

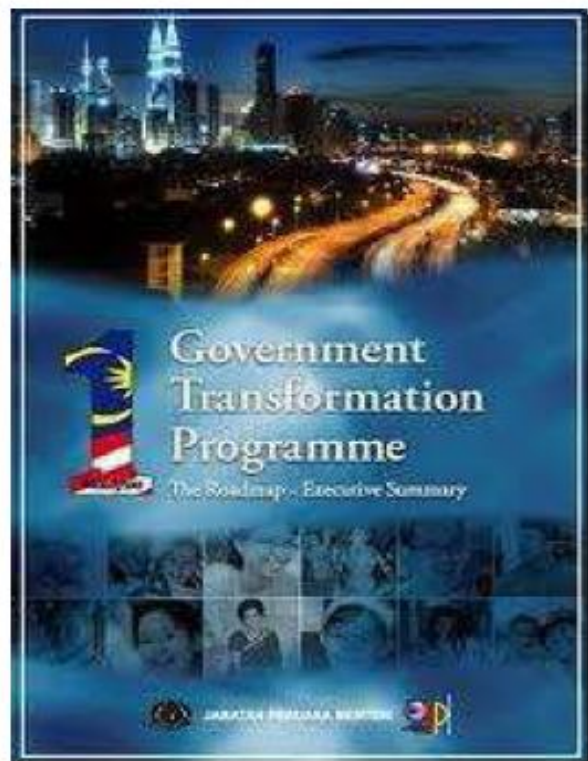
# **National Conference Workshops Series**

## **- Public-Private Partnerships in the School System**

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(30 May 2011)



# Big Results Fast in 12 months



**250 pages of results...**

Note : GTP Annual report 2010 can be downloaded at [www.pemandu.gov.my](http://www.pemandu.gov.my)

# Under NKRA/NKEA the Government has partnered the Private Sector in several Initiatives



- Launching Grant of **RM10,000** for private pre-school operators
- Fee Assistance to pre-school children from low income families, **enrolling in pre-schools with fees/month of RM150 and below. 24,179** children benefited from fee assistance in 2010
- Training of up to **21,000 private pre-school teachers from 2010-2011**, to ensure quality pre-school teachers
- **6,500 private pre-school teachers were trained by 11 IPTS**, which were selected through a competitive e-bidding process. Similar off take arrangement will be entered with IPTS in 2011 and 2012



## Other initiative Involving the Private Sector in 2010



- In 2010, MoE together with Yayasan Amir launched **10 Trust Schools**, 5 each in **Johor** and **Sarawak**



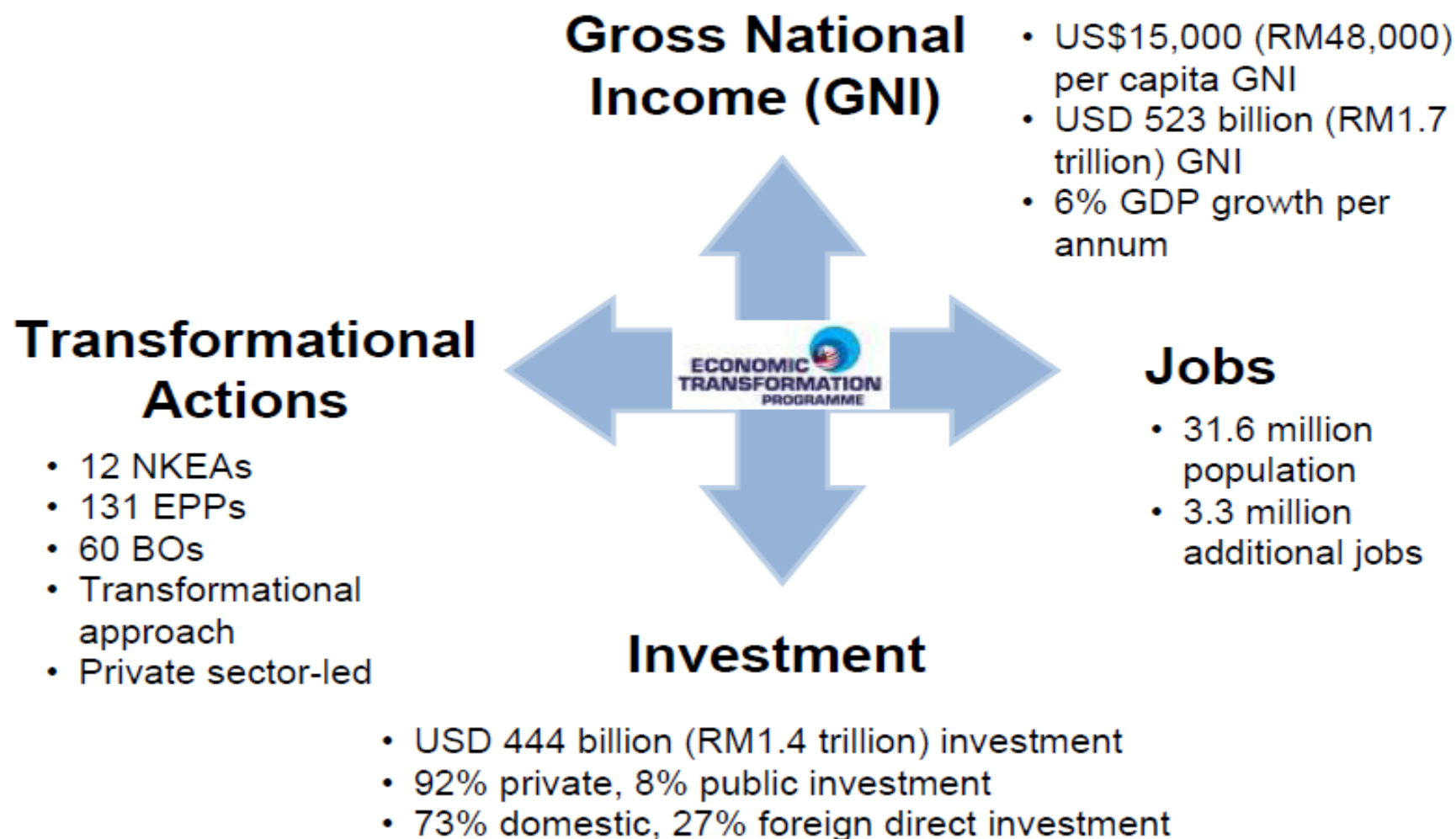
- The **Teach for Malaysia Initiative** was also **kick start**

- In **Oct 2011**, the **ECONOMIC TRANSFORMATION PROGRAMME** was launched with **12 NKEAs identified**.

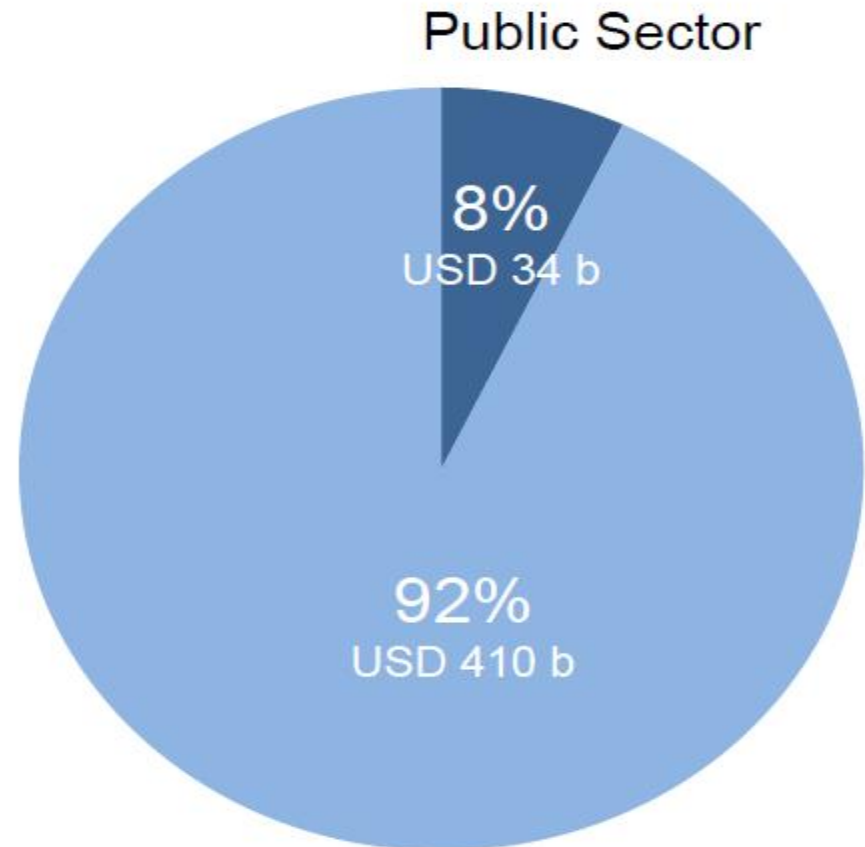




# Overview of ETP



**92% of the investment will come from the private sector**



Private Sector\*

100% = USD 444 billion

\* Includes GLCs & non-GLCs



**PEMANDU**  
BERKUALITI, BERKUALITI, BERKUALITI

# Message to Passage..



**120% achievement**



**Progress is on track**



# Education is one of 12 National Key Economic Areas (NKEAs) and is a critical driver of Malaysia's transformation into a high-income nation

## Why education?

1



### High Economic Impact

- Education is a **key enabler** for all other NKEAs, which will collectively generate 3.2 million jobs over the next ten years leading up to 2020
- It will drive the **shift in our human capital** towards a high income nation and a first-world talent base

2



### Strong Direct Engine of Growth

- Education as an economic sector boasts one of the **fastest growth** rates over the past decade (6.8%)
- It also has one of the **highest output multipliers** in the country (2.19x) – even higher than sectors that have benefited from stimulus packages

3



### Higher Lifetime Earnings for the *Rakyat*

- For individuals, higher educational achievement is correlated with **higher lifetime earnings**. Education as an economic sector has tremendous scale and scope for direct touch-points with the *rakyat*

# Entry Point Projects will expand education touchpoints by 2020



## Education NKEA Entry Point Projects



## Education Touchpoints (Thousands)

2010 Target 2015 Target 2020

|                   |     |                                                            |     |     |     |
|-------------------|-----|------------------------------------------------------------|-----|-----|-----|
| Rapid Scale-Up    | 1.  | Scaling up early child care and education centres          | 321 | 553 | 857 |
|                   | 2.  | Improving early child care and education training          | 1   | 13  | 25  |
|                   | 3.  | Scaling up international schools                           | 19  | 37  | 75  |
|                   | 4.  | Expanding private teacher training                         | 0   | 3   | 10  |
|                   | 5.  | Scaling up private skills training provision               | 55  | 96  | 110 |
|                   | 6.  | Expanding international distance learning                  | 7   | 46  | 161 |
| Concentration     | 7.  | Building a Islamic finance and business education DC       | 2   | 12  | 54  |
|                   | 8.  | Building a health services discipline cluster              | 55  | 90  | 150 |
|                   | 9.  | Building a advanced engineering discipline cluster         | 0   | 12  | 34  |
|                   | 10. | Building a hospitality and tourism discipline cluster      | 17  | 35  | 43  |
|                   | 11. | Launching EduCity @ Iskandar                               | 3   | 16  | 16  |
| Demand Generation | 12. | Championing Malaysia's international education brand       | 77  | 124 | 200 |
|                   | 13. | Introducing public private partnerships in basic education | 0   | 8   | 13  |



# EPP 13: Public-private partnerships (PPP) in the School System

Concept

## Concept overview

- Introducing PPP model in basic education sector
  - Selected primary and secondary schools to be **built by public sector, and operated by private sector or**
  - Under enrolled schools can be leased to private sector
  - A certain proportion of seats will be **secured by the government to offer free/ low cost universal education for lower income families**, either as **off-take arrangement or vouchers**, while **fees will be charged for the rest of the seats**

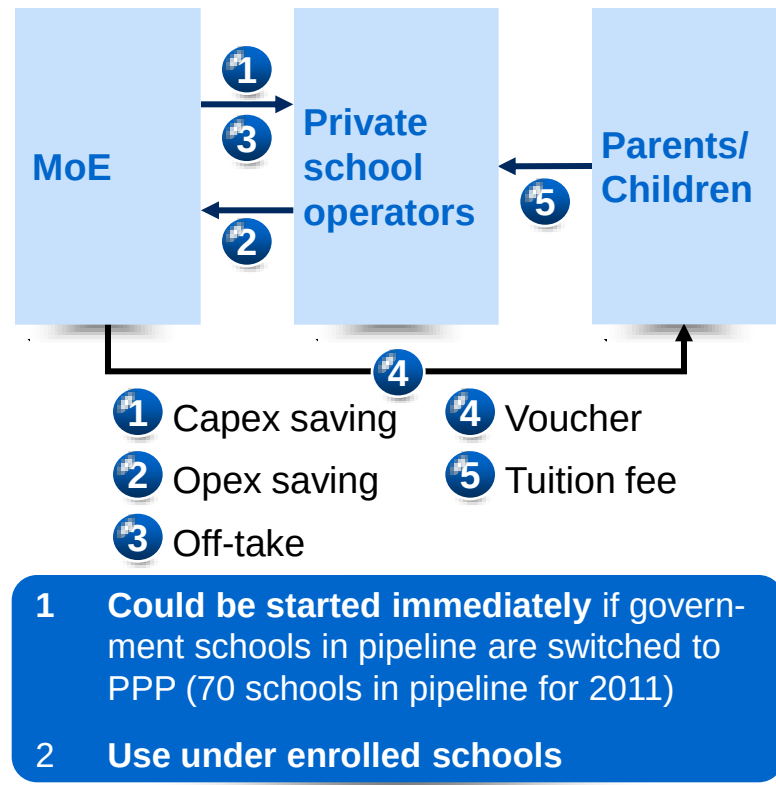
Requirements

## Private Sector Delivery

- Quality teaching
- Teachers
- Opex

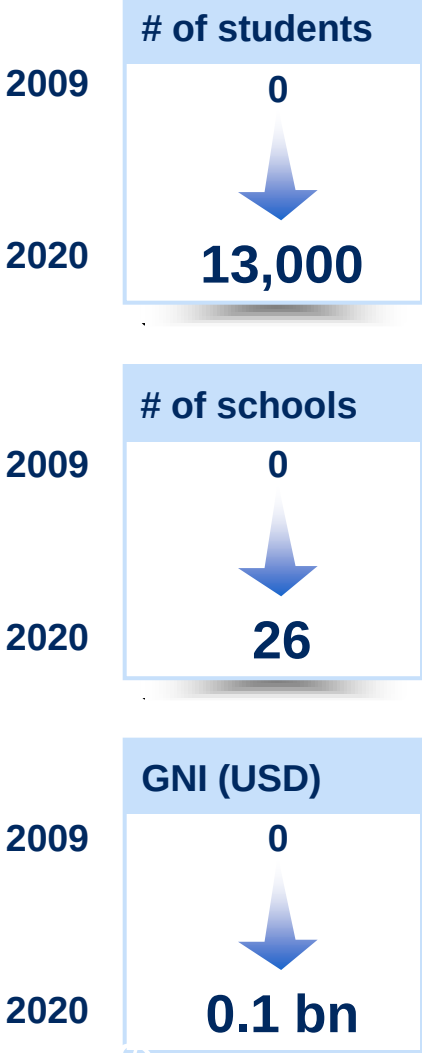


## System



## Public Sector Delivery

- Curriculum
- Capex (land and building, setup and maintenance)
- Off-take seats/ voucher scheme



# New build PPP should provide greater choice to parents, leverage and unleash private sector

## Guiding principles

- 1 Provide greater choice to parents,** and enhance equitable access to high quality schools across Malaysia
- 2 Leverage and unleash private sector potential to support government** in raising standards and closing achievement gap
- 3 Make entry barrier lower for private operators** and lower entry fees for high quality private school education

## Why is it necessary?

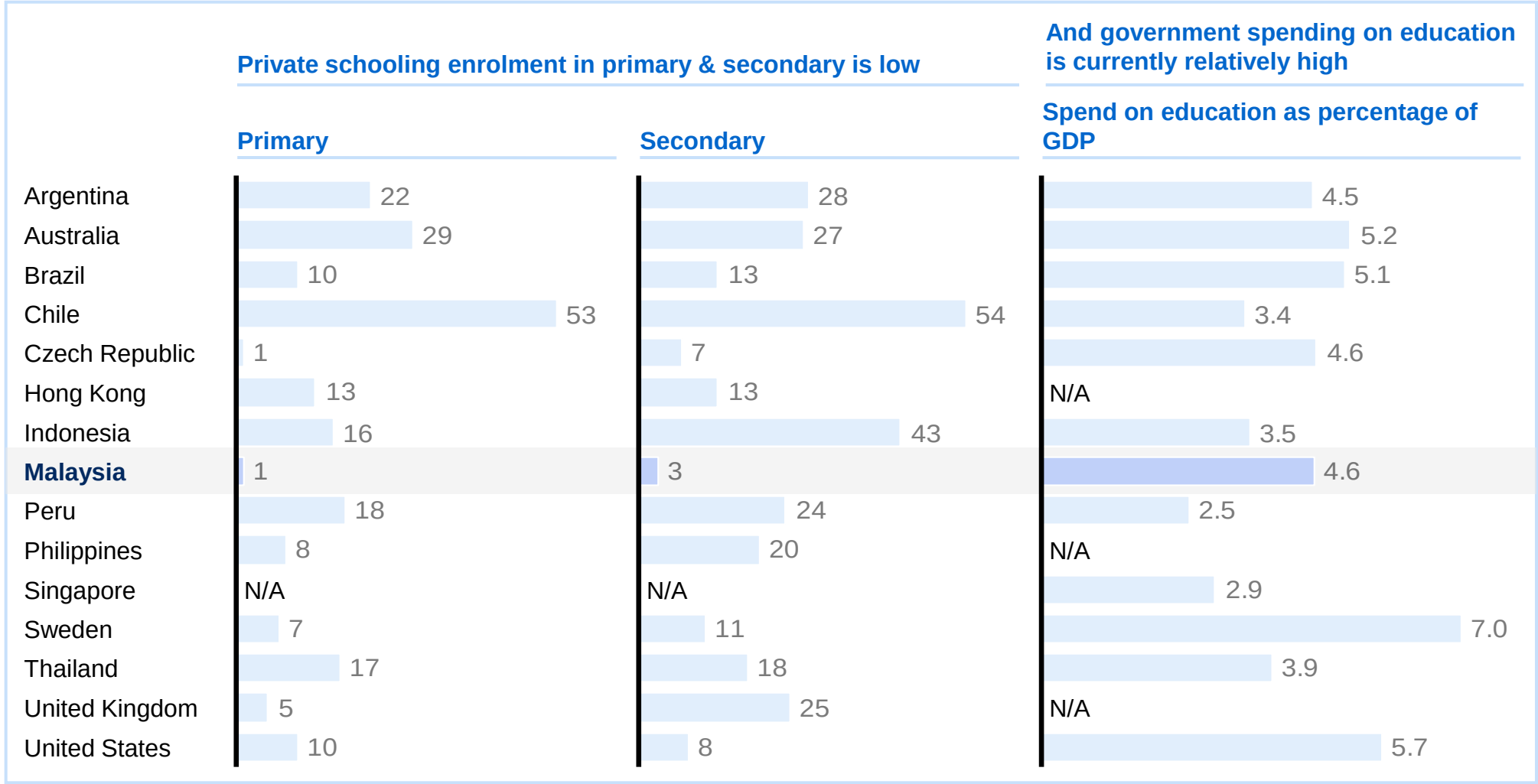
- Fee gap in public (free of charge) and private (~RM10,000) schools are high; private education is not an option for lower income families today, though it provides wider variety of education
- Public schools cannot cover the niche demand, as classes offered is standardized
- New government schools will be built as proposed in 10th Malaysia Plan (70 planned in 2011), which would increase management burden for MoE
- Private education offering for primary and secondary in Malaysia is one of the lowest in the world at ~2%, which is partially due to high land and building acquisition cost

## How PPP should support

- PPP schools will reserve certain proportion of seats (up to ~50%) for low income families, where quality education is offered either free of charge or at very low fee
- Private schools can potentially cover niche segment, while following the national curriculum
- At PPP schools, private operators manage entire school operation including hiring and training of teachers, and controlling P&L
- As government covers upfront capex, private operators can start its operation with lower risk, without having invested to land and building acquisition cost

# In comparison to other countries, private schooling enrolment in Malaysia remains low

2006-08, Percent



1 Defined as ratio of the income or expenditure share of the 10% richest group to that of the poorest 10% within the country

# Options for PPP model for new build government schools in Malaysia

Focus of discussion

Starting point

School type

Operating model

Implications

Existing public school



Private operator takes over (the management of) existing public school



**A**  
Trust School framework

- School remains as public school but with significantly **enhanced autonomies**
- Teachers remain **civil servants** – subject to performance management (can redeploy but no firing)

New school built by Government



Private operator manages new public school under private school license



**B**  
Off-take arrangement  
(Government buy seats from operator)

**C**  
Voucher system  
(Government provides voucher to parents for choosing PPP school)

**D**  
Hybrid  
(Government buy seats from operator + provides voucher to parents)

- School becomes a PPP school, where **Government owns land and school buildings**, but private operator manages and operates the school under private school license and enjoys full **private school autonomies** and freedoms
- School employs private teachers – **can hire or fire** based on performance
- School charge **lower fees** compared to other private schools due to upfront capex spending by government
- Government puts a **capping** on tuition fees for PPP schools

# New build PPP – Benefits to stakeholders

## Stakeholders

## Benefits

### Parents

- **Increased access** to quality education for all – improve equity for children in all areas of Malaysia
- **More choices** for education – public schools, private schools, PPP schools, etc.

### MoE

- **Reducing the operational burden**
  - expense of administrating and managing schools
  - expense of supplying teachers to the schools which includes training the teachers, salary, professional development programs, etc.

### EPU

- **Providing more choices** for education
- Increases **collaboration** between the public & private sector
- Maintains or decreases the **current spending on education** per student capita
- Able to **leverage on private sector** to improve overall quality of education

### Operator

- **Spared the upfront** (and maintenance) **capex cost** for school construction
- Able to tap latent demand and expand into semi-urban areas (i.e. improve economic feasibility)

# New build PPP – Key requirements to deliver this new PPP concept for new private schools

## Requirement

## Description

**1**

### PPP framework

- Create **an open framework** to enable government to
  - **‘Purchase’ seats** from PPP operators (off-take arrangement)
  - **Issue vouchers** based on a sliding scale (voucher scheme), which they can develop appropriate **pricing mechanism** based on actual household income
  - Develop process to allow selected private operators to **co-design and provide input** during school construction phase

**2**

### Monitoring unit

- Set-up **PPP unit at MOE** in order to:
  - **Evaluate and select** private entities to operate PPP schools
  - **Manage** new school development process
  - **Monitor performance** of operators and school outcomes

# New build PPP – Operating options

## Operating model

## How it works

### Off-Take

- **Government buys seats for under privileged students<sup>1</sup>, and the remaining of seats will be filled by other (private) students**
  - Government selects under privileged students (most financially deserving) from the local community (certain radius of school) to occupy certain amount of the seats depending on distribution of the targeted income group, and fully funds up to current government spending
  - Private students pay full tuition fee as set by school

### Voucher System

- **Government issue vouchers to parents who choose PPP school**
  - The value of PPP vouchers issued depends on a household income sliding scale  
(e.g.) Household income below RM 2,000: full tuition fee  
Household income below RM 4,000: half tuition fee
  - For household groups that do not get full voucher value will have to top-up the balance as set by school

### Hybrid

- **Government issue vouchers to all or part of parents of PPP school at the value of current spending on education per capita**
  - Government either choose to only subsidize under-privileged students or all students, with the limit of current spending on education per capita (i.e., if government current spending per capita is RM4,000 at schools where 1000 students are attending, the limit for voucher is RM4mn per school)
  - For household groups that do not get full voucher value will have to top-up the balance as set by school

1 As reference, Malaysia Plan has identified lower 40% category be the target for elevating the quality of life



# Thank You

[www.pemandu.gov.my](http://www.pemandu.gov.my)