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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

**PRIVATE EDUCATION IN LATIN AMERICA: SERVING NATIONAL GOALS FOR
HUMAN RESOURCES DEVELOPMENT**

(TC-99-08-04-3-RG)

PLAN OF OPERATIONS

DECEMBER 1999

INTER-AMERICAN DEVELOPMENT BANK

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Project name: Private Education in Latin America: Serving National Goals for Human Resources Development

Project number: TC-99-08-04-3-RG

Project team: Team Leader: Laurence Wolff (SDS/EDU); Jesús Lopera (INT/RTC); Kenroy Dowers (SDS/IFM); Ricardo Moran (SDS/SOC); Valnora Leister (LEG/OPR) and Leyda Fajardo (LEG/OPR).

Executing agency: Program of Education Reform in Latin America (PREAL). A partnership of CINDE (CHILE) and the Inter-American Dialogue (USA)

Beneficiaries: Borrowing Member Countries of the Bank.

Financing plan:

IDB: (FSO-Foreign Exchange)	US\$ 150,000
Counterpart:	US\$ 50,000
Total:	US\$ 200,000

Terms:

Execution Period:	12 months
Disbursement Period:	18 months

I. BACKGROUND

- 1.1 Education is acknowledged as fundamental for economic development. Private education, no less than public education, serves society and does provide social returns in addition to the private returns to students. Government has a role in regulation and oversight of private education, through supporting elements such as truth in advertising, minimum quality of services offered, etc., and providing

information and “extension” services to private institutions, in much the way it supports small enterprise development.

- 1.2 In addition, social demand has outstripped the ability of the public sector to finance education, especially at the higher levels, and Government also has a role in encouraging and subsidizing private education in one way or another so as to target its own limited funds toward objectives of equity, quality, access, and research.
- 1.3 There is in principle no contradiction between the existence of public and private education institutions, since, depending on the country; each sub-system serves different goals and clienteles. In some cases public funds support all or portions of private education. But there are political economy risks—for example the abandonment of public secondary schools by the upper middle class can lead to inadequate political support of the public system.
- 1.4 Private education is very important in Latin America. In the region as a whole it covers 29% of higher education, 16% of secondary education, 17% of primary education, and 38% of formal pre-schooling. There are also large numbers of undocumented private institutions, including unregulated training institutions, informal early childhood care programs, and “cram” courses for university entrance. The rise of the Internet is leading to increase international investments in education, especially in higher education.
- 1.5 Projects supported by IDB loans increasingly support private education through student loan programs (e.g., Dominican Republic), grants to NGO’s to provide pre-schooling and schooling services (Bolivia, Guatemala), voucher schemes (Colombia, Nicaragua), grants for scientific research (Colombia, Argentina, Brazil, Chile) and lines of credit for capital investments in private education (Brazil).
- 1.6 Contrary to common assumptions, the majority of private institutions in the region do not cater to the upper middle and upper class. They have arisen in response to changing economic and social needs, as well as a lack of public funding and inadequate agility of government to react to emerging needs, and serve all social classes. Recognizing the social value of private education, governments throughout the region subsidize or support private education in one way or another, through tax exemptions, student loan schemes, purchase of places, support for capital development, etc.
- 1.7 Within the region little systematic is known about the extent and roles of private education. Less is known about the current role of oversight and regulation of private education and whether such oversight has positive or negative effects in terms of educational goals such as equity, quality, and efficiency of the use of public funds. But there is anecdotal evidence that governance and oversight of private education efforts have been counterproductive—instead of leading to increased quality, equity and client responsiveness, government oversight as

currently practiced in the region may lead to inequity and inadequate benefits to consumers as well as to society as a whole.

- 1.8 One critical area is private higher education, which has been expanding rapidly throughout the region. Student loan schemes exist in most areas of the region, usually subsidized by Government, but they are small and inadequate in terms of current and expected needs. Another critical area is that of pre-schooling and early childhood development (ECD).
- 1.9 The private/NGO sector has moved rapidly to provide services to middle and upper classes, but, based on strong evidence of the importance of ECD for intellectual and social development, a vast expansion targeted to the poor is needed throughout the region. There is at least anecdotal evidence that private/NGO ECD services are more flexible and less costly than similar public programs.

II. OBJECTIVES

- 2.1 The overall objective of this technical cooperation is to identify means of helping to ensure that private education expands while at the same time meeting national educational goals of equity, access, quality, research and customer benefit, as well as helping to ensure the most effective use of public funds for educational development. It is expected that the result of this activity will be expansion of private sector provision of education services as well as increased and more effective national and multi-lateral support of private education in the region
- 2.2 Within this overall objective, there are three sub-objectives:
 - a. identify ways of expanding access to higher education with only limited increases in public funding;
 - b. identify ways of increasing access of underprivileged groups to early childhood and pre-school services provided by NGO's and other private groups at more cost-effectively than publicly provided services; and
 - c. identify policies for more effective oversight and regulation of private education to meet national human resource development goals.

III. DESCRIPTION

- 3.1 The proposed program will support studies in the three following areas:
 - a. Identify issues, challenges and best practices in supporting expansion as well as quality improvement of private higher education, with a particular

emphasis on student loan schemes and on developing capital markets for private education expansion, to ensure that national higher education goals can be met cost-effectively. (See Annex I).

- b. Identify issues, challenges and best practice in the region in the private provision of pre-school and early childhood services, so as to more effectively meet national goals of making cost-effective ECD services available to disadvantaged groups. (See Annex II).
- c. Undertake empirical studies in three countries in the region¹, of the current relationships between the public and private sector and the extent to which Government oversight, regulation, and/or subsidization supports or impedes objectives such as equity, access, quality, and responsiveness to client and labor market needs; and suggest changes in public policy to more effectively meet these goals. (See Annex III).
- d. In addition the program will provide for research on best practices elsewhere in the world, coordination of the different efforts, mobilization of additional funds to study the subject, and preparation of a monograph and workshop on the subject (See Annex IV). It is expected that the result of this activity will be expansion of private sector provision of education services as well as increased and more effective national and multi-lateral support of private education in the region

IV. EXECUTION

- 4.1 The program will be undertaken by the “Programa para la Reforma de la Educación en America Latina” (PREAL), a joint activity of the Corporación de Investigaciones para el Desarrollo (CINDE), a research organization located in Chile, and the Inter-American Dialogue, located in Washington, DC. PREAL’s objectives include involving civil society, business leaders, NGO’s, and the media in understanding and supporting educational reform in the region. The IDB supported the start-up of PREAL in 1995. PREAL now receives funds from USAID as well as private foundations and has participated in a number of joint policies research activities with both the IDB and the World Bank. The contracting will be done with CINDE on behalf of PREAL
- 4.2 CINDE will contract the services of consultants and/or consulting firms to undertake the above-described studies. While most of the consultants have not

¹ Brazil, Colombia, and Guatemala have been tentatively identified as the countries. A final decision will be made jointly with PREAL and the IDB on the basis of education issues, geography, and availability of qualified researchers.

yet been identified, due to the fact that APICE has been the leading institution working on student loan schemes in the region, and the fact that they are willing to put counterpart funds to complement the study, it is proposed that APICE “Asociación Panamericana de Instituciones de Crédito Educativo”, a cooperative organization of 25 public and private student loan programs in Latin America will undertake the loan schemes study.

- 4.3 PREAL will prepare interim studies on (a), (b), and (c) above, based on the terms of reference in the annex. These will subsequently be incorporated into a monograph or book on the results of this study to be published jointly with the IDB. The book is expected to include the studies in (a), (b) and (c), a review of best research world wide on private education undertaken under (d), and an overview on policy issues and recommendations for the region to be prepared by the consultant hired under (d).
- 4.4 It is expected that a workshop based on the study results as well as other case studies will be undertaken under separate financing. The workshop, to be held in a site in Latin America to be determined, would join together researchers, providers of private education services, government officials, and international financing institutions. The workshop would have three components: (a) summarize the conclusions of the study regarding effectiveness of private education and the critical regulatory and other issues impacting on private education; (b) present case studies of successful private education efforts; and (c) identify new opportunities for expansion of private education through creating a better environment for investment as well as through direct or indirect support by governments and/or multilateral institutions.
- 4.5 The monograph will consist of (a) an overview of issues and conclusions; and (b) shorter, reader friendly summaries of the studies financed under the project. Case studies of successful private education programs will also be included if available through the workshop.
- 4.6 The technical cooperation will be undertaken over a period of one year, the disbursement period will extend up to 18 months. The operation's disbursement and basic responsibilities will reside at the Regional Technical Cooperation Division of the Integration and Regional Programs Department (INT/RTC). The technical responsibility will be with the Education Unit of the Sustainable Development Department (SDS/EDU). SDS/IFM will also share the overall technical supervision and be involved in the studies on higher education. SDS/SOC will be involved in the study on private/NGO provision of early childhood services.

V. COST AND FINANCING

- 5.1 The cost of the technical cooperation is estimated at \$150,000 from the net income of the Fund for Special Operations in foreign exchange (SF). PREAL will

contribute up to US\$50,000 in counterpart funding for the studies mostly in kind and through logistical support for the activities. PREAL/CINDE will also seek additional financing from foundations and international agencies to fund the workshop and other complementary activities.

Estimated Cost Table

(In US\$)

Item	IDB	Counterpart	Total
1. Study on Higher Education	15.000	10.000	25.000
2. Study on Pre-Schooling	15.000	10.000	25.000
3. 3 County Case Studies	75.000	20.000	95.000
4. Coordination	33.000		33.000
5. Publication	10.000	10.000	20.000
6. Evaluation	2.000		2.000
Total	150.000	50.000	200.000

- 5.2 Three disbursements will be made to PREAL: 40% (US\$60,000) within 15 days of signing the contract with the Bank; 40% (US\$60,000) at the presentation of the studies for Bank approval; and 20% (US\$30,000) when the Bank approves the final report.

VI. REPORTS AND MONITORING

- 6.1 PREAL will present to the Bank the following reports: (i) Working Plan, within the following 15 days of signing the contract with the Bank; (ii) 2 progress reports 90 days and 180 days after signing the contract with the Bank; and (iii) Final report including the results of each Consulting assignment included in the operation. The Bank will provide overall monitoring. An independent consultant will prepare an evaluation of the program within the following 90 days of published the monographs including the results and recommendations. The terms of reference for the evaluation will be presented to the Bank for approval.

VII. BENEFITS AND RISKS

A. Benefits

- 7.1 The program will lead to better understanding of the role of private education in the region. In turn this could lead to increased provision of these services meeting national human resources development goals and more effective use of limited public funds. An ancillary benefit could be increased multi-lateral lending to private education institutions.

B. Risks

- 7.2 The risks in implementing the studies are minimal since PREAL has an excellent track record in managing studies of this sort. There is a risk that funds may not be obtained for the proposed workshop. However, initial contacts with the World Bank have been positive and PREAL also expects to find additional funds from private foundations. In any event the publication of the monograph itself will be of importance.

Terms Of Reference

Private Education in Latin America: Serving National Goals for Human Resources Development (TC-99-08-04-3-RG)

Student Loan Schemes in Latin America: Current Progress and Future Challenges

I. PURPOSE

- 1.1 The purpose of the paper is to provide a concise, reader friendly overview of the current situation with regard to student loan schemes in the region, summarize the conditions under which student loan schemes can achieve their goals, and estimate the challenges of the future. The paper will especially focus on how student loan schemes can meet the often contradictory goals of access, quality, sustainability, and equity in higher education.

II. CONTENT

- 2.1 The paper will have the following sections:
 - a. Global vision of the current status of student loan schemes in the region. This would include elements such as: number and percentage of higher education students currently reached by student loan schemes, total amounts per year in the region provided for student loans, cost recovery and defaults, relative size and roles of public and private student loan systems.¹
 - b. Short history showing how student loan schemes have been evolving from being purely social support to small numbers of students to more sustainable and financially durable programs. The history would also discuss specific programs which have been particularly successful (e.g., Dominican Republic, Costa Rica, Fundaplub) as well as those which are in difficulty (e.g., Brazil, Colombia) and the reasons why they may or may not have been effective.
 - c. Discussion of the critical issue of sustainability vis-à-vis equity. As part of this discussion the study would examine one or two countries (real or

¹ These estimates will be based on data available to APICE rather than a new survey. The extent of missing data would be estimated.

fictitious). It would provide estimates of how much a recent graduate of modest means could afford to pay, and how this could translate into a sustainable student loan program, including what percentage of students of modest means could be helped and at what level of interest subsidy.² The study could examine one or two student loan programs which appear to be dealing adequately with the issues of sustainability and equity (e.g., the Mexico private education scheme).

- d. The challenges for the future (2010). The following would be estimated: expected growth of higher education enrollment in the region; average recurrent unit cost; and current public private breakdown. A projection would be made of the potential savings to government if sustainable student loan schemes were vastly expanded, along with increased private sector enrollment as well as increased tuition in public institutions. Along with this financial/enrollment exercise would be a summary of the conditions, both institutional, and political, necessary for student loan schemes to fulfill their goals of equity, enrollment growth, quality, and efficient use of public funds.
- e. Annex: Min-case studies of four or five student loan schemes both public and private, both strong and weak. Each case study would be two-three pages long and in telegraphic form would describe: qualitative evolution; coverage; costs, subsidies, recovery characteristics of the services provided; institutional management; and a short history of the program.
- f. A discussion of how secondary markets can be developed for the financing of student loans, similar to the USA experience.
- g. A second annex would provide a list of all student loan schemes in the region known to the authors.
- h. The body of the paper would be no longer than 30 pages.
- i. It is expected that the study would utilize data currently available to APICE and to the authors, as well as a short questionnaire for the mini-case studies. The IDB would assist in providing regional data such as enrolments in higher education and current unit costs and in helping to define the parameters of scenarios for the future.

III. PROCEDURE, TIMING, ORGANIZATION, AND COSTS

- 3.1 It is expected that a draft would be completed three months from start, with a final report one month later. APICE would be the implementing agency. It is

² Estimates of this type were done by Carlson (1992) and could serve as a model.

expected that the study team would consist of Roberto Castellanos, Jorge Tellez Fuentes, and Francisco Rodriguez. In addition a research assistant familiar with spread-sheet programs and graphing (EXCEL) would be hired. The paper can be written in English or in Spanish. The total cost would be US\$15,000, with half this amount paid initially and the remaining half upon completion of the final report.

Terms of Reference

Private Education in Latin America: Serving National Goals for Human Resources Development

(TC-99-08-04-3-RG)

Private Provision of Pre-Schooling Services in Latin America

I. PURPOSE

- 1.1 The purpose of this activity would be to review the costs and effectiveness of private provision of pre-schooling services in Latin America, especially to underprivileged groups, compared to public provision; and to identify best practice, including oversight and subsidies to ensure that goals of cost effective provision of such services can be met, as well as to identify ways in which the private sector would increase its investment in pre-schooling.

II. CONTENT

- 2.1 The study would cover the following:
 - a. **Costs.** A review of available statistical information on the costs and effectiveness of private provision of pre-schooling services in Latin America, especially to underprivileged groups, compared to public provision. This would include, as available, the disaggregation of cost data in terms of: i) investment vs. current outlays; and ii) overhead vs. operating costs. Where possible, costs should be related to the numbers of children served, their broad age-group, and especially the services provided.
 - b. **Effectiveness.** While the study should report on whatever meaningful performance measures are available, it should seek out and highlight indicators of developmental outcomes for the child, in contrast to inputs or process indicators.
 - c. Financing sources and arrangements for pre-schooling services provided privately. Conceptually, financing comprises resources conveyed to the provider through money-based transactions, as well as donated inputs having an estimable market value, including volunteered work.

- d. The results of a questionnaire and/or set of structured interviews with a limited number of operators of private preschool programs of varying size. The purpose would be to identify perceived obstacles to the effective functioning, expansion, quality, and responsiveness to market and client needs of private institutions.
 - e. A summary of findings and recommendations with regard to Government oversight, regulation, and/or subsidization, so as to better support childhood development objectives such as equity, access, quality, responsiveness to client and labor market needs, and cost-effective use of public funds.
- 2.2 Based on the above, the paper to be written will have the following sections: (a) summary of current status of private pre-school education, including statistical information, legislation, and oversight; (b) summary of structured interviews with private sector providers; (c) summary of findings, issues and problems; and (d) recommendations for more effective oversight by the public sector, more effective public private relationships, and increased financing by the private sector, keeping in mind the importance of equity in the provision of pre-school services. Where feasible an annex will describe particularly interesting case studies of private successful private education institutions.

III. PROCEDURE, TIMING, AND COSTS

- 3.1 With the exception of the structured interviews, the study would utilize secondary data sources. The study would be undertaken by a consultant or consulting firm over a period of nine months. The main body of the final report should be no longer than 30 pages in length.

Terms of Reference
Private Education in Latin America: Serving National Goals for Human Resources
Development
(TC-99-08-04-3-RG)

Case Study of Public/Private Relationships in Education
Brazil, Colombia and a Third Country
(TC-99-08-04-3-RG)

I. PURPOSE

- 1.1 The objective would be to identify the extent to which the current relationships between the public and private sector, including Government oversight, regulation, and/or subsidization, support or impede national education development objectives such as equity, access, quality, responsiveness to client and labor market needs, and cost-effective use of public funds; and suggest changes in public policy to more effectively meet these goals.

II. CONTENT

- 2.1 The study would cover the following:
- a. A review of available comparative statistical information on all levels of private education.¹ This would include enrollments, costs, socio-economic class, success rates, and quality, as well as the extent to which there is any empirical evidence that private institutions are more cost-effective than public institutions. The sources would be standard educational statistics as well as results of national assessments and of any existing research comparing public and private institutions.
 - b. A review of current legislation governing the establishment and operation of private education institutions, including "entry," curriculum, fees and tuition, assessment, and certification.
 - c. The results of a questionnaire and/or set of structured interviews with a limited number of operators of private sector institutions. The purpose

¹ Because of limited time and resources, the study may be limited to one or a few levels of education.

would be to identify perceived obstacles to the effective functioning, expansion, quality, and responsiveness to market and client needs of private institutions.

- d. A summary of findings and recommendations with regard to Government oversight, regulation, and/or subsidization, so as to better support national education development objectives such as equity, access, quality, responsiveness to client and labor market needs, and cost-effective use of public funds.

III. PROCEDURE, TIMING, AND COSTS

- 3.1 With the exception of the structured interviews, the study would utilize secondary data sources.
- 3.2 The study would be undertaken by a consultant or consolation firm over a period of nine months. The main body of the final report should be no longer than 30 pages in length.

**Private Education in Latin America: Serving National Goals for Human Resources
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Terms of Reference

Review of the Literature, Oversight, and Coordination

The purpose of this activity would be to review the literature on the subject, supervise the different studies, put together and publish the final document, and liaise with other institutions also studying the subject. Below are detailed terms of reference.

The project will be coordinated by a senior professional, selected and contracted by CINDE/PREAL. This professional should have a graduate degree in economics or social sciences with ample experience in research design, data processing and analysis, systems analysis, and educational policy analysis. He/she should have demonstrated capacity for management and coordination of research and development projects and experience in the supervision of research and evaluation of projects.

His functions will include the following:

1. Prepare terms of reference for contracting of the three studies designed to identify programs challenges and best practice in the provision of private educational services at the higher education level, with special emphasis on loan and grant schemes for students, as well as pre-school services designed to meet goals related the care and development of these population groups.
2. Prepare terms of reference, and identify counterparts, to the undertaking of three empirical studies in three countries, tentatively identified as Brazil, Colombia and a third country, on the relationship between the public and private sectors in the provision of educational services, the level in which the actions of the private sector facilitates or impedes the achievement of objectives of equity, quality, access, demand, and market needs, and the challenges of public policy to support the achievement of these goals through oversight and/or encouragement of private educational institutions.
3. Monitor the undertaking of these studies, review draft and final reports, and formulate recommendations about changes in these studies.
4. Participate in the organization of an international seminar in which the results of the studies and their recommendations are discussed.
5. Design, coordinate and supervise the preparation of a financial document with the results of these studies with different forms of means of diffusion.
6. Coordinate with SDS/EDU of the IDB as well as with PREAL, which is responsible for the overall coordination and execution of the project.

7. Prepare a general work plan and chronogram of activities to facilitate the routine administration of the project which will be undertaken for the PREAL co-director.
8. Undertake or oversee a review of the literature on the cost-effectiveness of private compared with public education institutions.