Supporting the delivery of basic services in developing countries

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), the Lifelong Learning and Training Project in Chile, the Balochistan Education Support Project (ESP), the Punjab Education Support Project in Pakistan, and a Concession Schools Program in Bogota, Colombia. The scale of subsidy disbursements ranged from $2.1 million for the scheme in Balochistan, to $77.5 million in Punjab, to over $100 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
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.  

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 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.
OBApproaches is a forum for discussing and disseminating recent experiences and innovations in supporting the delivery of basic services to the poor. The series focuses on the provision of water, energy, telecommunications, transport, health, and education in developing countries, in particular through output-, or performance-, based approaches.

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References


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