CHAPTER 2

PUBLIC-PRIVATE PARTNERSHIP IN HIGHER EDUCATION
- A CONCEPTUAL UNDERSTANDING

Introduction and background

Higher Education is widely believed to be critical for any nation’s economic, political, and social development. It is widely believed to help people escape from poverty and participate more fully in society and in the market place. These are a few of the reasons why governments around the world assume the responsibility for providing and financing education, especially basic education. But this responsibility is a large and complex one for any government to meet adequately, which is why it is important for governments to explore diverse ways of financing and providing educational services, Harry Anthony Patrinos, Felipe Barrera-Osorio, Juliana Guaqueta, The Role and Impact of Public-Private Partnerships in Education, 2009 The International Bank for Reconstruction and Development / The World Bank (2009)

The main rationale for developing public-private partnerships (PPPs) in education is to maximize the potential for expanding equitable access to education and for improving education outcomes, especially for marginalized groups. We define contracting as the process whereby a government procures education or

education-related services of a defined quantity and quality at an agreed price from a specific provider. The agreement between the funder and the service provider is recorded in a contract and is valid for a specified period of time (Taylor 2003; Wang 2000)23. The World Development Report 2004 (World Bank 2003a) concluded that services can be provided to poor people most successfully when citizens, service providers, and governments are accountable to each other. Contracts can improve service delivery by clearly assigning responsibilities among these actors, identifying objectives and outputs, gathering information on the performance and progress of the contractor, and ensuring the enforceability of the provisions of the contract.

The need for establishing grant-in-aid policy in Karnataka is to encourage, promote and regulate private management in higher education through private-public partnership in financing for the public good. Most importantly, it is believed that grant-in-aid policy would further expansion, inclusion, quality, excellence, equity and access to students across society and most importantly to the socio-economically deprived. To illustrate, the private sector establishes and runs GIA colleges; the public sector regulates these and provides recurrent expenditure (usually in the form of 100 per cent subsidy for teaching and non-teaching salaries). This public subsidy is given specifically to ‘encourage private


enterprise in higher education’ to encourage greater access to higher education, (GIA Code for Collegiate Education of 1969, in Puliani, 1999: 538).

PPPs are defined as a “cooperative institutional arrangement for contracting public services” (Hodge and Greve 2007: 545). It is viewed as a governance tool for involving the private sector towards public management. PPPs are considered to be alternative institutional arrangements for cooperation. It is also seen as a viable financial model for operationalizing certain projects that would otherwise seem to be infeasible (Hodge and Greve 2007: 545).

The potential of PPPs is to improve education, including higher education, in Karnataka and other developing countries have been noted by many international organizations. Public-private-partnership or PPP is a mode of implementing government programmes/schemes in partnership with the private sector. The term private in PPP encompasses all non-government agencies such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community based organizations. The benefit of combining public and private sectors will ‘utilize each sector’s respective strengths, and . . . minimize each other’s weaknesses’ (Wang, 2001: 6). PPPs, it is argued, contribute to ‘mobilizing more resources’ and ‘removing inefficiencies’ (Jamil, 2001: 2), while ‘improving sustainability’ and promoting ‘quality, equity, and accountability’ (Wang, 1999: 6–7). PPPs, most importantly, believed to lead to a system that ensures services to the poor and disadvantaged (1999: 17). It is noteworthy that GIA has immensely contributed to the growth and development of higher education system.

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However, Current GIA policy was first brought into question during the national economic reforms of July 1991, where ‘a reduction in subsidies to higher education’ were first mooted as part of the general ‘expenditure reduction strategies’ (Narayana, 1999: 314; Tilak, 1995: 426–31). Reforms explored since then include improved cost-recovery from richer students (Matthew, 1996) and student loans (Tilak, 1999). Higher education is divided into four categories, general, technical, medical and agricultural, of which the first two are examined here. These sectors in Karnataka are large, albeit declining. Prasad and Rao (2001) found that in 2001, 54.1 per cent of degree colleges were private, 30.5 per cent PPP/GIA and 15.4 per cent public/government (G), compared to 46.5, 35.6 and 17.9 per cent, respectively, in 1998. Further, to quote Professor CNR Rao, "It is self-destructive to say that subsidies for higher education should be removed. Even in the advanced countries, some of the best institutions are state-supported". Therefore, it is appropriate for the stakeholders to examine the PPP in higher education sector in Karnataka to understand the emerging challenges, opportunities and trends in public-private partnerships in higher education.

Public Private Partnership—The Concept

Public-Private-Partnership or PPP is a mode of implementing government programmes/schemes in partnership with the private sector. The term private in PPP encompasses all non-government agencies such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community based organizations, PPP, moreover, subsumes all the objectives of the


service being provided earlier by the government, and is not intended to compromise on them. Essentially, the shift in emphasis is from delivering services directly, to service management and coordination, *Report of the PPP Sub-Group on Social Sector, Government of India Planning Commission (November 2004)*.

PPP in higher education is essentially an arrangement where the private sector partner participates in the provision of services traditionally provided by the government. It is usually characterized by an agreement between the government and the private sector, with the latter undertaking to deliver an agreed service on the payment of a unitary charge by the government. The need for PPP in education primarily arises out of the government’s commitment to provide universal access to education for the under-privileged students who cannot afford the tuition fee that a private institution would normally charge. While access to quality education for the underprivileged is traditionally expected from government institutions, they alone may not be able to fulfill this enormous task. The justification for PPP institutions primarily arise from the need to accelerate the expansion of higher education, supplement investment and enable different models for improving the quality of education.

**Defining Partnership**

Public-private partnership means an arrangement between a government or statutory entity or government owned entity on one side and a private sector entity on the other, for the provision of public assets and/or related services for public benefit, through investments being made by and/or management undertaken by the private sector entity for a specified time period, where there is

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*Government of India Planning Commission, 2004*
a substantial risk sharing with the private sector and the private sector receives performance linked payments that conform (or are benchmarked) to specified, pre-determined and measurable performance standards.

A partnership can be defined as: “Collaborative activities among interested groups, based on a mutual recognition of respective strengths and weaknesses, working towards common agreed objectives developed through effective and timely communication’. “PPP is often described as a private investment where 2 parties comprising government as well as a private sector undertaking form a partnership”, *Ministry of Finance, Government of India (2011)*. To deduce from the above definition, the following parameters of partnerships need attention. Common objectives, agreement to undertake activities, activities that build on each other’s strengths and actions that overcome weaknesses

**Common defining elements of PPPs**

- The primary feature of a PPP is that it is a contract or an arrangement between a government entity and a private entity
- Provision of public infrastructure or public services through the private sector, with substantial risk transfer to meet government or social needs, and rewarding/ remunerating the private sector based on outputs appear to be the common elements used in defining PPPs across countries.
- The specification whether the private sector will necessarily bring in the private investment has not been specified in majority of the cases.
- In many countries it is the requirement of service delivery by private sector

*(Ministry of Finance, Government of India, 2011)*
that drives the question of whether and how much of private investment is required for the project. Hence, the focus is on service delivery to meet public service or infrastructure needs rather than asset creation or investments.

- None of the definitions have specified that remuneration to private sector or PPP will necessarily be through user charges. In fact in many countries, such as UK, the majority of PFIs are provided payments by the government agencies.

**Salient Parameters of PPP put forth by Planning Commission**

PPP involves full retention of responsibility by the government for providing the service while specific components are implemented by the private partners.

- The legal ownership of assets is to be retained by the public sector.
- The nature and scope of service is contractually determined between the two parties risks and rewards are shared between the two parties.

**Types of PPP Contracts in Education:**

- **Infrastructure PPPs:** The most common type of PPP involving large infrastructure projects in the education sector is Build-Operate-Transfer (BOT) ([LaRocque, 2006](#)). A private operator is granted a franchise (concession) to finance, build and operate an educational facility such as a public school, university building or hostel. The government, in effect, leases the facility from the private sector for a specified period, after which the facility is transferred to the government.

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([LaRocque, 2006](#))
• **Private operation of public schools (Contract Schools):** Public schools are operated by private firms or organizations under contract to a public agency. The schools remain publicly owned and publicly funded, but are managed by a private sector operator in return for a management fee.

• **Outsourcing of educational services:** Government contracts with the private sector for the provision of education-related services such as: curriculum development and/or delivery; assessment or administration of examinations; school evaluation, review, inspection and/or school improvement programmes, as well as supply of text books and other learning materials.

• **Outsourcing of non-educational support services:** These may include canteen, transport, health care, or cleaning services or building and operating student hostels. The taskforce was of the opinion that such outsourcing is not strictly a category of PPPs. However, it was included in the survey of member organizations so as to give space to unions to express their views and experiences.

• **Innovation and research PPPs:** Government programmes that encourage industry-research institute partnerships and promote commercialization of public research.

• **Vouchers and subsidies:** The government provides vouchers to students enabling them to attend private schools, or direct subsidies to private schools. Although these are also forms of public-private interaction in education, we considered them to be generally beyond the focus of this
report. However, space was included in the survey of EI affiliates for union to express their views.

### Types of PPP Contracts in Education

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*Source: Patrinos, World Bank 2006.*

### Principles of PPP

PPP involves a long-term relationship between the public sector and the private sector. While the collaboration between the two, may take various forms like buyer-seller relationship, donor-recipient relationship, the most stable partnership is in the form of ‘contract’ binding on both the parties. Following features broadly characterize public-private-partnership.

Essential Features of PPP

- **Arrangement with Private Sector Entity**: The asset and/or service under an arrangement will be provided by the Private Sector Entity to the public.

- **Public asset or service for public benefit**: Has the element of facilities/services being provided by the Government as a sovereign to its people. To better reflect this intent, two key concepts are elaborated below:

- ‘Public Services’ are those services that the State is obligated to provide to its citizens (towards meeting the socio-economic objectives) or where the State has traditionally provided the services to its citizens. For example, provision of security, law and order, electricity, water, etc. to the citizens.

- ‘Public Asset’ is that asset the use of which is inextricably linked to the delivery of a Public Service: For example, public road which is linked to public transportation or those assets that utilize or integrate sovereign assets to deliver Public Services. For example, right of way on highways, shore-land of about 0.5 km abutting the ocean, or use of river / water bodies, etc. Note: Ownership by Government need not necessarily imply that it is a PPP. For example, a captive jetty is not a PPP even though it uses a sovereign asset, while a common user port is a PPP as in the latter case the service is provided for use by public.

- **Investments being made by or management undertaken by the private sector entity**: It provides for both investment and non-investment PPPs, which is also the international practice. By broad basing the definition, India will gain access to a plethora of PPPs that focus on efficiency to deliver
quality services to the public.

- **Operations or management for a specified period:** Provides an element of time period after which the arrangement with the private sector entity comes to a closure. Hence, the arrangement is not in perpetuity.

- **Substantial risk sharing with the private sector:** It is typically specified to differentiate PPPs from mere outsourcing contracts. For example, a facility service contract is also an outcome based reward contract but not a PPP.

- **Performance linked payments:** It is to provide central focus on performance and not merely provision of facility or service. A mere deferred payment contract should not get qualified as a PPP.

- **Conformance to performance standards:** It is to provide a strong element of service delivery aspect and the concepts of quality and compliance to pre-determined and measurable standards to be specified by the sponsoring authority.

**Benefits of Public-Private-Partnership**

- **Inflow of Private Investment:** Budgetary support for such huge requirement is limited. There is acute need of private investment to undertake education projects.

- **Increase in Efficiency:** Involvement of Private Sector will bring efficiency in implementation of projects and cut down time and cost.

- **Use of Innovative Design & Construction Practices:** The objective of cutting down cost and time will bring in innovative design and construction practices from the Concessionaire.

- **Assured Maintenance:** During the Concession Period, the PPP Concessionaire will be required to maintain the Projects in a proper
predetermined manner.

- **Freeing up Government Resources:** Private investment provides new sources of capital and reduces direct public money spending. These State resources could be used in other priority areas and projects.

- **Sharing of Project Risks:** Any infrastructure project could have inherent risks. The structuring of a PPP Project allocates the risks to the agency best-suited to handle the same.

- **Better Viability:** Involvement of experienced and creditworthy sponsors and commercial lenders could enhance viability of the project.

- **Cost-effectiveness:** Since selection of the service provider is usually the non-government entity. There is a set bench marking and understanding between the contract entities on establishment cost, operating cost, recovery cost and maintenance cost. As such, PPP in higher education is generally expected to be more cost-effective than private and public model of education.

- **Higher Productivity:** Most of the PPP models are designed for performance and productivity gains. More over financial and non-financial incentives are attached to the PPP stakeholders. This gives scope for higher productivity.

- **Accelerated Delivery:** Since the contracts generally have incentive and penalty clauses vis-a-vis implementation of capital projects/programmes this leads to accelerated delivery of projects

- **Clear Stakeholders Focus:** The PPP models are designed to focus on stakeholders so the satisfaction level is higher. Thus, the mission of PPP is to service the stake holders better and greater giving more scope for innovation in service delivery and enhanced stake holders satisfaction.
• **Enhanced Social Service:** Public-private partnerships in higher education lays emphasize to social services to the marginalized students which require a great deal of commitment than sheer professionalism. In such scenario community/voluntary organizations (VOs) and NGO’s can ensure great deal of social service.

• **Recovery of User Charges:** PPPs can ensure faster recovery of user charges as the charges are customized, innovative, dynamic and flexible. Any decisions pertaining to fee recovery can be taken with greater flexibility on account of decentralization. Wherever possibilities of recovering user charges exist, these can be imposed in harmony with local conditions.

Rationale of the Public-Private Partnership in Higher Education

Basically the need for PPP emerges from the fact that each one of the players individually is not strong enough to deliver the education services without collaborating with each other. Some of those limitations support the justification for PPP.

• **Limited Government Capacity to deliver a modern education**

All over the world providing quality elementary education was not made possible exclusively by the government. In fact it is true even with professional higher education. The Private universities like Harvard and MIT have provided the necessary thrust, image and competition for public universities.

• **The Government’s failure to develop world class teaching profession.**

In some developing countries teachers’ salaries are not very competitive. Too much of job security has reduced motivation and lack of continuous
high quality in-service education has added to the miseries. Some of the best private players have worked hard overcome these limitations

- **Failure of the Government to connect education with employment**
  Including making literacy functional, Governments have divorced from the world of work and thus have reduced relevance of education to employment. Private players have successfully brought in the world of work into formal educational institutions.

- **Governments have failed to create demand for education.**
  This is true for all levels of education especially at the primary level, the beneficiaries/stakeholders such as students and parents are not able to see the direct benefits of education and therefore, demand has been stagnated and not increased proportionate to the increase in the relevant age group of children. There are no efforts to bring about needed changes and learning has not been a joyful experience. Private players have transformed learning into a joyful experience and have proved that higher levels of education lead to increased social and economic mobility.

- **Easing the budget constraint:**
  There is a huge gap between the requirement and the availability of higher education infrastructure in Karnataka. For example, in the higher education stage alone. The gross enrolment ratio is 18.1 %, whereas the vision of the Karnataka to universalize the higher education would be a myth in near future with the present status. To raise the enrolment ratio beyond 18.1 the Planning Commission to assess the requirement during the 11th Plan has estimated the requirement to be Rs.1.45 lakh crore.
• **Efficiency gains**: Private sector has greater efficiency in certain areas because of specialization. For example, those in the construction sector can create innovative designs for educational schools; those in the financial sector can create appropriate instruments for raising funds for educational institutions, and similarly, private sector can provide support services and even operational services with much greater efficiency as compared to the government sector because of specialization. Another reason for improvement of efficiency is the greater accountability of private staff to perform in a private set up as compared to the accountability of public sector staff because of the inherent nature of the arrangement.

• **Appropriate risk sharing**: It is a fundamental principle that in a partnership, any particular risk should be allocated to that partner which can best manage that risk. In a PPP, risk allocation between the public and private sector can be optimized to ensure that the overall risk is lowered significantly.

• **Speed of implementation**: In a public sector school project, many players are involved and coordination becomes difficult. In general, construction of school building and opening of a full-fledged higher education institutions takes about 3-5 years in government. Since the private partner would be interested in getting payment as soon as the services start being made available, the speed of implementation would be much quicker. It should be possible to complete the project in not more than 18 months.

• **Reduction of costs**: Because of greater efficiency and competition among private partners, the cost of operation is expected to be much lower than in
government set up. This is due to the greater managerial efficiency in the private sector.

- **Accountability for performance:** In the public sector, accountability for performance in schools is diffused. Therefore, there are many instances of failed schools, particularly in urban areas. However, in case of a PPP model, failed schools would mean no payment and hence is preferable.

- **Quality monitoring:** In case of PPP, government will monitor the quality in the school as payment is related to quality. The private partner would have an incentive to raise the quality of education in the school to be eligible for payment.

- **Greater flexibility:** Under PPP, there will be greater autonomy and flexibility at the school level whereas the government systems have rigidity. The private partner will have much higher autonomy in hiring teachers and organizing the school. Similarly, depending upon the need, the schools processes can be modified quickly.

**Potential Benefits of PPP Perceived by the Planning Commission**

- The projects are bound to be cost effective since private providers are selected through competitive meeting

- Higher productivity is achieved by linking payments to performance

- Delivery of service is accelerated given the incentive and penalty classes for implementation.

- Due to the shift in focus from service inputs to outputs, clear customer focus will evolve.

- Private players with dedicated volunteers will enhance the social service component (serving disabled children, reaching the poorest children etc.)
- With widened scope for innovative decisions, recovery of user charges would be a possibility.

**Public-Private Partnership and Privatization**

Public-Private Partnership differs from privatization in that the former refers to private management of public services through long-term contract between a private operator and a public authority whereas privatization involves outright sale of public service or utility to the public sector. As Montek Singh Ahluwalia, the Deputy Chairman of the Planning Commission of India opines, “Public-private partnership should not be seen as public partnerships and private projects. They should rather be viewed as private partnerships and public projects.”

PPP does not reduce the responsibility and accountability of the government. In this collaborative arrangement, the government remains accountable for ensuring the standard of the service quality, price certainty and cost-effectiveness. In fact, in PPP the role of government gets redefined as one of ‘facilitator’ and ‘enabler’, while the private sector plays the role of financier, builder and operator of service. The public sector (government) contributes assurances for stable governance, citizens’ support and financing, besides assuming social, environmental and political risks. On the other hand, managerial effectiveness, access to additional finances and assumes construction, commercial and operational risks of the projects. Under complete privatization existing government enterprises are fully (100 percent) sold to private sector entities as was the case in the UK during Thatcher’s regime.

The differences between public-private partnership and privatization are:
• **Responsibility:** Under privatization the responsibility for delivery and funding a particular service rests with the private sector. PPP, on the other hand, involves full retention of responsibility by the government for providing the service.

• **Ownership:** While ownership rights under privatization are sold to the private sector along with associated benefits and costs, PPP may continue to retain the legal ownership of assets by the public sector.

• **Nature of Service:** While nature and scope of service under privatization is determined by the private provider, under PPP the nature and scope of service is contractually determined between the two parties.

• **Risk & Reward:** Under privatization all the risks inherent in the business rest with the private sector. Under PPP, risks and rewards are shared between the government (public) and the private sector.

**Common Misconceptions about Public-Private Partnership**

• Public private partnerships are the same as privatization

• By entering into a public private partnership, public sector loses control over the provision of services

• Public private partnerships apply only to infrastructure projects

• The principal reason for government entering into public private partnerships is to avoid debt

• Public sector employee will lose under public private partnerships

• The cost of service will increase to pay for the private partner's profit

• There are only two partners in a public private partnership

**Legal Challenges and Framework in PPP**
Statutory Framework as well as contractual documentation determines the “Legal Framework” governing private sector participation in a project. The following are the keys of both Statutory and Contractual Framework

- **Comprehensiveness of Rights**- The private sector players should be given all the requisite rights for successful completion and implementation of the project.

- **Certainty and Continuity**- Certainty of rights vested governing the project leads to greater certainty for private sector participation. The Laws should be drafted in order to provide both certainty as well as flexibility to accommodate changes that may be necessary for regulation of the sector/project

- **Risk, Risk allocation and Risk Management**- The key to a successful PPP transaction lies in the equitable and prudent risk allocation and management of risk among the stakeholder. The legal framework should provide for a balance risk management framework.

- **Consumer Issues**- The legal framework should be such that it is capable of addressing the concerns of the customer. The first step to achieve this objective would be setting up an independent, fair, credible and component regulatory body, which would determine the tariffs in fair and transparent manner.

**Challenges in Implementing Public-Private Partnerships in Higher Education**

- PPP processes should be free of corruption and subject to appropriate levels of accountability, while public authorities should take effective measures to ensure the integrity and accountability

- Accountability of all partners and should establish procedures to deter,
detect, and sanction corruption.

- Education authorities and private organizations should agree on the output or performance based specifications to be included in the contract as well as sanctions for nonperformance.

- The process for awarding PPP contracts should be competitive and should guarantee procedural fairness, no discrimination, and transparency.

- Governments should ensure that the public agencies responsible for forming and overseeing PPPs have the resources, information, and skills required to design, develop, and manage the complex contracting processes. They should ensure that the purchaser and provider roles of the agency are separate; the government can assign responsibility for PPPs to specialized agencies on partnerships and contracting education services if necessary.

- Education authorities should have the capacity to identify fraud, track payments, and ensure that subsidies and payment claims are legitimate and accurate. They should also ensure that their private sector partners are paid in a timely fashion.

- Public authorities can increase the popularity of PPPs by encouraging informed debate on the role and impact of these partnerships, consulting stakeholders and the public about the use of PPPs, putting in place an effective communication and awareness strategy, and creating a rigorous evaluation program.

- Enabling legal provisions, policy guidelines and regulatory framework to guide PPP shareholders are the areas of concern.
• Operational concerns such as degree of accountability, certainty and continuity of collaboration, risk sharing, transparency of operations, cost sharing factors etc.

• In course of business operations stake holders trust deficit may arise. As such constant administration, management and governance of partnerships need to be addressed.

• Financing long term equity and debt, credible, bankable infrastructure projects on offer to private sector for carrying forwards the PPP expansion.

• Enabling capacity to public and private institutions and officials to manage PPP process.

• Advocacy efforts to create greater acceptance of PPPs by the public at large.

• Partnerships are not properly conceptualized and agreements are not well articulated. This provides enormous scope for confusion and misunderstanding.

• Models of PPP are not well documented. As a result specific reasons for success or failure are not clear and act as a major limitation for policy makers to involve themselves with future PPPs.

• Even before the PPP, there is lack of environment for a healthy debate between the two players. This acts as a hindrance for enabling environment in terms of role clarity, accountability and transparency. There is a lack of understanding of different forms of partnerships.

• Partnerships can take many forms and can happen at various levels. Forms can be policy, finance and management; levels can be at the elementary, secondary, higher or professional.

• Altering and adopting the changes from conventional to contemporary PPP
model to fit the dynamics of global society

**Achieving Harmony between Public Sector and Private Sector**

Public private partnerships are a special feature of governance. A focus on governance means a focus on process, rather than on institutions, and comprises: institutions of government, organization, and the processes through which these institutions interact with civil society. Governance in public private partnerships is therefore the functioning of the networks and co-ordination mechanisms. Numerous studies are done on procurement, contracts and financial structure of PPPs, but little is known about the way public and private representatives interact during the formation and operation of the partnerships once it has been established. Several evaluations have shown that the success of PPPs strongly depends on the way interests and interactions between partners are managed. Two main groups of aspects are dominant here:

1) **Economic Aspects** — public and private sector has different economic interests.

Public sector goals and interests are focused on:

- Legislation, regulations and authorities;
- Political opinion and political influence
- Democratic decision-making process
- Minimization of risks
- Achievement of a social goal

Private sector goals and interest are focused on:

- Returns on the invested funds;
- Taking business risks;
• Anticipating market and competitive developments;

• Realization of a corporate goal: continuity of the firm and maximal return of investment.

• Through PPPs, both public and private actors expect to create added value, the co-operation leads to results that could not be achieved by the parties alone.

2) Sociological Aspects • Next to transaction or economic based motives, there are some non-rational aspects of co-operation that are important for creating PPP structure:

• commitment, flexibility, as mutual perceptions of each other’s starting points, goals, interest, possible share, competence, positive expectations

• Leadership, trust, acceptance and respect, as the degree to which the actors’ characteristics correspond and influence their willingness to cooperate. This includes organizational structure, culture, goals, operating philosophy, level of expertise and ideological consensus. All of these behavioral aspects play an important role in partnerships and influence directly the transaction costs of the partnership. Interactions between public and private parties highlight the importance of these values.

The Arguments In Favor of Public-Private Partnerships

The theoretical literature on the topic suggests four positive outcomes of the private provision of public services:

• PPPs can create competition in the education market. The private sectors can compete for students with the public sector. In turn, the public sector has an incentive to react to this competition by increasing the quality of the
education that it provides.

- PPP contracts can be more flexible than most public sector arrangements. Generally, the public sector has less autonomy in hiring teachers and organizing than the private sector does. Public-private contracts can be a better fit between the supply of and demand for education. Flexibility in teacher contracting is one of the primary motivations for PPPs.

- Governments can choose private providers in PPP contracts by means of an open bidding process in which the government defines specific requirements for the quality of education that it demands from the contractor. The contracts often include measurable outcomes and clauses that specify the condition to deliver a certain quality of education, and the contractor with the best or lowest cost proposal is then chosen. This one characteristic of the contract alone can raise the quality of education.

- PPP contracts can achieve an increased level of risk-sharing between the government and the private sector. This risk sharing is likely to increase efficiency in the delivery of services and, consequently, to induce the channeling of additional resources to the provision for education. So increasing the private sector’s role in education can have several potential advantages over the traditional public delivery of education. Whether these benefits are actually realized depends greatly on how well designed the partnership between the public and private sector is, on the regulatory framework of the country, and on the capacity of the government to oversee and enforce its contracts and partnerships with the private sector.

- When a PPP is implemented correctly, it can increase efficiency and choice and expand access to education services, particularly for households that
end to be poorly served by traditional delivery methods.

- PPPs also allow governments to take advantage of the specialized skills offered by certain private organizations and to overcome operating restrictions such as inflexible salary scales and work rules that may prevail in the public sector.

- Another advantage is that governments can contract out to the private sector in a range of initiatives that can include everything from nonacademic activities such as food services and management contracts involving a few institutions, to subsidizing the tuition at private schools for hundreds of thousands of students, to long-term, multimillion dollar infrastructure partnerships.

- For policymakers, contracting is a middle ground between government delivery and outright privatization and does not attract as much controversy and criticisms as privatization. Contracting can also enable governments to target initiatives towards particular groups in society or to achieve specific outcomes.

- In addition, it is a way to bring the private sector’s skills and resources into the education sector (as is the case of capital investments for college construction under private finance initiatives) and to increase efficiency and innovation in the delivery of education. Contracting can do all of this while allowing governments to keep colleges accountable.

The Arguments against Public-Private Partnerships
There is a body of literature that argues that there are negative outcomes associated with the private provision of public services:
• PPPs will lead to the privatization of education and thus will reduce the government’s control over a public service.

• Increasing the educational choices available to students and their families may increase socioeconomic segregation if better prepared students end up self-selecting into high-quality schools, thus further improving their outcomes.

• PPPs will lead to poorer students being left behind in the deteriorating public schools that lose the support of more educated parents. PPPs may face resistance from certain stakeholders. For instance, teachers and other employees may see PPPs as a threat to their job stability, while teachers’ and public sector unions may see them as a way of diminishing their influence over their members’ terms and conditions of service.

• Policymakers need to take these points of view into account when designing their contracting initiatives. They should consult with stakeholders and share the contract documentation with them. It may also be useful for policymakers to recruit leading figures in the politics and business communities who understand the potential benefits of PPPs and can use their influence to help to overcome any resistance.

• There can also be some challenges and risks involved in PPPs. Inputs to education, processes, and outputs are very different and require several different forms of contracts (including management, support, professional, operational, educational services, and infrastructure). All of these variations need to be assessed separately as they require different approaches in order to be effective. For example, in many countries, it is likely that the capacity of public agencies will have to be developed before it will be
possible to expand the education options available to low-income students. In some cases, there may even be a need to build the capacity of private operators to deliver high quality education. While one advantage of PPPs is that they can be a more cost-effective way to provide education than the tradition public sector approach, there are some instances in which this may not be the case. Also, if poorly handled, contracting can even reduce already low levels of government accountability and control (Kingdon 2007). It can also create opportunities for corruption in the awarding of the contracts. Therefore, partnerships that provide financing to private educational institutions but do not demand accountability can have negative consequences, Kingdon (2007).

Suggestions to Strengthen Public-Private Partnership Model in Higher Education

- Strict governance and management structures need to be in place in order to administer PPP projects.
- Active promotion of non-governmental organizations (for-profit and non-profit) participate in PPP projects
- Establishment of stable and efficient regulatory frameworks with credible mechanisms for dispute resolution to sustain and accelerate the progress of partnerships. Besides, there is a need to strengthen the policy and regulatory frameworks for substantial improvement in government Capacities for managing and overseeing PPPs when they are in operations.
• Government should facilitate the partnership by preparing and implementing policy guidelines with regard to partnership vision, mission, objectives, policies, programmes, rules, regulations, strategies and budget.
• Regular contact with key public officials: dialogue should not be a ceremonial event. Regular meetings to discuss progress and matter arising should be made to be part of parcel of the process.
• Capacity building: regular training and open discussions on dialogue process should be deliberately incorporated in the dialogue process.
• Monitoring and evaluation: it is in the best interest of the government to review progress on growth and development issues and initiate fresh dialogue on lagging areas. It is also beneficial for the private sector to monitor progress on whether the dialogue has been reducing their cost of doing business.
• Establish clear, objective, and stream-lined criteria and processes for establishing and registering private educational institutions
• Continue to provide subsidies to the competent service minded private educational institutions sector which follows PPP model

Need for workable Public-Private Partnerships:
It is very difficult to talk about workable public-private partnerships without an understanding of the nature of public-private sector, whose they are, what they can offer, how they work together, what are their motivations and what conditions are necessary for partnerships. It is true that these issues differ from nation to nation and even within a vast state like Karnataka, some common concerns deserve some analysis and elaboration.
• Education is generally classified as ‘Public Good’ and therefore excessive reliance on market and community initiatives will not bring about social efficiency and equity. In this context, governments need to work with other private players and create an enabling environment in addition to establishing appropriate monitoring mechanism to control quality and ensure transparency and accountability.

• It is important to understand what public and private sector can and cannot do for the advantage of the partnerships. In partnerships they must have shared common objectives, philosophy and common features. In reality they are different both in philosophy and operating strategy. Governments emphasize on low cost or free, to reach a large number with least discrimination. They are target driven and lack self-monitoring mechanism. In the process they pay least attention to process variables of teaching and learning or providing quality education to the concerned stakeholders. They are unable to discourage the elite stakeholders from using the services meant for the poor. As a result the rich and the powerful walk away with a major share of the services meant for the poor. The public sector so far did not believe in discouraging the rich and powerful by charging them higher user charges. The variable user charges are not even acceptable to the public sector.

• The private sector believes in providing a minimum quality services in education even though they cannot reach all the stakeholders. It is important to make an impact on a few rather than no impact on everyone. It is an acceptable fact that private sector believe in charging a fee to those users. These user charges need to be different for different stakeholders
based on their capacity to pay. The private sector believes in cross subsidization by charging differential user charges. The underlying philosophy the rich and poor not only pay for the service that they get but also pay differentially for the services. In the process, the private sector will enhance the infrastructure facilities and the quality of services and many times set their own benchmark so that the regulatory bodies can use these benchmarks as important parameters. In the process a significant surplus or profit is also generated so that they have enough funds for the rainy day.

- Partnership is not necessary between two different governance structures. Partnerships can also be private to private and public to public as well. To illustrate, the units, for preparation of text books, teacher training, and curriculum development and action research within the public governance domain can also partner with each other to provide the most relevant educational experience for children. Similarly private providers of different services namely regulation, accreditation, teacher training, preparation of teaching learning materials, e-learning can also work together to bring about the most effective process strategies.

- Partnerships need to be transparent in terms of who is bringing what inputs into the program. With increased levels of clarity partnership would result in sharing of benefits as well as responsibilities.

- A clear legal and regulatory framework specifying the roles of public and private players, their relationships and their areas of cooperation is critical. This calls for a well-defined governance structure and the accountability of each of the players.

- Trust is the key to the success of any partnerships. This has to be mutual
and bound by common objectives and mutually agreed upon philosophies. To illustrate, the public players often take credit for the achievement of the private players in order to impress the electorate and prove their responsibility in a democratic society. They use the success stories as launching pads for fulfilling their constitutional obligations. This, in many cases means unethical and lack of trust for the private players and becomes a compelling reason for the PPP to fail or reach a point of termination.

- **Accountability** has different meaning for public and private players. Public players look at accountability as providing access and equity and neglect quality of services. On the contrary, private players feel accountable for the quality of services both on effectiveness and efficiency parameters and even look at cost implications.

**Prerequisites for the Successful Promotion and Sustenance of PPP Models**

- **Strong political will**: To willingly and enthusiastically provide leadership for dialogue. Top executives are expected to help drive the process.

- **Well organized private sector**: The extent of visionary leadership of MBOs, team work and entrepreneurship spirit is expected to create a strong private sector capable of attracting government’s attention. Business Membership Association should also build alliances and work as a formidable team.

- **Data base/FACTUAL DATA**: Unless there are compelling evidences (obtained through mapping, research and proposals) to warrant dialogue, the chances of success are minimal. BMOs are required to have a functional management information system and develop the capacity to conduct and disseminate research on key issues of concern.
• **Establishment of dialogue framework:** There is the need for clear understanding of purpose, direction and priorities on the dialogue process. In Kano State, the Technical Committee of the Investment Climate Programme initiated by the World Bank/DFID and other relevant bodies with representation from public and private sectors could help develop an agenda for the State level dialogues process.

• **Regular contact with key public officials:** Dialogue should not be a ceremonial event. Regular meetings to discuss progress and matter arising should be made to be part of parcel of the process.

• **Capacity building:** Regular training and open discussions on dialogue process should be deliberately incorporated in the dialogue process.

• **Monitoring and evaluation:** It is in the best interest of the government to review progress on growth and development issues and initiate fresh dialogue on lagging areas. It is also beneficial for the private sector to monitor progress on whether the dialogue has been reducing their cost of doing business.

• **Academic and research institutions:** Should be brought on board to assist in data gathering and analysis required for an informed dialogue process.

**Strategies for Enabling Public-private partnership in higher education**

• The facilitating environment for PPP includes: changes in legal structures and mechanisms, setting up of a robust legal and regulatory mechanism, and overall macroeconomic and macro-political stability (Phansalkar, 2005).^{10}

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^{10} (Phansalkar, 2005)
• A sound policy environment for education development is basic to any effective partnership. The role of public policy in PPP includes: policy framework design and analysis; policy redirection towards creating the enabling environment, quality control, and regulation of actors, besides encouraging/facilitating institutional innovations. But, for successful PPP, it is important to have commonality in goals, complementarity in strengths and sharing of responsibility and costs besides appropriate mechanisms for conflict resolution (Katyal, 2005)\textsuperscript{11}.

• The major factors in success which act as preconditions are: political will to promote PPP, clarity in institutional roles, adequate capacity of partners for the specified role, and effective market for products of PPP.

• The operational requirements of successful PPP include selection of partners, monitoring and evaluation of partners, their certification and sharing of costs and benefits of the services among partners besides the content and target of the service (Rivera et al, 2000)\textsuperscript{12}.

• Further, it is important to address the entire value chain of a product, and not just specific bottlenecks for the partnership to result in tangible benefits to all stakeholders. There is also need to frame broad guidelines for the public sector to facilitate engagement with private sector, facility of secondment of staff across sectors of partnership, and devolve powers in national as well state level research and policy systems for efficient initiation and disposal of various projects and interventions under PPP mode (Mruthyunjaya, 2007)\textsuperscript{13}.

\textsuperscript{11} (Katyal, 2005)

\textsuperscript{12} (Rivera et, 2000)

\textsuperscript{13} (Mruthyunjaya, 2007)
Emerging Public-Private Partnership Models in India and Karnataka:
In a PPP, the ‘private’ partner could be a private company, a consortium, or a nongovernmental organization (NGO). Typically, a PPP project involves a public sector agency and a private sector consortium which comprises contractors, maintenance companies, private investors, and consulting firms. The consortium often forms a special company or a ‘special purpose vehicle’ (SPV). The SPV signs a contract with the government and with the subcontractors to build the facility and then maintain it. To enable the flow of private funds and resources into public infrastructure and services, the PPP is operationalized through a contractual relationship between a public body (the conceding authority) and a private company (the concessionaire).
**Public-Private Partnership (Grant-In-Aid) Model in Education:**

The grant-in-aid (GIA) model is a well-established public-private partnership in education. This model is been in operations for more than four decades. A private college is aided, if it receives budgetary grants-in-aid (GIA) from the State Government. The GIA policy has both promotional and regulatory objectives, such as encouraging private enterprise or management in higher education through private-public partnership in financing. In the seventies, a scheme envisaging the government to make direct payment of salary to staff working in private colleges was introduced (T Navneeth Rao et al., 1993, p.55)\(^\text{16}\). The staffs were put on par

\[^{15}\text{(T Navneeth Rao et, 1993)}\]


with government servants for salaries and pension benefits. The government’s financial contribution in the running of an aided college was 100 per cent of salaries and 50 per cent on buildings and equipment. Through this policy, the government, to some extent, exercised control over the location of colleges. The government, while sanctioning grants to private colleges, gave some preferences to backward areas. Because of the grant-in-aid scheme, the number of colleges in the state increased by leaps and bounds. But the measures taken to reduce disparities were not adequate.

However, few PPP models have been tried so far in the field of higher education in India and Karnataka. Nevertheless, the present conventional PPP-aided model as its own limitations and hence it needs revision. This can help in addressing issues of access, equity, expansion and quality. As a result, HRD department has initiated a new scheme of PPP in setting up 20 IITs. However, it needs to be scale up and new forms of PPP have to be explored. One way could be to explore the option of private financing initiative (PFI). Therefore, PPP should be explored in the forms of private financing initiative, modified voucher system for below poverty line students belonging to SC/ST, charter colleges and outcome based financing for sponsored students.

**Proposed Public-Private Partnership Models in Higher Education**

The K.B. Pawar Committee constituted by the UGC has recommended the following four models of PPP in higher education:

- **Model I - Basic Infrastructure Model**: Private sectors invest in infrastructure while government runs the operations and management and make
annualized payments to the private investor.

- **Model II - Outsourcing Model:** Private sector invests in infrastructure and runs the operations and management while responsibility of the government is to pay the private investor for the specified services.

- **Model III - Equity/Hybrid Model:** Investments in infrastructure are shared between the government and private sector while operations and management vests with the Private sector.

- **Model IV - Reserve Outsourcing Model:** Government invests in infrastructure and the private sector takes the responsibility of operations and management.

**Other Popular Public-Private Partnership Models Prevalent in India**

**Program of mobilizing local support to primary school (plus):**

This program is aimed at improvement of primary education with the support of local community. The service providers include corporate sector, banks, elected representatives, retired teachers, any one from civil society. The contract does not have a fixed duration but flexible for a one-time of recurring support. The service providers are selected through competitive bidding or negotiation since it does not involve any additional resources, there is no cost sharing in this project. Monitoring is done by the Department of Elementary education, the state governments have been requested to have at least one percent of the government schools covered under PLUS every year reaching 10% by 2010. The next important innovative PPP model is mid-day meals scheme. The objective is to provide cooked meals to children facilitating education through nutrition and reducing school dropouts. The major service providers have been
Nandi Foundation and ISCON. The contract involves the state governments providing the food grains and a pre-determined per student cost, the remaining financial and other inputs including logistic support is provided by the private player. Selection is through competitive bidding and/or negotiation and monitoring is expected to be done by the State governments. Currently this scheme has very limited coverage.

**Computer Aided Learning under Sarva Siksha Abhyan (SSA):**

The objectives of this PPP are to make schools attractive to children of 6-14 years, to implement joyful learning through multimedia effect. Other objectives include increased retention and reduced dropouts. Besides, there is scope for development of communication skills, innovative approach to teaching and creation of e-libraries. The service providers are private and public computer firms. Under the contract service providers are selected through competitive bidding and/or negotiation wherein the government of India provides Rs.15 lakh per district per year. There are no specific penalties or incentives specified. The monitoring is done through the state units of SSA. Other prominent models prevalent in India are:

- The state of Tamilnadu has implemented the program in which over 200 firms are engaged on a lease arrangement to provide hardware, software, training, operations and maintenance, involving 40 hours of learning per child.
- Azim Premji Foundation in Karnataka has implemented in over 135 schools, by developing CDs in different languages, using solar panels for running computers. SSA provides funding for rooms and hardware.
• Educom is an e-learning project under PPP in Assam in 500 schools on
BOOT (Build Own Operate Transfer) basis. It provides an integrated
package of hardware, software and training of teachers, materials are
developed in three local languages.

Summary
Analysis of available data on the efforts of Karnataka and other developing
countries in regard to PPP in education reveals several potential areas. The
government sector on its own is not able to deliver education services, be it
equity, access, quality, efficiency or effectiveness. This dismal picture has given
rise to the growth of private sector to provide education services. The role played
by the private sector is extremely crucial to the development of Karnataka, India.
The PPP efforts require a paradigm shift from control and suspicion to freedom
and building trust. Given this attitudinal change, governments in Karnataka, India
should enter into more formal relationships with the private sector and look at
possible strategies such as, negotiations, competitive bidding, concession
agreements, introduction of user charges and reforms in the regulatory work,
identifying and working with different stakeholders of education services.