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The Case of Pakistan*

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DECENTRALIZED AND PRIVATE EDUCATION:
THE CASE OF PAKISTAN

by

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Abstract

Theoretical concepts suggest that decentralization in financing and managing education result in greater efficiency and additional resources. Taking advantage of a change in Pakistan from a nationalized to a decentralized system in 1979, the authors use this country as a case history to examine these concepts.

While acknowledging the lack of data, they contend that lifting of prohibitions on private schools has increased enrollments. Indirect evidence suggests an increase in quality also. Still uncertain are issues of internal efficiency equity and the impact of decentralization of public schools, particularly in rural areas.

1. Introduction

In all countries, the government plays a vital role in the finance and provision of public services such as education. The nature of its intervention affects both the degree of decentralization in the finance and management of government schools, as well as the contribution of the private contribution of the private sector in educational development.

These issues have received substantial attention in developed nations (see, for example, Noah, 1979; James and Levin, 1983; Coleman, 1981). By contrast, analyses of decentralization and privatization in education in developing countries are less abundant. These issues are nevertheless becoming highly relevant in developing countries.

There is a strong theoretical foundation for the argument that moving towards a more decentralized system of management and finance will enhance resource mobilization and efficiency in the education sector. First, tighter budgetary restraints on central sources of finance, combined with growing populations, have limited educational development (World Bank, 1986). Decentralized finance could allow local communities and individuals to contribute additional resources for education. Second, decentralization can improve efficiency in the use of resources within the sector, by encouraging school authorities to be more directly accountable to students and parents in the provision of education.

However, researchers have found it difficult to complement the theoretical argument with an equally strong empirical basis. One problem is that relatively few countries, whether developed or not, have recently instituted major revisions in the relative role of public and private resources in funding education and, within public education, in the relative shares of various tiers of government in financing education. This paper contributes to our knowledge about decentralized and private schools in developing countries by focusing on the experience of Pakistan during the last two decades or so -- years which saw several important changes in government policies in education. The discussion is organized as follows: Section II briefly examines alternative models for financing and managing schools, and the arguments for and against decentralization and privatization; section III is a historical overview of the main changes in the government's policies in the sector; section IV examines the rationale and implications of current policies; and section V raises several issues for the future.

2. Models in the Finance and Provision of Education

Alternative models of government intervention in education can generally be characterized according to the way schools are managed and financed. The sharpest distinction is between public and private schools. In a purely privatized system of education, schools derive their revenues entirely from fees and other private contributions, and are free to determine the type of educational services offered. In contrast, schools in a purely public system show the opposite features: they are managed directly by the government, and their expenditures are met by tax revenues.

Definitions: This simple dichotomy needs to be expanded, however, to encompass the arrangements that can be found in many large countries, particularly those with a federal form of government. In such countries, it is also appropriate to examine the degree of decentralization in public education. Decentralization can take the form of deconcentration, delegation, and devolution (Rondinelli, 1981) -- all involving the transfer of central government authority and its tasks and functions to other bodies (Winkler, 1986). Deconcentration involves a transfer to lower levels within the central government -- such as the creation of regional directorates in the ministry of education. Delegation involves a transfer to organizations outside the central government -- such as training agencies, and universities. In both cases, the federal government continues to be the main source of financing. Devolution involves a transfer to autonomous and independent subnational units of government -- such as provinces, cities and districts -- which are empowered both to raise tax revenues and spend them. The outcome is often a school system financed and controlled by the local government.

In this paper, we focus mostly on delegation and devolution -- that is, the transfer of management and financing not only to lower tiers of government, but also to the schools themselves. Schools may not tax, but they can impose levies or mandatory contributions from users. This definition of decentralization allows us to consider private or community-based schools as options for decentralization.

Indicators: The organization of a school system can thus be thought of as existing on a continuum along the management and financing dimensions¹. One useful indicator of the degree of financial decentralization is the share of expenditures borne directly by users and the lowest (local) tier of government. On the management dimension -- defined here as the control of expenditures and their regulation -- there are several indicators, including degree of freedom in the choice of:

- o recurrent inputs (share in hiring teachers, administrators; buying non-labor inputs);
- o capital stock (share in expenditures on buildings and equipment);
- o student-mix (flexibility in deciding how many and what types of student to admit); and
- o service-mix (percentage of curriculum locally controlled).

A useful typology of system outcomes appear in table 1. Private schools which receive no financial aid from the government and are free from public control lie at the highly decentralized end of the spectrum, while public schools directly financed and managed by the central government lie at the other end. In between these extremes are a variety of arrangements: in some school systems, private schools receive public subsidies -- whether in money or in kind -- by agreeing to some form of government oversight; in others, schools are financed partly by central government tax revenues, and run by local governments, subject to control by higher authorities on the level and composition of expenditures. In most countries, the typical outcome is a mixed picture, with varying degrees and types of central and local government control in public as well as in private schools. The nature of public intervention tends also to differ across levels of education.

Table 1: A typology of the organization of school systems

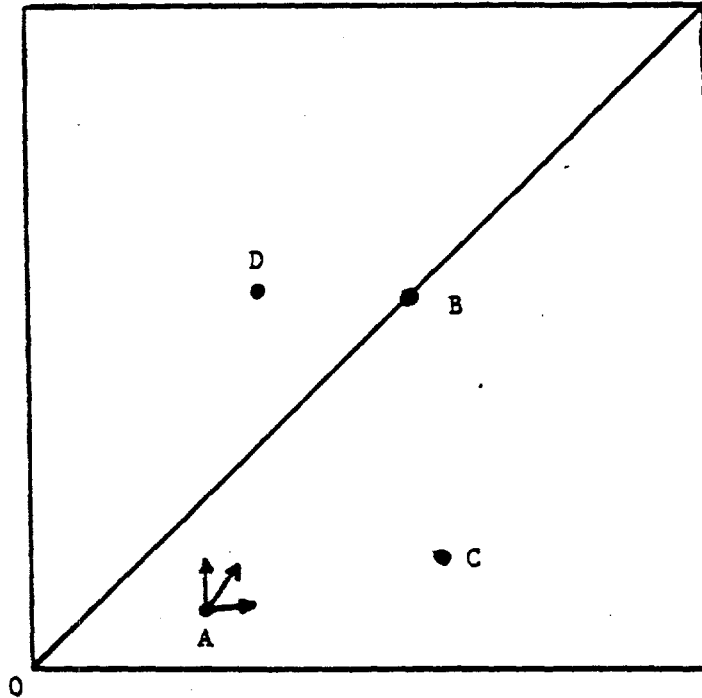
Feature	Private Sector		Public Sector		
	Pure private model	Mixed model	Pure decentralized model	Mixed model	Pure centralized model
Finance					
(a) Revenue source	Private contributions (tuitions and other fees).	Private contributions plus govt. ^{1/} grants and resources-in-kind.	Local government own-source revenues.	Local govt. own-source revenues plus grants from higher levels of govt. and resources-in-kind.	Full central govt. funding.
(b) Method of financing	All school inputs financed by school revenues.	Some school inputs (.eg. teachers) financed by grants and in-kind contributions from govt. ^{1/}	School inputs financed by local govt. revenues.	Some school inputs provided in-kind by higher levels of govt.	All school inputs provided directly in kind to schools.
Management					
(a) Decisions on level and type of spending	Decisions set by school and reflects preferences of school clientele.	Decisions of school subject to control by govt. ^{1/}	Local govt. autonomy to decide according to preferences of local residents.	Local govt. decisions constrained by higher govt. regulations.	Decisions set by central govt.
(b) Fee policy	Fees set at level reflecting market forces.	Fee ceiling imposed by govt. ^{1/}	Local govt. autonomy in setting fees.	Fees charged are subject to control by higher levels of govt.	No fees are levied.
(c) Service provision	Free choice in curricula.	Some constraint on curricula.	Local choice in curricula.	Local choice limited by regulations of higher levels of govt.	Standard national curriculum for all schools.

^{1/} Government here refers either to central or other levels of government.

Source: adapted from Winkler (1986).

Desirability: The stylized features of an educational system -- in terms of its financing and administrative structures -- can be represented in figure 1. In most developing countries, point A is a representative description, indicating a high degree of centralization on both dimensions. An important policy question is whether net gains in efficiency and equity would follow decentralization -- i.e., if educational systems moved away from A towards the north-east origin. If so, which path should it take? Towards B (proportionality between degrees of financial and administrative decentralization); C (administrative decentralization); D (financial decentralization); or D (financial decentralization)?

Percent of educational expenditures financed by schools and local authorities.



Percentage of educational services controlled by schools and local authorities.

Figure 1

Several reasons explain why complete decentralization -- that is, movement to the north east origin itself in figure 1 -- may not be desirable. Broadly, they concern the possible losses in efficiency and equity that would result. The arguments may be stated as follows²:

- a. Providing the appropriate amount and type of education: If the social benefits from a year of education exceed those which accrue to the individual (i.e., there are externalities), then public subsidies are needed to ensure a socially optimal investment in education. The appropriate tier of public intervention depends on whether the extra benefits accrued only to the local community or also to other jurisdictions through spillover effects. Because people are mobile, the spillover effects are likely to be significant, thus justifying interventions by higher tiers of government. For example, the provision of central government subsidies for education is often advocated because it contributes to the strengthening of national unity -- an externality benefiting the entire country, not just the jurisdictions in which education is provided.
- b. Unit costs: For some types of schools, unit costs may be negatively related to size. Thus, there is an efficiency reason for centralizing those types of schools that are associated with strong economies of scale.
- c. Administrative costs: A third efficiency reason for central government intervention in education is that the potential for corruption and fraudulent practices is arguably greater in a decentralized system of education with weak public oversight. Centralization, it is further argued, also compensates for the dearth of managerial talent common in many developing countries -- a situation in which it might be unwise to rely on a large number of relatively inexperienced and unqualified decision makers.
- d. Equity: Many societies value equal educational access, particularly for deserving students. In decentralized systems, the best schools tend only to serve children from richer families because they either charge high fees (if private) or are located in wealthier neighborhoods. As a result, the potential of education to improve the future distribution of income is weakened.

Advocates of decentralization, on the other hand, argue that reducing central government control would generate welfare gains by allowing schools to become more responsive to the preferences of individuals and local communities. An additional gain is improved efficiency (that is, lower costs) in the production of educational services -- a result that may arise from the greater flexibility of schools to adjust the mix of school inputs according to market scarcities in the local context. Administrative costs also tend to drop as bureaucratic red tape and delay are reduced in the decision-making process.

Further it has been pointed out that the arguments for centralization are really arguments for a clearer definition of central government intervention rather than for a move toward centralization in the provision of educational services. The inequalities in spending across rich and poor neighborhoods can be mitigated through compensating grants from the central government. And access to the better private schools can be widened by allowing holders of public scholarships to attend such schools, and by providing appropriate incentives for those schools to enroll children from poor families. The promotion of national identity and values need not be sacrificed in a decentralized system since the government can intervene to determine school curricula.

Finally, while it is true that decentralization and privatization increase the opportunities for corruption and fraud at the local levels, this must be weighed against similar problems arising at higher levels of government -- with arguably more damaging outcomes for the country as a whole. Moreover, these problems are often better resolved through monitoring, inspection, and accreditation of schools, than by direct and comprehensive control from the center. An important reason is that the requisite management skills for such control are often scarce in most developing countries, as indicated above. In this context, selective intervention is arguably a better way than centralization to economize on management resources.

One possible strategy might be to allow private schools greater freedom to operate while controlling them by regulating the curricula, and by disseminating information about their performance -- through such indicators as examination results -- to the general public. Such intervention enhances the incentives for good management in private schools because it improves the ability of parents and students to discriminate between good and bad schools. And since most private schools depend for survival on their continued ability to attract students, they are likely to be highly responsive to the demand signals in their operations, and so provide the type of education parents desire at minimum cost.

In examining the organization of school systems, it is important to recognize that the choice is not a dichotomous one, involving the extremes of a fully privatized or fully centralized system, but one along a continuum. In many developing countries, government intervention tends to be highly centralized: most schools are owned, administered, and financed by the central governments, and private schools are either prohibited, or are required to meet rigid standards, including caps on fees that may be charged, and restrictions on the types of teachers who may be hired (World Bank, 1986). In such school systems, there appears to be a case for moving in the direction of greater decentralization and privatization: besides improving efficiency in the management of the school system, it would also mobilize more private resources for educational development and enhance efficiency in the use of school resources. These outcomes can be examined in light of the experience of Pakistan during the last two decades.

3. Government Intervention in Education in Pakistan: An Historical Overview

The government's intervention in education has evolved since independence in 1947. At that time, the educational system was comprised largely of private and local schools run by district councils and municipal governments. It was a system in which the central and provincial ministries of education played only a limited role in the operation of schools (Ahmad and Mirza, 1975). In 1962, the picture began to change with the emergence of a trend toward centralization. Schools previously run by local bodies were brought under the control and finance of the provincial and central governments. In primary and lower secondary education, however, some schools in the urban areas remained under the control of municipal governments. Private schools continued to account for a substantial share of enrollments: by 1968, over half of all students in higher education were in private institutions, although the share was smaller at the lower levels of education (table 2).

Table 2: Private Sector Enrollments by Level of Education, 1968

	Private Sector Enrollment	
	Number ('000)	As % of Total Enrollment
Primary	3,744	22
Secondary	1,070	42
Intermediate	128	55
Universities	77	51

Source: Jimenez and Tan (1985).

Changes in government policy in the late 1960's and early 1970's have focussed largely on the regulation and financing of private schools. Thus, it is difficult to assess broader issues regarding the decentralization of public schools and the role of local/municipal authorities in educational financing and administration. The findings of this case study are most relevant for the particular case of private versus centralized education, which compares two extremes in the framework of the decentralization continuum outlined in the previous section.

Government intervention in the private sector reached a high point in 1972. That year marked the nationalization of all private schools with the implementation of Martial Law Regulation 118 (Government of Punjab, 1982). Under its provisions, the rights, properties and assets of private colleges and schools were taken over by the central and provincial governments without compensation to the owners. The salary scale and conditions of employment for teachers previously in private institutions were brought to par with those in government schools. Interestingly, the Regulation also provided for the exemption from nationalization of private institutions that were, in the government's judgement, "run on a genuinely benevolent, philanthropic and non commercial basis."

A few schools thus escaped being taken over by the government, but most of them were either religious schools or elite institutions such as Aitchison College in Lahore and Hyderabad Public. By 1977, there were only 927 private primary and secondary schools left in the country, down from 3,814 in 1968. Similarly, the number of private colleges dropped sharply, from over 100 in 1968 to only 17 in 1977 (table 3).

Table 3: Government and private educational institutions, 1971-78

Year	Schools (Primary and Secondary)			Colleges		
	Government	Private	% Private	Government	Private	% Private
1972-3	54,296	2,198	4.1	244	90	35.4
1973-4	55,726	2,182	3.9	337	17	5.0
1974-5	56,034	2,317	4.1	336	25	7.4
1975-6	58,527	2,103	3.6	380	24	6.4
1976-7	60,437	927	1.5	416	17	4.1

Sources: Calculated from Pakistan, 1979.

The latest policy shift occurred in 1979 under a new government. The ban on private schools was lifted with the announcement of the National Education Policy and Implementation Programme. Private individuals or groups were allowed to open their own schools "provided the administration of these institutions ensures availability of suitable physical facilities like buildings, playgrounds, laboratories, libraries and adoption of prescribed standards of qualifications and scales of pay for teachers" (p. 26). The private sector was given added impetus in the sixth five-year plan (1983 - 88). That plan supported the earlier decision to encourage the opening of new private schools, and called for the return of nationalized schools to their original owners "whenever it can be ensured that the quality and coverage will not suffer as a result" (Government of Pakistan, 1983a, p. 319). The government also announced its intention "to motivate and encourage" the expansion of private education through grants-in-aid, and to decentralize public education, particularly in basic education, by involving local bodies in "planning, management and maintenance of educational facilities."

4. Current Policies: Their Rationale and Implications

The present emphasis on decentralization and privatization is motivated in part by the failures of past policies. The greatest problems were identified as follows in the sixth five-year plan (Government of Pakistan, 1983a):

.. The nearly comprehensive nationalization of educational institutions and the accompanying policy of free education ten years ago had at least two casualties. An already impoverished Government was landed with a large financial burden which restricted it from expanding education. And many of the schools of high quality, some of them run by education-conscious communities, lost their excellence under the public control. This, in both quantity and quality, was counter productive (pp. 318-9).

Public spending on education in fact declined steadily as a share of total government spending -- from 7.4 percent in 1965 to 5.0 percent in 1980 (Unesco, 1974 and 1984). Correspondingly, the enrollment ratio at all levels of education grew slowly (table 4). Thus, contrary to the international evidence showing that investing in education yields high social returns (Psacharopoulos, 1985), the sector received low priority in the allocation of government spending. Another efficiency loss is that despite the lower social payoffs to higher education relative to other levels (Jimenez and Tan, 1985), it tended to

receive more resources than is economically justified. A recent assessment of the situation noted that "while the base of the pyramid did not grow satisfactorily, its top was raised further by the opening of new colleges and universities" (Government of Pakistan, 1983b p. 50). Underfunding of primary schooling was so severe that a significant number of children now attend "shelterless" schools -- that is, schools without buildings. The misallocation of resources stem in part from the forces affecting decision making in a centralized system of education: the expansion of higher education satisfied the demands of the more articulate socioeconomic groups, and it worked in the interest of the policy makers themselves.

Table 4: Trends in Enrollment Ratios in Pakistan, 1951-85

Year	Primary	Secondary <u>a/</u>	Higher <u>b/</u>
1951	25	7	0.5
1961	32	17	1.3
1972	39	17	2.3
1980	44	18	2.7
1985	49	20	3.1

Source: Jimenez and Tan (1985)

a/ Includes middle and high school enrollment.

b/ Includes enrollments in colleges and universities.

Inefficiency also resulted from the sharp deterioration in school maintenance under nationalization. In many places, school buildings have fallen into such disrepair that it became safer for classes to meet outdoors (United Consultants Ltd., 1984). And the conditions at some nationalized schools were so deteriorated as to discourage their original owners from reclaiming the property. In the past, communities participated in school maintenance because schools belonged to the local district; but when the government took over, the incentives for local participation weakened considerably.

The current orientation of government policy has had the greatest impact in private education. Decentralization in public education is moving only slowly: the tax base of local governments remains weak (Jetha and Akhtar, 1984), and grants-in-aid for education continue to constitute a limited source of the income for local governments.

The current debate is whether this particular form of decentralization has benefited Pakistan. The questions revolve around the impact of decentralization on (a) the expansion of education; (b) educational quality; (c) the efficiency of education; and (d) equity in the educational system. Enough evidence exists attesting to the positive effect of private schools on enrollments, but it is still too early to get definitive answers to the other questions. There is, moreover, scanty evidence on the impact of decentralized public education.

Private Schools and Educational Expansion. The liberalization policies appear to have had little effect in higher education. No data on private higher education were collected after 1977, but the consensus among informed observers is that to date little growth has occurred at this level of education. In contrast, dramatic expansion has occurred at the lower levels. Reliable data are scarce, but a recent school mapping survey provides a rough picture (Government of Pakistan 1983c). In 1983, there were well over 3,300 private primary and secondary schools in the country, compared to only 927 in 1977 (table 5).

Table 5: Public and Private Schooling, 1983

Province	Primary and secondary schools			Enrollment ^{a/}		
	Government	Private	% Private	Government	Private	% Private
Sind	14,370	1,369	8.7	1,324,104	194,398	12.8
NWFP	7,714	1,019	11.7	999,800	144,698	12.6
Baluchistan	2,714	244	8.1	204,417	34,648	14.5
Punjab	49,858	684	1.4	5,263,189	204,586	3.9

Source: (Government of Pakistan, 1983c), except for Punjab, for which the source is (Government of Punjab, 1985).

a/ Enrollments for Sind, NWFP and Baluchistan are calculated on the assumption that on average private schools enroll 142 pupils each on the basis of a survey of private schools in Sind (Government of Sind, 1985).

The survey did not report private school enrollments, but other preliminary evidence from a survey of the Karachi region in Sind province (Government of Sind, 1985) suggests an average of 142 pupils per school. On the basis of this number, enrollments in private schools constituted up to 15-17 percent of total enrollments in 1983. This is probably an underestimate because of the large number of unregistered private schools in the system⁴.

The fiscal savings of lifting the ban on private schools are substantial. The average cost of public primary and secondary schooling was about Rs. 423 in 1983 (Jimenez and Tan, 1985). Thus, had the government restricted private schools, it would have had to increase public spending on school education by nearly Rs. 250 million -- roughly 7 percent more than the existing education budget for the whole country (table 6).

Table 6: Fiscal savings from lifting ban on private schools, 1983

	Private School Enrollment	Public Subsidy per pupil	Public Cost of Enrolling Private Student (M.Rs)	Public Educational Budget (M.Rs)	(3)/(4) X 100
	(1)	(2)	(3)	(4)	(5)
Sind	194,398		82.23	870	9.45
Baluchistan	144,698	423	61.21	586	10.4
NWFP	34,648		14.66	172	8.5
Punjab	204,586		86.54	2032	4.3

Source: Jimenez and Tan (1985), except for private school enrollments for Punjab, for which the source is (Government of Punjab, 1985).

Has the expansion in private education reinforced educational development in Pakistan? In sheer quantitative terms, the answer is yes. The growth of private schools has resulted in increased overall enrollments rather than simply a shift of enrollments away from the public system -- although this has certainly also occurred. There are several reasons for this conclusion. First, there is excess demand for public school places, particularly in the urban areas. In an open admissions system, this pressure has resulted in severe overcrowding. Also,

since the growth of public education has not kept up with the pattern and pace of urban settlements, many children have no easy access to schools. A ready market for private education thus existed when the ban was lifted in 1979 -- private schools cropped up to cater to parents who were willing to pay for their children to attend school nearer home, and in less crowded conditions.

Second, there has been pent-up demand for education that has hitherto been unavailable in the public system. In particular, there is strong demand for English-medium instruction, but the public system only provides instruction in Urdu or in the provincial vernacular. In the past, an English-medium education can be obtained from the few elite public (actually private) schools that survived nationalization in 1972, but access was (and still is) limited to very few people: these schools charge steep fees, and even at the high price, there is stiff competition to enter. The growth of private schools in recent years is a response to the demand of parents for an alternative to the type of education offered in the public system. As in other countries with an unfettered private sector, schools span a wide quality range -- from dubious operations to those which are accredited to prepare students for the O- and A-level examinations of the Cambridge Board.

The social gain from privatization can be examined using figure 2. The private and social demand curves for education are labeled D_p and D_s respectively. Assume that the long run marginal cost of education -- constant at c -bar -- is the same in private and public schools. The effective supply curve in an underfunded public system is marked S in the figure. Its shape suggest that if public education were free, only F places can be provided, but as fees are raised, additional places can be funded with the revenues. If there is a cap on the fees that the public system can charge, say at p -hat, only q_0 pupils can be accommodated. If there is also a ban on private schools, an excess demand of $q_1 - q_0$ would result. Suppose the ban on private schools were lifted. Initially, the first private school owners would be able to charge fees of E_{q_0} , thus earning an economic rent -- that is, profits exceeding a competitively determined rate of return. However, with free entry of other private schools, fees would be bid down to c -bar. At this point, economic rent would disappear, and proprietors would recover a reasonable return on their investment. The effective supply curve in this mixed system is denoted FG for enrollments up to q_0 , and c -bar for enrollments beyond q_0 (heavy lines). The social gain to allowing the expansion of private education is $DCBA$.

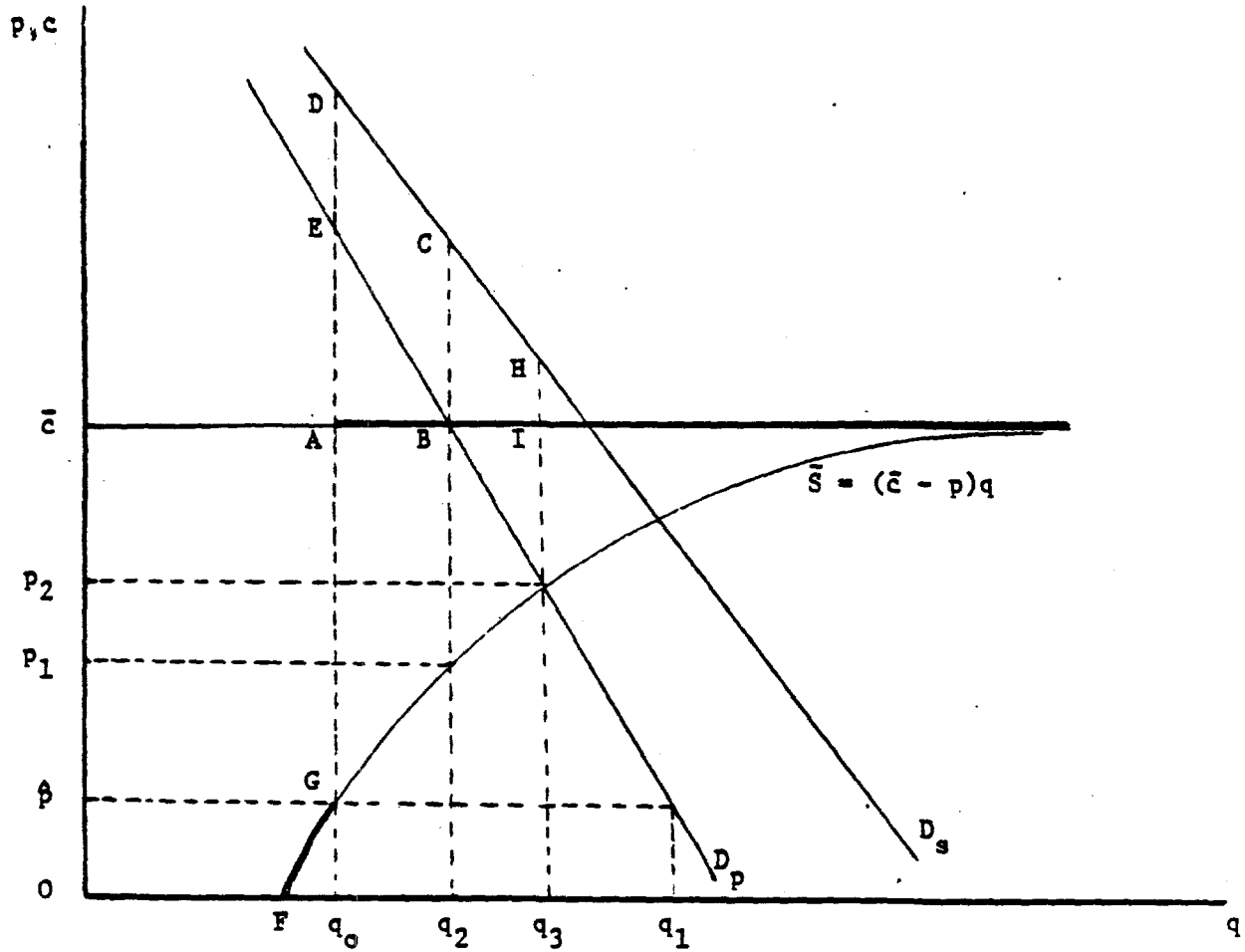


Figure 2

Two points are noteworthy about the analysis based on figure 2. The first is that a fee increase in the public system by \hat{p} would have the same social benefit as easing restrictions on private schools. The difference arises only in the distribution of the benefits. In the latter policy, the gain denoted by ABq_2q_0 would accrue to the owners of private schools rather than to the government or to parents and students.

The second point is that a policy of increased fees in the public system may be economically preferable to one in which fees for public schooling are kept low and the private sector is allowed to expand. If fees for public education were raised to p2, an additional social gain of CHIB would result. The reason is that the externalities to schooling are not taken into account by the private system.

One issue that remains is whether the share of private education can be expected to grow -- in other words, has the expansion of private education reached an equilibrium? The private share of enrollments was about 15 percent of total enrollments in 1983 (around 1.36 million pupils). Profits in that year averaged 23 percent of the cost of provision (table 7). If 10 percent is a reasonable return on investment, then private schools can be expected to continue growing. By how much? Some rough but informative calculations can be made on the basis of a few simplifying assumptions -- the demand curve and cost structure of schools are stable, and there is no growth in public education and complete free entry into the private-school market. If the demand curve has an elasticity of -0.25 with respect to fees at the 1983 enrollment level, private school enrollments would have to increase by about 570,000 pupils (or 42 percent of current private school enrollments) to bring the profits down from 23 to 10 percent of costs. This approximation demonstrates that there is still substantial potential for the expansion of private education.

Quality, Internal Efficiency, and Equity of Private Schools. Hard evidence on the issue of quality has yet to be gathered. It is clear from casual observation, however, that private schools vary greatly in quality, and that some of them are at least as good as government schools -- even if elite institutions were excluded from the comparison. There is no evidence that private schools must offer extremely low-quality education in order to turn a profit. One of their main attractions is English-medium instruction -- presently in great demand because of the high private payoffs to acquiring proficiency in English.

There is general consensus, even among public school authorities, that private schools are probably more efficient than public schools, simply because of the competitive environment they must operate in. Data on the unit costs appear in table 7. The evidence is that, for the country as a whole, private schools do not cost significantly less than public schools. However, in two provinces -- North West Frontier Province and Baluchistan where the population is more dispersed -- unit costs in public schools are higher. Part of the

differences in unit cost may be due to the quality factor, but no studies are available to make an adequate comparison. Thus, while theoretical considerations would suggest that private schools are more efficient, additional research is needed to confirm this outcome.

Table 7: Unit recurrent costs of public and private schools, 1983-84

Province	(Rupees)			
	Public			Private
	Primary	Secondary	Weighted Average ^{a/}	Weighted Average ^{a/}
Punjab	366	487	396	413
Sind	340	534	387	610
NSFP	424	836	552	433
Baluchistan	589	1,071	690	478
Pakistan	373	564	423	515

Source: Jimenez and Tan (1985)

^{a/} Weighted by cost share.

As for the impact of private schools on equity, one possibility is that more places in public schools would become available as children from wealthier families transfer to private schools. But this would lead to greater disparity in the educational attainment of the population: children from poorer families would attend low-quality public schools, while those from richer homes would attend high-quality private schools. No information is available on the socioeconomic composition of pupils in private and public schools, but judging from the fact that private schools in the country rely almost exclusively on fees for their revenue (table 8), most of their pupils must come from wealthier families. If greater access to private schools is desired, it would need to be accomplished through greater provision of scholarships by the government, as well as by individual private schools.

Table 8: Per-pupil financial contributions for private school education^{a/} in Pakistan, 1982/83

Province	Total (Rs.)	Fees as % of Total
Punjab	499	88.2
Sind	745	84.3
NWFP	565	82.8
Baluchistan	594	69.0
Pakistan	632	84.3

Source: Jimenez and Tan (1985).

Note: Per capita GNP in 1982/3 was Rs. 4,506 at current market prices (Government of Pakistan, 1986).

a/ School education refers to primary and secondary schooling.

Decentralized public education: The impact of decentralized public education on educational expansion, efficiency and equity is more difficult to assess. As stated earlier, the ability of local authorities to take on added educational responsibilities has been limited. The tax base of local governments remains weak and intergovernmental transfers have not provided sufficient fiscal resources.

Moreover, even if given greater fiscal authority, the ability at lower tiers of government to mobilize resources varies considerably. The most obvious dichotomy is between rural and urban areas. The explosive growth of private schools in urban areas is an indicator that there is excess demand for public education of similar quality. However, this scenario cannot be extended to rural areas. There, enrollment ratios are among the lowest in the world. Yet many rural schools are being utilized far below capacity. This is partly because of lack of access to quality schools that might be attractive to farm households as an alternative to occupy their children. There is also a need to spread information about the benefits of education. In this environment, one cannot expect that local communities would necessarily respond favorably if the provision and financing of education were left to them. There would have to be centrally provided subsidies. In the absence of demand pressures from within

the community, local authorities would have to be closely monitored to ensure that such funds are spent wisely. Such a case apparently happened in the rural Punjab in the early 1970's when the provincial government delegated the authority to establish, build and maintain schools to the local councils. This apparently contributed to a slowdown of school expansion and the establishment of so-called "shelterless schools."

There is also little information concerning the impact of decentralizing public schools on efficiency and equity. But some insights can be gained from the data available for Punjab province 5. The indicators of school quality in table 9 suggest that federal government schools use better inputs than provincial or local schools. Over 70% of teachers in boys' and girls' federal schools have 12 or more years of education -- compared to less than 10% for provincial and local schools. These better-qualified teachers in federal schools are paid about 50% more than those in the other schools (table 10). The pupil-teacher ratio is on average also lower in federal schools than in schools run by local governments (most of which are in urban areas).

Table 9: Quality of primary and middle schools^{a/}
Punjab Province, 1983-84

Type of School	Boys' Schools					Girls' Schools				
	Number of Teachers	Pupil-Teacher Ratio	Dist. of teachers by qualification (%) ^{c/}			Number of Teachers	Pupil-Teacher Ratio	Dist. of teachers by qualification (%) ^{c/}		
			12 + yrs	10 yrs	Untrained			12 yrs	10 yrs	Untrained
Federal Govt.	444	35.4	85.1	14.9	0.0	341	45.7	70.0	30.0	0.0
Provincial Govt.	82,811	27.5	7.9	77.0	15.2	42,726	26.0	8.4	70.8	20.8
Urban	-	45.0	-	-	-	-	33.5	-	-	-
Rural	-	26.3	-	-	-	-	24.1	-	-	-
Local Govt. ^{b/}	4,903	48.0	3.2	95.9	0.9	4,167	60.0	9.5	89.7	0.8
Private	3,385	26.5	17.3	54.3	28.4	1,327	32.7	0.5	48.2	51.3

^{a/} Primary schools enroll pupils from grades 1 to 5, while middle schools enroll pupils from grades 1 to 8. In boys' middle schools, over 60% of pupils are in the primary grades, while in girls' schools, nearly 80% are in the primary grades.

^{b/} Refers mainly to municipal corporations and committees, which are local government bodies in the urban areas.

^{c/} Teachers with more than 12 years' education include holders of university degrees (BSc/BA with B.Ed) and those with intermediate degrees (12 years' education) plus certificate of teaching (1 year duration). Teachers with 10 years education include high school graduates (matriculates) with primary teacher's certificate (1 year training). Untrained teachers are people without a primary teacher's certificate. Distribution in federal government and private schools are rough estimates.

Source: Government of Punjab (1985) tables 1 and 33.

Provincial schools serve mostly rural areas, which is why overall class sizes are so much lower on average than the other types of school. This accounts for their relatively high per-pupil expenditures in table 10, even though teachers are less well qualified and thus less well paid. On the basis of these data, however, no firm conclusion can be drawn that decentralization of public education -- at least as it has been implemented to date -- has improved efficiency or quality. Additional information on student achievement is needed before such an assessment can be made.

Table 10: Unit costs in various types of primary and middle schools Punjab, 1983-84

Type of School	Average annual ('000) teacher salary ^{1/} (Rs)		Avg. class size		Cost per pupil (Rs) p.a.	
	Boys school	Girls school	Boys	Girls	Boys	Girls
Federal Govt.	16.38	15.38	35.4	45.7	463	337
Provincial Govt.	10.91	10.78	27.5	26.0	397	415
Local Govt.	11.64	11.40	48.0	60.0	243	190
Private	-	-	-	-	-	-

^{1/} Including allowance

Source: (Government of Punjab, 1985)

5. Policy Issues for the Future

The boom in private education has been triggered simply by one direct government action -- the decision in 1979 to lift the ban on private education -- and by the perception among people that a reversal of this policy is relatively remote. The government has until now pursued a laissez-faire policy toward private schools. But as the initial adjustment in the system stabilizes, policy issues in several areas need to be addressed. For example, what might be the government's role in an expanded private sector? What changes might it make regarding decentralization in the public system? What are the benefits of encouraging decentralization and privatization in higher education, and how might this be best accomplished?

Regulating the private sector. At present, the regulations are relatively simple: registered private schools are required to follow government-prescribed curricula. But not all private schools register, and no penalty is imposed for non-registration. One issue therefore is whether some additional controls should be introduced.

Government control of private schooling stem from various motivations (table 11). Although it is beyond the scope of this paper to analyze their validity in detail, some preliminary discussion would be useful here.

Table 11: Some motivations for government regulation of private education, and types of control

Policy Objective/Problem	Policy Device
a) Promote social goods --such as national unity and good citizenship -- which are valued more highly by society than by individuals.	Control on curriculum and medium of instruction.
b) Compensate for lack of information about schools; weed out fraudulent schools.	Imposition of minimum standards for inputs (e.g., teacher qualification, student-teacher ratio).
c) Compensate for failure in market for graduates.	Enrollment ceilings.
d) Compensate for failure in market for school inputs (teachers and materials).	Imposition of floors on teachers' salaries. Regulate conditions of teachers' employment.
e) Equalize educational access for all pupils.	Fee ceilings.

To promote national unity, the government might wish to impose restrictions on the medium of instruction in private schools. But this issue is politically thorny, for although Urdu is the national language, each province has its own local vernacular. More importantly, however, parents value English language proficiency highly and any attempt to remove it from the curriculum would most certainly meet with fierce resistance. Part of the reason is tied to the structure of labor market incentives: parents rightly see proficiency in English as a prerequisite for career advancement in both the private and public sectors. The government has announced that as of 1987, all qualifying examinations will be administered in Urdu. Thus, students will no longer have the option of taking the examinations in English. If implemented, this change will probably inhibit private school development, affecting most seriously those schools that feed their graduates back into the Pakistani system at a higher level. However, it is unlikely to affect the elite institutions that offer accreditation through British examinations. There is some skepticism about the government's ability and will to implement Urdu-only examinations. Indeed, even in public education, English-medium instruction is offered in some schools in response to the demand of parents, many of whom are civil servants themselves.

Regarding the problem of fraudulent private schools, the need for safeguards is obvious, because many private schools are relatively new, and little is known about them. One solution would be regulation through minimum standards, but such regulation is costly, requiring the establishment of inspectorates to check compliance in all private schools. An alternative would be to improve information about the relative quality and types of education offered by private schools. It is reasonable to assume that parents have their children's interest at heart, and take the best decisions in light of the information available about different private schools. Thus, if the information base can be improved, parents' choices would also improve accordingly. Initially, it might be efficient for the government to implement a monitoring scheme requiring all private schools to register -- giving pertinent information about staff and other features -- so that fraudulent institutions can be identified and penalized. At the same time, a system of standardized tests could be established to provide a measure of student achievement at different schools. In this system, whether a private school remains viable over time depends on its ability to attract students, which in turn depends on its ability to provide the type of education parents desire for their children.

Intervening to compensate for market failures -- objectives (c) and (d) in table 11 -- are probably unjustified in the Pakistani context because labor markets are relatively well functioning. The last motivation for government regulation of private schools may arise from the desire to equalize educational access -- sometimes accomplished through the imposition of fee ceilings for private education. But in practice, such a strategy may not work because private schools can and do find ways to circumvent the restriction. Ahmad and Mirza (1975), for example, report that some private schools augment their incomes by imposing "subscriptions" in addition to monthly tuition charges. An alternative to fee ceilings is to provide scholarships so that deserving students from poor families can attend private schools. This plan is probably superior to a uniform fee ceiling system because it would result in a better match between the private cost of education and the ability to pay.

At the higher levels of education, most institutions were private before nationalization. But in the seven years after denationalization in 1979, the private sector has yet to make any inroads. One problem is that while theoretically allowing private institutions to exist, the government has not liberalized its policies affecting universities' power to grant their own degrees. Such power -- conferred only by presidential charter -- has so far been given to only three institutions of higher learning (the Agha Khan Medical University in Karachi, the University of Management Sciences in Lahore, and the religious Hamdard University in Islamabad). Under the present system, private colleges must affiliate themselves with provincial examination boards (at the intermediate level) or with the public universities (at the degree level). But if their degrees are indistinguishable from those earned by students in public institutions, the high fees which they must charge to survive financially would not be worth paying. The result has been relative tardiness in the development of private higher education.

Public Subsidies for Private Education. At present the government provides little financial assistance for private education. Some schools have been able to obtain heavily subsidized land for school sites, especially those in new urban housing colonies, but no information is available about the incidence and extent of such subsidization. There are also a few examples of private school pupils winning government scholarships, but this form of assistance is probably rare.

Should private schools be subsidized? Part of the answer depends on how the subsidies are distributed. The potential efficiency gains from subsidizing private education may be lost if subsidies are distributed in the same way as they are

to public schools. However, if they are given in the form of scholarships to students who can choose among different schools, greater efficiency in the school system is likely to materialize. The reason is that people's choices would provide incentives for schools to offer the type of education desired by the public. Over the long run, schools which are inefficient would die out because of their inability to attract students. As discussed above, if the subsidies for private education are distributed on the basis of income, equality in the access to schooling would also be enhanced.

One important constraint on the development of private education is the lack of an adequate financial market. Many private schools start in rented accommodation with limited physical facilities. Part of the reason is that proprietors cannot mobilize sufficient capital from small commercial lenders unwilling to risk making loans for what is a risky business. In higher education the capital costs of setting up are especially substantial, and the lack of funds may be another reason for the slow expansion of private investment. The government can ease the capital market constraint by providing guarantees on commercial loans for the development of private education, or by direct provision of loans at commercial interest rates. These strategies are likely to cost less than expanding the public education system.

Decentralizing Public Education. The government has already announced its intention to move in this direction (see above). However, little headway is likely to materialize without substantial strengthening of the fiscal capacity of the provinces and local governments. The provinces currently derive only one-quarter of their revenues from provincial taxes and non tax levies (Jetha and Akhtar, 1984), and have been reluctant to expand education because of the lack of funds. One possible source of additional revenue is taxation of agricultural income, which hitherto has been untapped (Culbertson et al, 1986). But it is unclear, however, whether it would be politically feasible to assign the administration of this tax to the provinces.

There is nevertheless potential for decentralization by inducing greater involvement of local bodies in the financing of education. In NWFP and Baluchistan very few schools are run by the local governments, but in Sind and Punjab, a sizable share of enrollments are in schools run and financed by the municipal corporations. The local bodies derive their income almost entirely from local taxes (Culbertson et al, 1986). Thus, greater involvement on their part in the provision of education would relieve the financial burden on the provincial and central governments. Also, the fact that local government officials are elected to their offices provides strong incentives for them to ensure that the education provided in local government schools respond to the needs of residents.

One obstacle to expansion of local government schools is again the lack of local resources. The Lahore Municipal Corporation, for example, already spends 13 percent of its budget on education, and there are competing claims on resources from other more highly visible sectors, such as city roads, health clinics and sewerage and water supply services. To interest local officials in taking on expansion of education, it would thus be necessary to share part of the cost of expansion, for example, through a matching grant system. The administrative structure for such a scheme is at present strongest in the urban areas, and it appears that experimentation could in the first instance begin there.

The willingness and ability of local urban jurisdictions to finance and provide education would most likely be greater than for their rural counterparts. The role of the provincial (or even federal) government in financing and regulating public schools would thus have to be greater. However, the precise form of this intervention remains to be seen. Direct provision of schooling by provincial authorities seems to be insufficient to stimulate demand in rural areas. They could consider financing schemes which provide greater incentives for local participation, not only in financing but also in determining what is taught in schools.

6. Concluding Remarks

In many developing countries, there are tightening constraints on the amount of central government public resources that are likely to be available for social sectors such as education (World Bank 1986). One response to this constraint is to attempt to decentralize the financing and management of education. This policy has the additional advantage of fostering internal efficiency.

This paper has documented an example of how one country, Pakistan, has attempted to implement a limited form of decentralization and what its effect has been on efficiency and equity. The lifting of prohibitions on private schools has led to dramatic increases in enrollments. Moreover, there is preliminary and indirect evidence that the average quality of schooling has also been raised. It is however, too early to tell whether there have been equally marked effects on internal efficiency or equity. These early results point to the need to continue to monitor Pakistan's bold experiment to see what further lessons can be drawn for other countries.

NOTES

1. We thus abstract the discussion of decentralization from the whole issue of ownership.
2. Variants of these arguments have been used to justify the high degree of centralization characteristic in developing countries.
3. Some elite institutions were private in all but name. Modeled after the British public schools, these institutions charged high fees, did not rely on government subsidies to cover recurrent spending and paid their staff substantially more than teachers in government schools. They were considered public schools only because the chancellor is a public official and its board of governors comprises people from public and private sectors.
4. Their existence has recently been highlighted by the Karachi survey. At present no penalty is imposed for non registration. In that survey -- implemented in August 1985 --, a total 1,472 private schools were counted in the Karachi area alone, compared to 1,369 in the whole of Sind province in 1983. Private schools made up nearly 30 percent of all educational institutions, and enrolled about 21 percent of the 1.2 million students in the region in 1985, the share being highest in primary schooling.
5. The wealthiest province in the country, inhabited by about 56 percent of the population (Government of Pakistan, 1986).

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