Africa's Public Schools', available at: [www.cde.org.za](http://www.cde.org.za).
4. US charter schools are part of the public school system but operate with enhanced levels of autonomy. They are managed by private organisations by means of a special charter with an external body. The main source for our analysis of charter schools is a paper especially commissioned by CDE by leading experts on the subject from the Center for the Reinvention of Public Education, University of Washington. (R. Lake, T. Maas, and B. Gross, 'The U.S. charter school movement: Lessons for South Africa', paper commissioned by CDE, 2012.)
5. Charter schools have always enjoyed some support nationally on both sides of the American political divide; however state and local efforts to pass and implement charter school laws have often been rancorous. Charter school supporters had diverse, and sometimes conflicting aims. But advocates typically see the promise of charter schools as promoting: experimentation and innovation; diverse public school options for at-risk students (disadvantaged and minority populations); competitive pressure on the broader public school system; focussed, mission-driven organisations; and enhanced accountability.
6. National Charter School Study 2013, Center for Research on Education Outcomes (CREDO), Stanford University, <http://credo.stanford.edu/>.
7. P. Gleason, M. Clark, C. C. Tuttle, and E. Dwoyer, 'The Evaluation of Charter School Impacts: Executive Summary', NCEE 2010-4030, Washington, DC: National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, U.S. Department of Education, 2010.
8. The authors exclude KIPP schools for their basic analysis because there are a large number of studies of individual KIPP schools that reveal large impacts of KIPP on student performance. The value and magnitude of effects would overwhelm the meta-analysis results, making the results less representative of the national picture of charter schools.
9. A national study of 40 charter management organisations found that only KIPP schools seemed to outperform their local traditional schools. In a small workshop at CDE, Mike Fienberg, co-founder of KIPP, detailed his experience, highlighting the crucial importance of school leadership and teachers. Fienberg makes the point that he does not 'cherry-pick' students, but is unabashed about being very picky on school leadership and teaching quality.
10. Many other types of charter schools also demonstrate extremely impressive outcomes regarding the degree to which they are advancing student learning in reading and maths scores. They often advance students two to three grade levels of learning in one year. Rocketship Education, STRIVE Preparatory Schools and Aspire Public Schools are examples of school networks that have produced impressive results.
11. Despite the difficulty of isolating school-level factors in relation to outcomes, there are characteristics that can be identified that to a large degree explain the heightened student achievements. There is some evidence pointing to the effectiveness of charter schools that employ technology in tandem with strong instruction and reason to believe that schools that start from scratch are more effective than those that convert from government-run status. There is little evidence that non-profit management organisations

are more effective than for-profits, but non-profits have proliferated recently under the legal and funding streams currently available. 3

Authorisers can revoke a charter prior to the end of the contract term if there is strong evidence that the school is not serving the public well. When authorisers have exercised this privilege, there have typically been substantial financial, operational, or management problems in the school. However, when charters have been refused renewal at the end of their term, it is most often due to unacceptable student performance. To date, a little over 1 000 schools, or slightly more than 15 per cent of charter schools that have opened nationwide, have been closed.

New York City has been a national leader in attracting and integrating high-performing charter schools into the district. Studies have found that charter schools in New York City outperform their traditional public school counterparts. However, the approach employed in Arizona is frequently cited as a cautionary tale. Particularly at the birth of the charter school movement many authors referred to Arizona and states with similar charter school policy as the 'wild west' of charter schooling. The state put no cap on the number of charter schools able to open, and granted 15-year charters – much longer than the three to five year charters granted in most states. Authorisers were under-funded and there were few reporting and accountability requirements, allowing many low-performing schools to go unnoticed. (R. Lake, T. Maas, and B. Gross, 'The U.S. charter school movement', 2012).

12. J. Sjunnesson, 'Policy Review: School Vouchers in Sweden.' Centre for Civil Society, 2012, 4. [http://www.ccs.in/ccsindia/pdf/pol-review\\_vouchers-in-sweden.pdf](http://www.ccs.in/ccsindia/pdf/pol-review_vouchers-in-sweden.pdf).
13. Ibid.
14. Ibid.
15. The Academy Programme was very focused on a particular need, looking to address the problem through new leadership and new funding methods. The Free Schools programme expanded on this. The idea is that these proposals should primarily come from organised parents seeking to expand their school choices. In practice a range of groups have put together proposals: teachers, parent groups, charities, established academy providers, faith groups, special educational needs providers, alternative provision organisations and existing independent schools. Those schools that succeed with their proposals have their entire budget covered by the state. The successful schools enter into a funding agreement directly with the Secretary of State for Education. The new free schools and already existing academies set up under the more limiting provisions of previous Acts, are provided with greater freedoms and flexibilities than normal public schools, including: freedom from local authority control; the ability to set their own pay and conditions for staff; freedom in choosing and delivering their curriculum; greater control of their budget; freedom to change the length of terms and of the length of the school day; and freedom to spend the money the local authority currently spends on their behalf.
16. Personal communication with Michael Clark, Director, ARK Schools, 31 May 2012; personal communication with Jane Hofmeyr, Executive Director, ISASA, 27 June 2013.
17. D. Belshaw, 'Enhancing the Development Capability of Civil Society Organisations, with Particular Reference to Christian Faith-based Organisations (FBOs)'. In *Reclaiming Development: Assessing the Contributions of Non-Governmental Organisations to Development Alternatives*, Economic and Social Research Council Global Poverty Research Group, London, 2005.
18. R. A. Gonzales and G. Arevalo, 'Subsidised Catholic Schools in Venezuela', in L. Wolff, J.C. Navarro and P. Gonzale, eds., *Private Education and Public Policy in Latin America*, Washington, PREAL, 2005.
19. J. Carlos Navarro, 'Publicly Financed, Privately Run Education in Peru: It still works', in L. Wolff, J.C. Navarro and P. Gonzale, eds., *Private Education and Public Policy in Latin America*, Washington, PREAL, 2005, 172.
20. N. LaRocque, 'Public-private partnerships in basic education: an international review', CfBT Education Trust: Reading, 2008.

21. A. Rodriguez and K. Hovde, *The Challenge of School Autonomy: Supporting Principles*, World Bank: Washington D.C., 2002. <http://ddp-ext.worldbank.org/EdStats/COLLac02b.pdf>.
22. *Promoting Equity in African Schools*, <http://www.peas.org.uk/>.
23. N. LaRocque, 'Education Reform — Public-private-Partnerships for Education: Why and How', Asian Development Bank, 2013.
24. *Funds for Assistance to Private Education*, <http://www.fape.org.ph/>.
25. R.A. Gonzales and G. Arevalo, 'Subsidised Catholic Schools', 222.
26. H.A. and D.E. Ortega, 'The Performance of Decentralized School Systems: Evidence from Fe y Alegría in Venezuela', March 2007.
27. C. Navarro, 'Publicly Financed, Privately Run Education in Peru', 187.
28. M. Latham, 'Lessons from 'third-sector' schools in developing countries', paper commissioned by CDE, 2012.
29. 'Fe y Alegría, What is Fe y Alegría?', <http://www.feyalegria.org/?idSeccion=43>
30. A. B. Malik, 'Public-private Partnerships in Education: Lessons Learned from the Punjab Education Foundation', Asian Development Bank, 50.
31. F. Barrera-Osorio, 'Evaluating Public Per-Student Subsidies Low-Cost Private Schools Regression-Discontinuity Evidence from Pakistan', World Bank Policy Research Paper 5638, 2009.
32. Ibid.
33. LaRocque, 'Public-private partnerships', 2008.
34. F. Barrera-Osario, 'The Impact of Private Provision of Public Education: Empirical Evidence from Bogotá's Concession Schools', Washington DC: World Bank, 2006.
35. Autonomy and accountability also come from the fact that FyA teachers are not unionised and their labour contracts are much more flexible than those of the public school system. Teachers in FyA are hired by the school principal directly and given a one year trial period before being offered more permanent positions. (Juan Carlos Parra Osorio, 'Performance of Fe y Alegría High School Students in Colombia: Is it a Matter of Fe (Faith) or Alegría (Joy)?', 2010). In Peru, partnership schools are subject to the same regulations as public schools. However, their administrators have modified their management and organisational characteristics to the maximum extent allowable by the law.

Support, as well as autonomy and accountability, are also vital elements within the Punjab Education Foundation model; they provide cluster-based training for the teachers. In addition, the PEF has introduced the School Leadership Development Programme for principals and vice principals. The programme is designed to improve the managerial capacity of school heads and deputy heads. To monitor the extent to which the quality of schooling is improving and whether schools are effectively implementing improved teaching practices the PEF undertakes the extensive evaluation practices. The success of PEF can mainly be ascribed to the introduction of quality assurance tests that are tied to accessing initial or on-going funding. (M. Latham, 'Lessons from "third-sector" schools in developing countries', paper commissioned by CDE, 2012).

PEF is directly accountable to government. To ensure transparency, internal and external auditors regularly audit the accounts. First, the government appoints an auditor. Second, the PEF Finance Committee may inspect all the accounts of the foundation at any time. Third, the Auditor General of Pakistan, regularly audits the accounts of the foundation. Similar issues of on-the ground autonomy and strict accountability underpin the success of the Concession Schools. Good teachers are attracted to Concession Schools because of the reputation of the parent organisation and the professional development opportunities offered. (Latham, 'Lessons from "third-sector" schools, 2012).

According to Colombian law, teachers must be assessed every six years for competence. If they fail this assessment, teachers have a year to improve before a second assessment. While teachers can face sanctions for failing a second time, this is not always implemented strictly. To counter this problem, Concession Schools have established their own internal mechanisms to hold teachers to account and maintain high-quality teaching. This includes firing poorly performing teachers.

36. There have also been intense disagreements within government about the desirability of supporting private education. The anti-private position was strengthened significantly with the election of Hugo Chavez in 1999. Under his presidency there has been a call to recentralise education provision and a growing dismissal of private schools as elitist and run by 'merchants' (Mirada Global, 'Iglesia Católica y Chavez', [http://miradaglobal.com/index.php?option=com\\_content&view=article&id=976percent3Aiglesia-catolica-y-chavez&catid=52percent3Areligion&Itemid=82&lang=en](http://miradaglobal.com/index.php?option=com_content&view=article&id=976percent3Aiglesia-catolica-y-chavez&catid=52percent3Areligion&Itemid=82&lang=en)).
37. The Nation, 'LHC turns down govt request to dismiss plea', 1 Sep 2012. <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/lahore/01-Sep-2012/lhc-turns-down-govt-request-to-dismiss-plea>.
38. The National Development Plan argues that, on aggregate, South Africa is receiving poor value for money from its schooling system. To back up this assessment the report cites the 2007 results of a southern and eastern African comparative study, which revealed that Grades Three and Six levels of numeracy and literacy in South Africa were in fact only just over half as good as they were in much poorer African countries like Tanzania.
39. National Development Plan, 296.
40. CDE, 'Schooling reform is possible: Lessons for South Africa from international experience', Sept 2011.
41. Existing public-private partnerships are mostly where the private sector (commonly through CSI spending) supports public schools. The recent partnership between the Kagiso Trust, Shanduka Foundation, and the Free State provincial government will focus on the development of 400 schools – with a focus on a scalable model to be replicated by the public sector. Both organisation are investing R100 million each, which will be matched by the provincial government's expenditure of R200 million in the project. ('Private funding of public education takes next step', Sunday Times, 13 March 2013). The Beyers Naude Schools Development Programme, another initiative of the Kagiso Trust, has a long-term district-based approach which involves formalised agreements with provincial education departments and participating schools. (Kagiso Trust, <http://www.kagiso.co.za/projects/bnsdp/>). Adopt-A-School Foundation, supported by Shanduka Foundation, started in 2002. It uses funding from the private sector and individuals to help address gaps in the public schooling sector, specifically in support and enhancement of disadvantaged schools. It is about private investment in education. (Adopt-A-School Foundation, <http://www.adoptaschool.org.za/adopt-a-school-foundation-hands-over-grade-r-facilities-to-mbonisweni-primary-school-sponsored-by-shanduka-group/>).
42. It may be debateable to attribute exact origins, but Dr Mamphele Ramphele is sometimes attributed as originator.
43. Sonja Giese, 'Making the "extraordinary" ordinary: A role for the South African Extraordinary Schools Coalition in the development of a Third Sector schooling system in South Africa'. Paper commissioned by CDE, 2012. This paper was informed by discussions and interviews of leading educationalists.
44. Ibid.
45. Ibid.
46. G. Rossiter, 'Third Sector Schools Project: The South African Schools Regulatory Environment', paper commissioned by CDE, 2012.
47. Ibid.
48. ISASA, Input November 2012.
49. 'Isasa mulls further court action over unpaid subsidies', Business Day, 29 April 2013.
50. As outlined in law and regulation. Not followed in practice in certain provinces from anecdotal evidence where teacher appointments are made in consultation between the trades union and the department without any input from schools governing bodies.
51. Opinion supplied to CDE by Cliffe, Dekker Hofmeyr, Johannesburg, 2013.
52. R. Lake, T. Maas, B. Gross, 'US Charter Schools', 2012.
53. 'The Role and Impact of Public-Private Partnerships in Education', The World Bank, 2009, 77-80.
54. M.M.Chingos, 'Does Expanding School Choice Increase Segregation?' 15 May 2013. <http://www.brookings.edu/blogs/brown-center-chalkboard/posts/2013/05/15-school-choice-segregation-chingos>.

## Previous publications in this series

**ROUTES INTO FORMAL EMPLOYMENT: Public and Private Assistance to Young Job Seekers** (July 2012)

**VALUE IN THE CLASSROOM: The quantity and quality of South Africa's teachers** (September 2011)

**HIDDEN ASSETS: South Africa's low-fee private schools** (August 2010)

**IMMIGRANTS IN JOHANNESBURG: Estimating numbers and assessing impacts** (August 2008)

**SOUTH AFRICA'S 'DOOR KNOCKERS': Young people and unemployment in metropolitan South Africa** (July 2008)

**UNDER THE RADAR: Pentecostalism in South Africa and its potential social and economic role** (March 2008)

**THE SKILLS REVOLUTION: Are we making progress?** (October 2007)

**SKILLS, GROWTH AND MIGRATION POLICY: Overcoming the 'fatal constraint'** (February 2007)

**Can Black Economic Empowerment Drive New Growth?** (January 2007)

**PRIVATE SCHOOLING FOR THE POOR? International research raises new questions for South Africa** (November 2005)

**GROWTH AND DEVELOPMENT IN SOUTH AFRICA'S HEARTLAND: Silence, exit and voice in the Free State** (July 2005)

**LABOUR-INTENSIVE PUBLIC WORKS: Towards providing employment for all South Africans willing to work** (April 2003)



CENTRE FOR  
DEVELOPMENT  
AND ENTERPRISE

*Informing South African Policy*

BOARD

L Dippenaar (chairman), A Bernstein (executive director), A Ball, N Behrens, E Bradley, C Coovadia, M Cutifani, B Figaji,  
M le Roux, S Maseko, I Mkhabela, M Msimang, W Nkuhlu, S Pityana, S Ridley, A Sangqu, E van As

INTERNATIONAL ASSOCIATE

Peter L Berger

5 Eton Road, Parktown, Johannesburg, South Africa

P O Box 1936, Johannesburg 2000, South Africa

Tel 27 11 482 5140 • Fax 27 11 482 5089

info@cde.org.za • www.cde.org.za

---

This CDE project was funded by  
the Michael & Susan Dell Foundation



*Michael & Susan Dell*  
FOUNDATION