

PUBLIC – PRIVATE PARTNERSHIPS WITH APPLYING ON THE EDUCATIONAL SYSTEM

H. Elsayed

Edinburgh Napier University (UNITED KINGDOM)

Info@haithamelrouby.com

Abstract

The education expenses have become a high load over the countries funding education. This results that these countries started to get loans to cover the budget deficits. Therefore, it was necessary that a new system should be set to reduce the deficits of the governmental budgets without affecting the educational activities in these countries. This was when the public – private sectors partnerships appeared. These partnerships mean that the private sector should be involved in establishing universities, sponsoring the scientific research and even at the level of pre-university education in building schools. But the question is what will the private sector benefit from involving in such activities? The answer is that it depends on the type of each contract. It may attain the project revenues for twenty years; collect little fees for certain number of years, or take the right of the scientific production for a certain period. The government could also pay back the invested amounts on installments plus the interest. Thus, many Egyptian experiences can be modeled and internationally, many countries such as Canada, USA and India have used such partnerships in different fields such as the projects of infrastructure.

1. THE NATURE AND IMPORTANCE OF PUBLIC – PRIVATE PARTNERSHIP

1.1 The concept of the public – private partnership

There are various definitions of the public – private partnership such as;

IMF defines it as (IMF, 2004, p.4)” arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government,”

The researcher sees that the definition does not mention the procedures and steps organizing the issue of partnership, however it is left without any clarification.

Partnership Central Unit also defines (PCU, 2007 , p.8) it as the way of providing public services in which the government has contracts with the private companies to build , fundraise and operate the infrastructure or the special activities of the government itself. At the end of the contract, the assets of the infrastructure will belong to the state property, so the amount of public assets will increase.

The researcher sees that this definition mentions the types of contracts such as building, fundraising and operating contracts. However, it does not mention the costs and revenues resulting for the partnership.

The partnership is also defined (Younis , 2010 , p,10)” as the agreements in which the private sector is allowed to plan , fundraise , build , operate and maintain the projects of the infrastructure in return they attain certain revenues agreed in the contract in the form of regular revenues.”

It is also defined (Akintoiak, 1998, p.22) as “facilitating the development process through the participation of the private sector in the different operations such designing, fundraising and building.“

The partnership is also defined (E.R.Y esocobe, 2012, p:4) as “the alternative to cover the expenditure and purchases funded by taxes or public borrowing. However, in these agreements, the private sector bears the cost of building, designing and funding operations in return of attaining a long term revenues.”

Through his readings, the researcher sees that the partnership can be defined as contracts shared by the private and public sectors. The private sector will be responsible for building, funding, designing, managing and providing the service. On the other hand, the government will give up its right in doing the before mentioned activities. The private sector will attain the project costs on long term basis. The private sector will also participate in the development activities by providing public services with no effect on the budget. Thus, both parties will achieve the highest possible revenue.

The term was firstly used in the United States in the education projects in which the public and private sectors participate jointly in 1950. It could be said that the term was widely used in 1960 when the United States used the partnership the in city development sectors. (E.R.Y escombe, 2012, p.3)

1.2 The Economic and Accounting Concepts Related to the Public – Private Partnership

The concept of the public – private sector partnership relates to several concepts such as;

1.2.1 PFI – Private Finance Initiative (contracts)

These are contracts to fund the big capital projects achieved by the governments through the partnership with the private sector. These projects are usually given to the construction companies and continue for 30 years. The government pays to the private sector on installments over the period of the project.

1.2.3 Build, Operate, Transfer

One type of contracts in which the private sector will be responsible for the building and operating the project. At the end of it, the project will be returned back to the government. Note that the project will remain a property of the state.

1.2.3 Build, Own, Operate, Transfer

This kind of contracts is different from the other contracts. In this contract, the private sector will own the project over the period of contract under certain regulations set by the government. Therefore, the private sector will have more flexibility in managing the project.

1.2.4 Build, Rent, Transfer

In this contract, the private sector will implement the project and own it over the project over the period of the contract. Then the project will be rented by the state.

1.2.5 Build, Operate, Revaluate

The private sector will build and operate the project. Then, the project will be revaluated again then rented to the private sector.

1.2.6 Contracts of renovation, ownership, operation and transfer of ownership

The project already exists and does not work efficiently because of technology. Thus, it should be updated by the latest technology.

Public private sector partnership (PPPS)	Update	Update			
		Reevaluation			
			Rent		
	Ownership			Ownership	
		Build	Build	Build	Build
	Operation	Operation		Operation	Operation
	Transfer		Transfer	Transfer	Transfer
	OOTM	BORM	BTL	BOOT	BOT

2. APPLICATIONS OF PPP WITH APPLYING ON THE EDUCATION SYSTEM

2.1 Countries' Experiences in Applying the Partnership in the Education System

2.1.1 Experience of the Arab Republic of Egypt

A partnership project with the private sector to build schools is one of the leading model projects. In this project, the General Authority for Educational Building, with technical assistance of the central unit of partnership with the private sector, has call for the private to involve in partnerships with the public sector to design and build 345 new schools in 18 governorates divided into seven geographical groups. The private sector will also prepare, maintain, fundraise and provide the schools with non education services (including maintenance, cleanliness, prevention, security and information etc.) over a period lasting for 15 years. This partnership is organized by an international competitive. This project is considered as the first stage of a huge program. It is expect that it will include building 2210 new public schools in the new five years.

Invitations for tenders are run according to the law n. 89, 1998 which organizes the bids and tenders of implementing the public works. Each one of the seven geographic groups is run separately. It is allowed for companies to participate in more than one group. In addition, the following projects of this model project will be implemented according to the new law of partnership waiting for the approval of the common house.

The central unit for partnership with the private sector has recruited number of consultants in different areas to provide support, facilitate concluding the contracts. It was contracted with the funding foundation as main consultant and with IFC as legal consultant.

The training committee has performed a detailed evaluation to the initial inquiries for partnership and shortlisted the qualified companies to implement the project.

2.2 Areas of Public – Private Partnership

- There are several areas of partnership between education and social organizations such as;
- The areas of technical and scientific support such as studies, researches, trainings and mass media
- The areas of providing the physical needs such as schools, maintenance, providing PCs and publishing books
- The areas of providing the educational services such as building national schools

Therefore, it is obvious that the private sector is considered as one of the most economically efficient organizations that play role and have tangible and intangible benefits.

2.3.1 Educational Investment

It means that the private sector invest in education to attain economic revenues. As, the investment is considered as a national issue that depends of achieving mutual benefits for both the private and education sectors. It is important that the private sector should not be limited to a certain side of education, however it should involve in all educational services and activities.

Examples of private sector's contributions in the public education;

- Mass media, literary, religious programs for kids
- Translated and original educational programs for students
- Building schools according to the educational regulations and renting them to the education organizations
- Publishing books and software that support the educational process
- Building schools and national centers and institute
- Cleaning and maintaining schools and universities
- Advertising in the educational organizations

2.3.2 Providing school materials and supplies in the classroom

Information provided by the companies, business corporations and non profit organizations

Supporting the curriculum helps the teachers to deliver the information and achieve objectives. Examples; videos, programs, books, stickers, software. These supplies could be provided directly or through the internet. They are used to achieve the educational objectives. (Shaul, 2000, 28-29)

2.3.3 Using electronic technology

Various ways of communications are used in the schools and classrooms. Some companies provide the schools with devices, labs, TVs and internet services. One of the most famous examples was the program of Channel One. The project has started in 1990. It was a daily TV program broadcasted in USA. The program contains TV announcements for 10 minutes watched by 8 million students of 12,000 schools. The sponsor company provided TV programs for schools as well as TVs, videos over the period of agreement. Many schools has welcomed this project, however, many educational specialists have contracted it. (Molnar, Morales, 2000,18-23)

2.3.4 Cash or in-kind donations

These donations are provided by business men or companies to the educational organizational, either cash or in kind such as devices. This could be done through holding charity markets in the schools with low prices. All or part of the revenues is paid to the schools. This make the students participate in marketing the products of the companies. Thus, they achieve mutual benefits.

2.3.5 Participating in building schools

Due to the increase of number of students in the public schools as well as the need of schools for maintenance and development, most societies are facing a problem of school buildings. Therefore, the private sector, government, charity organizations and sometimes people in Europe and USA are cooperating to build and develop schools.

2.3.6 Partnership in using capabilities

It is common that in most countries especially USA, authorities supervising education make agreements with the private sector to make use of the available capabilities in the schools such as educational and sport facilities and theatres. This agreement allows the private sector to use the facilities in return of certain sums of money or participating in the construction. Therefore, this kind of agreement allow the local society to use the educational societies , in addition to the benefits achieved by the private sector when using these facilities. (Clark, 2002, 45)

2.3.7 Training

Training is considered as one of the main issues in the area of public – private education partnership. It could be viewed from two sides; the training for teachers and using the advanced teaching aids achieving the objectives of the curriculum such as IT applications in teaching math and science. Teacher training is usually offered for a limited number of students. (Shaul, 2000,29)

2.3.8 Commercial activities in the schools and universities

Schools have become one of the sectors that companies direct their marketing campaigns. This is because of its large audience of teachers and students. Business men also see the students as a marketing audience because of the large sums of money they spend annually, daily purchases or their effect on their parents' purchases. In addition, they will be the future consumers that companies seek to earn their loyalty in the near future.

References

1. The central unit for public-private partnership (2006), "**The practical guide for making a successful public – private partnership in Egypt**" Cairo, Ministry of Finance , Central Unit for Partnership , November , P.1-30.
2. Younis Hassan(2010)," **Part of a proposal for the tax treatment of Association Agreements between the public and private sectors in Egypt "experimental study"** Journal of Accounting Thought, Faculty of Commerce, Ain Shams University, Version II, P 1 - 64
3. ----- (2007) "**The national program for public – private partnership**" Cairo, Ministry of Finance , Central Unit for Partnership , November, September , p.1-50
4. ----- (2009)" **The latest about partnership with the private sector**" Cairo, Ministry of Finance , Central Unit for Partnership , November, June , p.1-75
5. AASB,(2007) Interpretation 129," **Service Concession Arrangements: Disclosures**" ,Australian Accounting Standards Board, February .
6. Baker, R.C. 2003. Investigating Enron as a public private partnership.**Accounting, Auditing & Accountability Journal**, Vol .16, No.3, pp. 446– 466.
7. Hood, C. (1991) "A public management for all seasons **.Public Administration**,Vol. 69, No.1, pp. 3-19.
8. European Commission. (2003)" **Guidelines for Successful Public–Private Partnerships**" Brussels.March. Available: <http://ec.europa.eu/> .pdf
9. Bakovic, Tonci, Bernard Tenenbaum, and Fiona Woolf. 2003. Regulation by Contract: A New Way to Privatize Electricity Distribution? **World Bank Working Paper**No. 14. Washington, DC: World Bank. Available:<http://rru.worldbank.org/Documents/PapersLinks/2552.pdf>
10. public Utility Research Center, University of Florida. Available: <http://bear.cba.ufl.edu/centers / purc Article .pdf>
11. David ,Newbery M. (2000)"**Privatization, Restructuring, and Regulation of Network Utilities**. Cambridge, Massachusetts: MIT Press.
12. Department of Treasury and Finance. 2001. **Partnership Victoria Guidance Material: Practitioners' Guide**. June. Victoria, Australia. Available :[www .partnerships .vic.gov.au](http://www.partnerships.vic.gov.au) Open Document
13. Dumol, Mark.(2000)**The Manila Water Concession: A Key Government Official's Diary of the World's Largest Water Privatization**.July. Washington, DC: World Bank. Available:<http://rru.worldbank.org/pdf>
14. Hall, David(2008)," **PPPs in the EU: a critical appraisal ' , Public Services International Research Unit (PSIRU) Business School , University of Greenwich. www.psiru.org , PP.1-42**

15. IMF (2004), "**Public-Private Partnerships**", Prepared by the Fiscal Affairs Department, in consultation with other departments, the World Bank, and the Inter-American Development Bank, Washington DC.
16. International public sector Accounting Standards Board (2008) ;" **Accounting and financial reporting for Service Concession Arrangements** " -----
----- (2004) "International Standards of Supreme Audit Institutions,
" INTOSAI GOV 9130 :**Guidelines for internal control standards for public sector- Further Information on entity risk** " pp1-39, www.issai.org