Public private partnerships in education

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Introduction

All developed countries are seeking to improve their international competitiveness. As the nature of their competitive basis changes away from traditional manufacturing and agricultural industries to services and more sophisticated manufacturing and value-adding industries – knowledge-intensive industries – the perceived need for greater skills development and educational achievement levels has grown. Thus a key underpinning of international competitiveness for many countries is the competitiveness of their educational levels and in turn, their education systems. In many cases educational achievement levels have stalled in the wake of successful mass education programs in the last century and countries are seeking to reinvigorate educational growth. However they do so within a climate in which those countries are also facing major new challenges of economic and social adaptation and competing investment needs. As a result, different routes to educational investment are being sought and used. This paper will outline these, together with the major policy issues associated with them.

What are ‘Public Private Partnerships’?

Definitions of the term ‘public private partnerships’ vary considerably but all involve the concept of the public sector, or government, working with the private sector to supply a public service or facility. Originally the term became popularised as governments sought to extend their capacity to provide public infrastructure projects – roads, power generation plants, airports/ports, rolling stock – through the use of private sector capital as a means of limiting their own levels of debt, which had been the traditional financing mechanism for large public capital projects. However through evolution, the term has now come to encompass any linking of public and private sectors in public endeavour.

This is not just an Australian phenomenon. The World Bank, in a review of public private partnerships, notes their significance in public service/facility development and the range of purposes to which those partnerships are put. These include the provision of infrastructure, management expertise, the provision of public subsidies or vouchers for services to be purchased in the private sector, philanthropic donations and volunteering, and co-location and sharing of infrastructure across public and private providers.¹

Savas offers a taxonomy of privatisation of government-run services and functions and government-owned assets and enterprises which differentiates the forms of privatisation by their (desired) effect on government responsibility:

1. delegation, where government maintains responsibility and oversight but uses the private sector for service delivery through contracting out or out-sourcing. Examples include contracts for service; public-private competition; franchise; public private partnerships; grant, loan, favoured tax status; voucher, and mandate.
2. divestment, where government relinquishes responsibility. For example, through sale, free transfer or liquidation.
3. displacement, where the private sector grows and displaces a government activity. Examples here include default; withdrawal (load shedding); voluntary action (voluntarism), and deregulation.

Caldwell & Keating outline the different motivations for public private partnerships as they have applied in education:

1. the failure of public authorities to deliver to parents’ expectations (explaining the swing to private sector schools);
2. the need to secure higher levels of funding than is available (especially in infrastructure);
3. the ‘third way’ movement that has seen a new form of public management emerge in the delivery of public services that breaks the traditional continuum of public good, public funding and public provision;
4. the building of social capital.

These references demonstrate the wide variation in form and purpose of public private partnerships. They reflect the changes in thinking through the 20th century about what constitute public goods and how they might be provided. Prompted by different views about how economic growth is stimulated, the appropriate role of government in the economy and the fiscal disciplines that should apply to it, the prevailing market-based thought led to strong drives for efficiency in government. In turn, this provoked a questioning of the practice of public provision of public goods, particularly if they could be supplied at lower cost by the private sector. The US provided an alternative model to the Anglo/European public management model. But as public management experts explored alternative delivery models, the theme also resonated for many citizens, as they took up the opportunity to ‘purchase’ services such as education and health services from the private sector when those services seemed to meet their needs better. Although the public management decision-makers’ view was motivated at least partly by the availability of desirable resources and competencies in the private sector,

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the citizens’ view was coloured by the growth of market-based and consumerist sentiment.

Public policy interest in using place-based and cross-sectoral responses to build social capital has also developed in the past decade. Prompted by the writings of scholars, such as Robert Putnam⁴, policymakers became interested in how to strengthen community ties as part of multiple interventions to address entrenched disadvantage in particular communities. With the acceleration in globalisation and the consequent consolidation of populations, organisations and businesses, there are many who call for simultaneous global/local actions, recognising the need to engage internationally, while at the same time accommodating the diversity and particularity of needs at the local level. This is not just a phenomenon in social inclusion policy circles, but also among those interested in regional development and innovation systems.

Caldwell & Keating note that community-based education initiatives are particularly favoured in those countries in which social capital is deemed to have declined – the US, UK and Australia. This follows studies which reveal the correlation between low educational outcomes and low levels of social capital, as reflected in the strength of mutually supporting relationships among school, community, home, church and non-profit entities.⁵ Educational research has long suggested that supportive family environments are critical to students’ success, along with the quality of teaching, and the OECD’s PISA studies show the correlation between schools with low performance and low SES areas, again suggesting the links between community support and resources and good educational outcomes.

**Effectiveness of public private partnerships – the key policy issues**

Evaluations of the effectiveness of privatisation and public private partnerships show mixed results and a continued debate about the appropriateness of private sector involvement in the provision of public goods. Leaving aside the philosophical differences, the evaluations show that in some cases, project aims and performance criteria have been met; in other cases they have not. Much has depended on the quality of the public management of the projects from set-up to implementation and performance monitoring.⁶ In the case of more organic and community-based initiatives, more in line with Savas’ third category of displacement, the results have also been mixed and have depended on the strength of the community alliance and the clarity with which they have been able to specify and articulate project aims and modes of operation. Maintaining even strong alliances over a long period of time is difficult.

⁵ Caldwell & Keating (2004), op cit, p18.
⁶ Savas, op cit
The experience internationally with public private partnerships in education now extends for some years. The issues that have arisen are similar to those in other public policy areas and relate to accountability, transparency and risk transfer; competency to manage; costings; and the balance of local and national consistency.  

1. **Accountability, transparency and risk transfer.**

The greatest issues which have emerged as a result of the most recent decade’s experience with privatisation and public private partnerships lies in the area of determining the appropriate means of governance, accountability and transparency of information. In some cases where governments have sought to transfer the financing of public infrastructure and project risk, they have constructed contracts reflecting the changed risk structure, only to find that the public, through the media, do not accept that transfer. In these cases the attempts to finance public projects have resulted in more expensive infrastructure because of the payment of the risk premium to the private contractor. In other cases, the financial risk of projects is re-transferred through contracts that provide for effective government underwriting of their cash flow. Predictably those scrutinising these transactions find it difficult to identify exact accountability arrangements and/or have a different view about what those arrangements should be.

This is exacerbated by the ‘commercial in confidence’ status of many contract arrangements. The lack of transparency frustrates those who believe that the government should still be held accountable for public funds. The ‘commercial in confidence’ status is however understandable from the perspective of private sector organisations used to different types of accountability arrangements and subject to competition.

Accountability difficulties have also arisen where services are contracted to the not-for-profit sector, where governance protocols differ from both traditional public and private sector arrangements. The tensions then, between the different organisational forms and operational and governance modes amongst the sectors, continue to mean that accountability forms are yet to emerge. These difficulties have led to public agencies tending to favour simpler forms of bi-lateral contracting and the establishment of lead agencies in the not-for-profit sector.

As partnerships in the sense of networking and collaborative effort emerge as a means of adding resources and/or competencies to community settings, traditional legalistic contracting arrangements are insufficient in themselves. As Warner suggests, these new arrangements need to be implemented after careful consideration of the interests of each organisation; specification of the contribution to be made and elaboration of

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7 Caldwell & Keating op cit pp33-35.
accountability arrangements that reflects the different needs and stakeholders (accountable for what and to whom) of each.  

2. **Competency to contract/manage indirectly**  
Critical to the success of any form of privatisation is the capacity of the public sector to move from competencies in direct provision to specification of services, performance standards and contract management. Studies have clearly shown that the better specified the service or project, the better qualified in contract letting and management, the better the outcomes are likely to be – including the capacity to account for public funds expended. 

3. **Costings**  
Some identify the risks associated with project specification and evaluation as a policy issue. They cite the examples of contracting the building and operation of schools with a life of 20–25 years as incorporating a commitment to particular schools for the life of the contract, while demographic or economic changes might dictate the downsizing or closure of those facilities within that period. However these risks exist whether the facility is in public or private hands.

4. **Balance of local character and national consistency**  
Other issues relate to the extent that the provision of local services, including in education, should retain a national consistency, yet meet the diverse needs and/or preferences of the local community. This is particularly pertinent in the current education debate which seeks to strengthen the national consistency of content and quality in education, while at the same time aiming to enhance school autonomy as a means of improving performance accountability and increasing the local resources and support for individual schools. Caldwell & Keating suggest the industrial models of state education departments militate against transfer of staff and other resources across sectoral boundaries, but more importantly tend to focus on categories of students, rather than place-based educational systems. These characteristics tend to mean that departments struggle with governance arrangements for services or facilities that span public, private and not-for-profit sector involvement or seek to address diverse needs.

**From a personal perspective, some observations…**

Personal experience highlights these policy issues identified in the extensive literature on privatisation.

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9 Savas, op cit
First, from the perspective of someone within an educational institution. The issues of accountability are real and impose a level of complexity on people seeking to work collaboratively with others in communities or to deal with specific target groups. It is easy enough to recognise that one organisation does not have a monopoly on expertise or competencies to address specific issues and that multiple interventions are often required to address interconnected symptoms or issues. However, it is difficult to put in place effective multilateral partnerships. Often within one’s own organisation, the operational approach can be based on working alone, particularly within a competitive environment, and corporate governance mores can favour simpler bilateral approaches. Dealings with government, too, tend to revert to better understood bilateral approaches in which ‘lead agencies’ are nominated to provide the desired accountability structures. Although the desire for simple accountability structures is understandable, they can undermine the cooperative ethos and effort. A hierarchy of partners emerges which is at odds with the original concept. In turn the ‘lead agency’ must establish sub-accountability structures in order to acquit its own accountabilities. This can undermine the quality of the relationships that led to the development of the initiative.

On the other hand, Warner suggests that perhaps the relationships were insufficiently developed to deliver a successful implementation. He believes that partnerships need to be developed well beyond a ‘feel good’ specification, with each partner able to articulate their motivations for involvement in terms of their core business, their competencies, the contribution they will bring to the initiative and their needs in terms of accountability. Such specification meets the needs of public accountability but does it within a non-hierarchical form. The collaborative effort needs a multilateral accountability framework and new approaches in public management as a result.

A related point is the need for cross-portfolio approaches. Again, a place-based strategy will dictate the need for this, but as someone working directly with communities, the interconnections and need for cross-government collaboration are evident. Yet despite decades of effort to achieve whole-of-government approaches, they remain largely elusive.

Second, from the perspective of the not-for-profit sector organisation. As public private partnerships come to incorporate voluntary effort and philanthropic donations and as not-for-profit sector organisations become more involved in the educational process through the provision of mentoring and transition support schemes, two key issues arise. They are first, the purpose to which that voluntary effort will be directed and its linkage to mainstream educational strategies, and second, the ongoing nature of funding streams.

10 Warner, op cit
To increase their potential impact, philanthropic interventions need to move beyond ‘feel good’ programmatic interventions to ones based on best educational practice. To expect corporate organisations to develop this competency is clearly unrealistic. However there is potentially a role for not-for-profit sector organisations to facilitate and broker corporate effort and ensure its maximum impact by themselves having a more developed competency in the field in which they practice – for example, education. The desire to be involved directly rather than through third parties, however, is acknowledged and a new form of three way negotiations is needed. Not-for-profit sector organisations who seek this role are likely to have to invest in their own capacity-building.

The second major issue for not-for-profit sector organisations relates to the constant search for ongoing funding for initiatives which support the core educational experience, such as mentoring. Fund-raising is highly competitive, involving significant investment of resources and the voluntary sector highly fragmented because of the diversity of needs it seeks to address and the attachment of volunteers to particular organisations, causes and communities. Yet the scale and continuity of effort and donations necessary to affect social outcomes runs counter to these philanthropic impulses and the desire of many philanthropic foundations to limit their commitment to just a few initiatives. This will be a continuing tension within the sector. Mandating voluntary effort to provide longer-term perspectives effectively transforms the nature of voluntary into the equivalent of ‘tax’. It jeopardises the impulse. Rather, a greater sophistication in philanthropic investments is needed, the capacity to broker and amalgamate those efforts to allow for changes in the popularity of different causes and better articulation by school authorities and educationalists about the educational strategies being pursued and how philanthropic efforts may be best directed.

Finally, from the corporate perspective. There is no doubt that the private sector has the competencies, resources and frequently, the will to contribute to community issues. A central concern of many corporate leaders is the need for a high quality educational system that delivers internationally competitive skills for Australia. Many too are concerned about the number of young people who drop out of the formal educational system despite the clear evidence that those people are unlikely to be successful in a globalised economy. Driven by both economic and social justice motives and recognising that obtaining greater resources to invest in Australia’s educational system is difficult, they seek to assist. The forms of this assistance varies from the straight commercial contract – for example, response to formal bids for the provision of school infrastructure and operation through public private partnerships to the provision of philanthropic support.

There are many such initiatives and contributions; for example, NAB has just announced its Schools First Program. Informed by research from the Australian Council for Educational Research (ACER) and following widespread consultation with educational, school and not-for-profit sector organisations, the program has been
designed to support initiatives in disadvantaged communities by providing significant financial resources, together with voluntary effort and skills. A major aim is the strengthening of the school communities, thereby building long-term capacity. Many other corporate organisations provide support, either in the form of resources (for example, IBM) or in the form of voluntary effort, through mentoring or sponsoring of students or school leaders or school to work transition programs, or the provision of pro bono services.

A key concern for the corporate sector is the appropriate accountability arrangements that govern both public sector contracting and philanthropic effort. For those involved in commercial contracting, the way in which public accountability and scrutiny are managed are important. The manner and precision of project specification and the quality of contract tendering and management processes are critical to the attractiveness of these projects. Scope creep or changes to key performance criteria are not conducive to good relationships or successful project delivery.

Accountability concerns also apply to corporate involvement through philanthropy. As corporate voluntary and philanthropic investment becomes seen as part of mainstream business strategy and the level of resources invested more significant, there are increasing expectations of strengthened governance of the not-for-profit sector organisations themselves. Often corporate and public sector organisations seek disciplined accountability arrangements applicable to other sectors. In doing this they sometimes expect different and more familiar types of organisational structures and processes. The extent to which not-for-profit sector organisations can adopt more business-like approaches, without themselves being transformed in terms of purpose, is yet to be agreed, although many of the larger not-for-profit sector organisations are adapting quickly to the challenge. However, the issue is particularly acute in organisations that incorporate significant volunteer effort and/or are small.

A concluding comment

The use of multi-sectoral approaches to address complex community issues is growing, both in its popularity as an idea and in practice. However the known ways of operating within multi-lateral and mixed commercial and voluntary modes of operation are not sufficient to deal with these new forms of partnership. The development of new organisational forms and processes, of adequate governance and accountability arrangements have yet to become well established and as a result, the area is filled with competing tensions and models. Policymakers, accountability officers, the media, not-for-profit sector organisations and corporates alike need to find a language for articulating these tensions and the underlying needs that drive

them and together develop an appropriate new set of models for operation. For it is clear that cross-sectoral approaches to complex issues are unlikely to go away. This is particularly important in education where strong and integrated community support for schools and their educational success is a major contributor to lifting Australia’s overall educational outcomes and spreading those outcomes more evenly.