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Business and Education: PPP Model in Public Education

Shenyue Wang*

College of Humanities, Nanjing University of Science and Technology Zijin College, Nanjing 210023, China

Corresponding author: Shenyue Wang, faygxdx123@126.com

Abstract: Currently, many countries are committed to constantly improving the structure of public education service systems, seeking ways to revitalize public education to serve society more effectively. Addressing rational investment in public education is a crucial challenge facing all nations. In recent years, some developed countries have incorporated private businesses into public education, effectively improving the allocation of educational resources and educational efficiency. This paper conducts an in-depth study of Public-Private Partnerships (PPP) in public education, focusing on its implementation and outcomes.

Keywords: Public Private Partnership (PPP); Public education

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1. Introduction

In today's world, many countries prioritize establishing a robust public education service system and enhancing the fairness and inclusivity of education, despite variations in structure, political systems, and welfare levels. The introduction of public-private cooperation into public education has emerged as a potent catalyst for educational reform and development in numerous countries, representing a significant measure to address the challenges facing public education. The Public-Private Partnership (PPP) Model in education represents a novel approach to education investment, financing, and service delivery, garnering increasing attention and influence over time.

This article will critically review the development of "Public-Private Partnership (PPP) in education" within the realm of public education. It is structured into six sections: The connotation of the PPP Model, its origin, advantages and drawbacks, the background of its implementation in public education, types of international public education utilizing the PPP Model, and reflections on the merits and limitations of applying the PPP model to public education.

2. The connotation of the PPP Model

The PPP Model can be defined as a contractual relationship between the government and private businesses participating in specific projects dedicated to educational development, where costs, risks, and benefits are shared [1,2]. Wang asserted that the PPP Model establishes the rights and obligations of both parties through a contractual agreement, facilitating the provision of public goods based on concession agreements [3]. Consequently, both parties can achieve greater benefits than if they were to act independently.

Essentially, the PPP Model allows the government to initiate projects in response to social demand for public goods and select private enterprise partners through a bidding process. In return for funding, the government entrusts private companies with project implementation responsibilities. Both parties must fulfill their respective obligations within specified timeframes and parameters [4-6]. Thus, as an effective means of joint provision, the PPP model mitigates project risks and enhances project construction, operational efficiency, quality, and standards. PPP projects serve the public interest and are not driven by profit motives. Unlike other forms of transactions, when the government and the private sector share common interests, they also share common risks [7].

3. The origin of the PPP Model

The concept of PPP was first introduced by the United Kingdom. Initially, it served to compensate for the government's limited financial resources in providing certain public goods, thereby enhancing resource utilization efficiency [1,8]. The PPP model has since been widely adopted by international organizations and countries worldwide for various public infrastructure projects, including education, national defense, transportation, waste treatment, healthcare, and housing, particularly gaining traction after the 1990s. In 1992, Norman Lamont, serving as the Chancellor of the Exchequer, spearheaded the Private Finance Initiative (PFI), marking the inception of modern society's first public-private partnership project embodying the essence of PPP. This initiative was pivotal in further fostering collaboration between government entities and private sectors.

4. Advantages and drawbacks of the PPP Model

The PPP model is regarded as an investment, construction, and management approach that effectively addresses inefficiencies in government operations and market failures [9]. Du's research summarized the advantages of the PPP Model in the modern era, highlighting its ability to alleviate government financial pressures, facilitate risk sharing, diversify investment channels, and expedite change, reform, and development. Malone [4], along with Regan and colleagues [10], underscored the model's influence in achieving higher economic and time efficiencies, enhancing the quality of public services and infrastructure, expanding infrastructure investment sources, and enabling long-term planning by both public and private sectors.

However, drawbacks exist. The complexity of the process may lead to inefficiency, and misalignment of goals between public and private entities, as well as unequal bargaining power, are concerns [3,11]. Trebilcock and Resenstock discussed additional drawbacks, such as high financing costs for the private sector, potential monopolization through franchising, increased public service costs, and limited flexibility in long-term contracts [6].

5. The background of the PPP Model in public education

Public education is a complex issue intertwined with society and politics, primarily serving public interests and affairs [9]. Historically, governments have directly constructed public schools to uphold the public nature of education. However, evolving societal norms and concepts are challenging with the traditional government-led approach to school construction, supervision, and management [11]. Critics argue that this model fosters rigid school organizations lacking in flexibility, while state monopoly over education has stifled competitiveness across various industries, resulting in diminished incentives for schools to improve teaching quality and efficiency. Consequently, significant social resources have been squandered, exacerbating governmental financial burdens [5]. For example, Du observed that most colleges and universities in China receive government funding, ostensibly ensuring relative equity in higher education [7]. However, the suboptimal utilization of educational resources persists due to factors such as unrealistic student enrollment expansions, flawed management systems, and a disproportionate emphasis on infrastructure development.

Furthermore, the PPP model has gained traction in public education beyond developed nations, with countries like India, Pakistan, and various African nations also embracing it to address educational funding and resource challenges [12]. In the context of public education, PPP entails collaboration between government and private sectors to deliver high-quality, efficient education services [2]. Patrinos provided insights into the benefits of introducing the PPP financing model to public education, highlighting its potential to mitigate inadequate education investment, enhance resource utilization, diversify funding sources, and catalyze education development and transformation [8].

6. Types of international public education with the PPP Model

In recent decades, the PPP model has found widespread application in public education in Western countries. Successful examples include the PFI for education in the U.K., the public school with the private model in the U.S., the Australian educational facility cooperation model, and the education service and procurement model in New Zealand. Connolly *et al.* provided a detailed overview of PFI, a typical public-private partnership for school infrastructure projects implemented in the UK in 1992. Under this initiative, the private sector constructs education infrastructure according to specified standards, with the government paying for education services under specific conditions. Ownership of the infrastructure is jointly held by the local education authority and the private sector during the concession period, during which the private sector is responsible for operation and management. Ownership is then transferred back to the education authority after the concession period, with the private sector bearing most of the risks involved in building educational institutions for the government [13].

LaRocque categorized public education into seven types [14]:

(1) The Charity Action Plan of the Private Sector: Involves private charities donating funds to support public education, enhancing the quality of education in public schools, and assisting children from low-income families.

(2) Government Purchase Action Plan: Involves the government and private schools providing educational services through contracts funded by public funds.

(3) School Capacity-building Action Plan: Private partners provide teacher development plans, including training and curriculum development.

(4) School Operation Action Plan: Education authorities contract directly with the private sector to manage public school operations while the schools remain public or aided.

(5) School Assistance and Adoption Plan: Private partners provide financial and material resources to supplement government funding for public schools.

(6) School Infrastructure Action Plan: Private sectors invest in, construct, and operate public school infrastructure under long-term contracts with the government.

(7) Voucher and Imitation Voucher Action Plan: Governments subsidize students to attend private schools.

Yuan and Shan classified these models into two types based on partnership differences and participant roles: the PPP Model of Education Contract and the PPP Model of Stakeholder Education Partnership [15]. The PPP Model of Education Contract involves the public sector organizing system arrangements for private sector participation in public education. Both parties define their obligations and rights through legally valid contracts, aiming to increase the supply of public education and improve education service quality. For example, the education service procurement plan of New Zealand's public education department signs agreements with the private sector, which provides educational resources and services to meet specific educational needs [16]. In contrast, the PPP Model of Stakeholder Education Partnership entails cooperation between the public sector and private partners to achieve common goals or complete specific missions. Participants may have different objectives, such as resource sharing or standard process formulation, based on societal responsibilities. Unlike the PPP Model of Education Contract, the private sector in the PPP Model of Stakeholder Education Partnership may not gain private benefits [16].

7. The merits and reflections of the PPP model applied to public education

7.1. The superiority of the PPP model in public education

The application of the PPP model can expand the ways of raising funds for public education. Both LaRocque's study and Robertson and Verger's study expounded on how the PPP model largely alleviates the financial burden of the public education department and establishes a relatively fair use and supervision system of education funds to maximize their efficiency [9,14]. It introduces the private sector to fully realize its resource allocation function in the market. Additionally, the PPP model helps improve the working efficiency of public departments by encouraging private departments to exert their economic effects in infrastructure construction and management, thereby shortening project cycles [6]. Moreover, the unique barriers in the field of education are broken down, providing more vitality and attraction to the entire industry [17].

7.2. Issues worth noting in the application of the PPP model in public education

Establishing a benign partnership between the public and private sectors is crucial. The relationship between public and private departments, as well as the quantity and quality of education, should be carefully handled. Tang proposed that formulating reasonable policies lays the institutional foundation for creating good environments and improving the application abilities of partnerships [11]. It is necessary to comprehensively consider all aspects of education provision. Only in this way can the service scope be enlarged and the quality of education be maximized [17].

Public education needs to incorporate active and effective private education components in financing and management. These components include non-profit schools, for-profit schools, community schools, and so on [18]. The government cannot unilaterally provide adequate funding for education. Practices of public education under PPP models in many Western countries have proven that multiple educational service institutions have obvious advantages over single education service institutions.

Disclosure statement

The author declares no conflict of interest.

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