

Output-Based Aid in Education: A Solution for Quality Education

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A number of approaches have been tried to improve school attendance and educational attainment, including the use of Output-Based Aid (OBA). The challenge of introducing OBA in education has often been finding an appropriate definition of “output” that balances achievement of results with reasonable transfer of performance risk. This review examines several OBA projects in education and describes how they compare to other results-based schemes. It also discusses where the OBA approach fits in the larger spectrum of results-based mechanisms in education, and why it can be successful.

OBA in the Education Sector

Output-based aid (OBA) in education is used to bridge the gap between the cost of providing quality education and the funds available. As a rule, it involves payments to schools based on predefined outputs such as enrollment and attendance of specified school-age children, and may include school achievement as a performance indicator (see Box 1 for other results-based schemes).

Few OBA schemes have been tried in the education sector. A new review (Mumssen, Johannes, and Kumar, 2010) identified four OBA schemes funded by the World Bank that provide performance-based grants for the actual delivery of education services, and this review adds another, government-funded one. The five schemes are the Female Secondary Assistance Programs in Bangladesh I and II (FSSAP),¹ the Lifelong Learning and Training Project in Chile,² the Balochistan Education Support Project (ESP),³ the Punjab Education Support Project in Pakistan,⁴ and a Concession Schools Program in Bogota, Colombia.⁵ The scale of subsidy disbursements ranged from \$2.1 million for the scheme in Balochistan, to \$77.5 million in Punjab, to over \$100

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million in Chile, and to over \$130 million for the two phases of the Bangladesh FSSAP. Three of the schemes aimed at improving student enrollment, attendance, and quality of education, and one provided learning opportunities for adults. All schemes employed extensive government co-funding.

The funding for the identified OBA schemes comes from a variety of sources: the World Bank Group's International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD), government revenues, parental contributions, and private investments.

Targeting

The OBA educational schemes in developing countries aim at targeting services mostly to low-income households. Geographic targeting is common, particularly where projects are small and thus confined to a specific geographic area. In countries where the literacy gap between male and female students is significant, the OBA schemes can target girls, in particular. For example, the districts in Bangladesh for FSSAP were identified based on their economic level of development, low female literacy rates, and low female attendance levels. New private schools in Balochistan, Pakistan were opened if no

Box 1. Other Results-Based Schemes in the Education Sector

A variety of other result-based schemes exist in the education sector.

Conditional Cash Transfers

CCT schemes focus entirely on the demand-side of education services by providing incentives for families to send their children to school. Thus these schemes encourage families to choose to invest in education, which may have an opportunity cost for the family, such as preventing children from working on the family farm. CCT schemes in education differ from OBA in that there is no performance risk for the supplier of education services. While they differ, OBA and CCT schemes can be complements: CCT provides an incentive for the demand for education, while OBA provides an incentive for the supply. Both are needed, particularly in social services sectors, where the benefits of services such as education are not always apparent to poor households, or where they may carry a high opportunity cost in terms of perceived income forgone.

Cash on Delivery

COD is a results-based approach proposed by the Center for Global Development (CGDEV) as a hands-off way to improve results in the education sector. CGDEV proposes to pay the recipient government a specific amount for a specific measure of progress, without prescribing the means or policy to achieve it. The scheme does not address a specific funding gap; rather it is an incentive payment to government for a specific output. For example, donors could promise to pay a certain amount for every additional child who completes primary education and takes a test. The further use of funds is at the government's discretion. How much COD and OBA schemes compare in practice remains to be seen once the first COD schemes are implemented.

other schools operated within a two-kilometer radius; enrollment of girls was required to reach at least 40 percent.

Some schemes make use of existing means testing or proxy means testing systems or social stratification mechanisms to avoid subsidizing wealthier students already enrolled in private schools. For example, the Concession Schools Program in Colombia specifically targets marginalized low-income areas of Bogota

in need of school spaces. The Lifelong Learning and Training Project in Chile relies on self-selection and targeted marketing to provide vocational training to adults between 15 and 65 years of age, since vocational training is more attractive to the poorer strata of the population.

Performance Risk

The challenge of introducing OBA in education has often been to define an appropriate “output” that is closely linked to the desired outcomes without putting efficient service providers at too much risk. For example, paying only for enrollment may be considered insufficient incentive to an institution to provide quality education, while there is a limit to the extent to which disbursement can be tied to academic achievement, as achievement is influenced by a number of factors that are not fully under the control of the service providers. As a result, a project could make disbursements through a combination of attendance and measures of the quality of education. For example:

- The Punjab Education Support project offers a monthly per-student subsidy to low-cost private schools, with free rein on how the school spends the subsidy. In return, schools must offer education tuition free and achieve a minimum level of student performance in an externally administered, semi-annual, independent test. The program also offers large group bonuses to teachers and competitive bonuses to schools for high levels of student test performance.
- Under the Concession Schools Program in Bogota, private school operators manage public schools and must meet pre-established targets for standardized tests and drop-out rates for two consecutive years in order to qualify for continued state funding.
- Under the Lifelong Learning and Training Project in Chile, the performance risk is born by the private service provider. Subsidies are paid based on students' demonstrated completion of a learning module.

Private Sector Capital and Expertise

In most countries, education is largely provided by public schools and is financed publicly. Private sector capital is mainly mobilized to build, operate, and maintain education infrastructure. Projects can also rely on existing infrastructure to some extent: for

example, through vouchers that pay for additional students to attend existing private schools.

Evidence shows that private sector involvement can effectively address issues related to quality of education and school management (see Box 2). In developing countries, where scarce government resources cannot provide education for all, partnering with the private sector may be a solution.⁶

For instance, in Pakistan, the inclusion of low-fee private schools in the Balochistan Educational Support Project was based on the successful implementation of a pilot phase in which private schools supplied low-cost, high-quality education for girls from very poor urban areas of the province. The private schools selected by the project receive annual per-student subsidies for facilities and material costs, and a monthly subsidy linked to student enrollment and attendance.

Monitoring

To make payments based on outputs feasible, outputs need to be defined in such a way that they are measurable and discrete. Such outputs can include enrollment, attendance, or educational attainment, which may be measured by standardized tests. Monitoring can be undertaken by schools themselves, government entities, consultancy firms, or nongovernmental organizations. Projects based on school choice rely on parents to judge the quality of schools in which they enroll their children.

Monitoring systems for OBA projects in education need to be carefully designed. Self-reporting of enrollment or attendance may provide an incentive to inflate output figures, and standardized tests have a risk of providing an incentive for “teaching to the test” and for cheating in order to secure funding. Independent verification can help ensure that subsidies are paid only for outputs that have been achieved. If outputs are verified by government institutions, it is important that such institutions are sufficiently independent and have sufficient capacity. To mitigate the risk of teaching to the test and cheating, the Cash on Delivery approach proposes to tie incentive payments to participation in standardized tests and publishing results.

Conclusion

A focus on higher attendance and school completion rates alone does not necessarily translate into improvements in knowledge and skills—which should be the ultimate policy objective. Thus, OBA projects

Box 2. The Impact of Public-Private Partnerships on the Concession Schools Program in Bogota

The public-private partnership in Bogota illustrates the positive impact private sector involvement can have on attendance and school attainment. Created to provide education to 45,000 students from low-income neighborhoods, the program is based on a bidding process in which the applicant must demonstrate previous experience in the education sector. The winning private school operators qualify for continued state funding only if they meet pre-established targets on standardized tests and drop-out rates for two consecutive years in the public schools they manage. The program has had the following impact:

- It made the concession schools financially stable, since the state paid a fixed sum per student, and focused more on academic achievement, as the selected private operators had a history of high test scores.
- The private participation model applied a proven pedagogic model. Moreover, the freedom to choose the teaching and administrative staff led to improvements in the quality of education. On average, 55 percent of the subsidy amount was allocated to human resources—well below the 90 percent in the public school system—freeing up 33 percent for nutritional support and education materials.
- The eligibility of private operators for continued support depends on meeting pre-established standardized test scores, which emphasizes the importance of higher quality of education rather than mere operation of the schools.
- Private sector providers had an incentive to partner with parents and the community, which helped reduce dropout rates and improve educational attainment.

Source: Barrera-Osorio (2007).

have generally chosen a more balanced set of outputs that aim at addressing not only the issues of enrollment and attendance, but also of quality. Evidence shows that private sector expertise and discipline can improve both operational management and learning outcomes without an increase in cost. However, given the limited use of OBA in education and the small number of projects studied by this review, more experience and evidence will be required to formulate better grounded conclusions.

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- ¹ For information on FSSAP I, see: <http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P009555>
For information on FSSAP II, see: <http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P044876>
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- ⁵ Barrera-Osorio (2007).
- ⁶ For an extensive analysis of private-public partnerships in education, see Patrinos, Barrera-Osorio, and Guaqueta (2009).

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