

constraints and of school responses to increased parental choice in improving their quality.

In order for this to be successful, however, voucher money needs to remain with the school, so that the school maintains full discretion in how the money can be spent. This has the dual benefit of ensuring local accountability and providing space for schools to experiment with ways to improve their quality. A true voucher does not discriminate between public and private schools and ensures payments to the school for every child attending. The regulatory framework governing public schools thus needs to be suitably amended to allow for this possibility.

Inside the household

LEAPS research shows that the learning environment within households is varied, e.g. in terms of child study time. This directly translates into differing learning outcomes for these kids. *Creating programs that directly affect this environment, such as enabling mothers to better support child learning would pay large dividends.*

In line with thinking of the linked nature of the educational marketplace, alleviating credit constraints through a voucher mechanism would also create more space within the household to allocate education resources. Interventions such as child-centered schooling that engage parents in the classroom could also have potentially both in-school and household effects.

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Room 106, Main Academic Block,
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Recommendations for the Market as a Whole

Information

Availability of information on student and school performance is central to the development of an accountability system. Such information, when deemed credible, has an effect across the board on both households and the education providers. This information needs to be made available to parents, communities, and education providers in order to be most effective.

LEAPS experimental evidence has shown that using performance-based report cards at the village level leads to significant quality improvement of poorly performing private schools. Provision of information has led to increased competition among these schools, leading to a drop in prices in the higher performing schools.

The provision of performance report cards, especially when tied together with a voucher system and a mechanism for local school control for voucher funds in public schools, would allow for the alignment of school and teacher incentives with parental demand.

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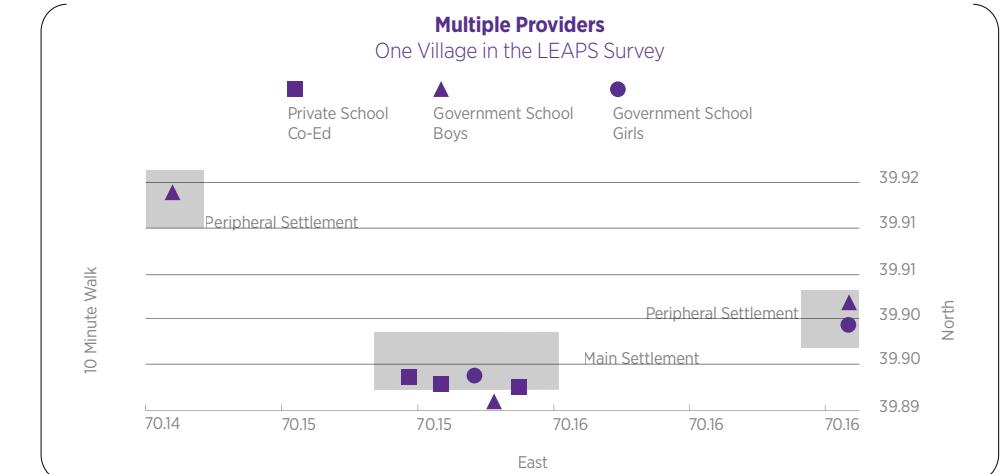
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Education Policy in Pakistan: A Framework for Reform

by Tahir R. Andrabi, Jishnu Das and Asim Ijaz Khwaja

This policy brief draws on research papers and reports from a large-scale longitudinal study conducted by Tahir Andrabi, Jishnu Das and Asim Ijaz Khwaja through a grant from the World Bank's South Asia Regions and Knowledge for Change Trust Funds. The study, titled "Learning and Educational Achievements in Punjab Schools" (LEAPS) analyses the education sector in Pakistan, its major challenges and policy options for moving forward. The data from the study is public and is available at www.leapsproject.org.



The Reality Of Village Life

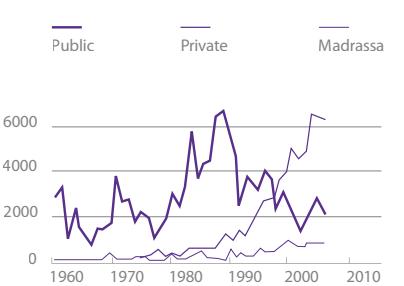
An Educational Marketplace

Multiple Providers, Active Parents

The rise of low-fee private schooling has been the most significant development in Pakistani education in the last fifteen years, with private school growth rates highest in rural areas. As of 2005, there were more than 50,000 private schools with more than a third of total enrollment at the primary level.

In Pakistan's largest province, Punjab, more than 50 percent of the population now lives in village with at least one private school. Consequently, the rural education landscape is now one of multiple schools

New Educational Institutions in Pakistan by Year of Formation



(public and private) in every village. Contrary to popular belief, the number of Madrassas in Pakistan is low and has shown no discernible growth trend.

At the same time, parents across Pakistan are active decision-makers in their children's lives, even at low socioeconomic levels and in rural areas. They exhibit a high demand for education and seek improved schooling opportunities for their children.

Multiple Outcomes

Price and Quality, Not Just Enrollment

In the past, educational policy has principally focused on increases in the *quantity* of education—enrollment. The LEAPS studies bring into the forefront two other outcomes, *price* and *quality*, which are essential to parental decision-making as they plan their children's futures. Price and quality are crucial when evaluating the current status of schooling and how to move forward in terms of school reform.

As in other low-income countries, quality in Pakistani schools, as measured by the learning levels of children, is low. The average child performs well below the accepted grade-level standards. However,

private schools outperform government schools significantly, even when located in the same village and accounting for differences in household socioeconomic characteristics. Students from private schools also have significantly better civic attitudes, and they exhibit more trust in government and other social institutions, and have a lower gender bias.

The presence of private schools has also created a range of options at the price-quality margin. While public schools are free for parents, the cost to society of providing this education is relatively much higher than the private sector, particularly in terms of their efficiency in providing quality.

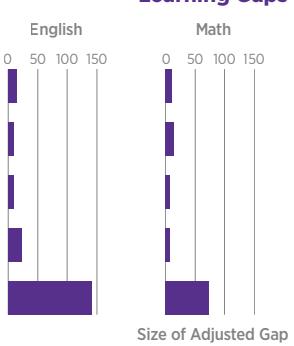
Understanding the Educational Marketplace

The Supply Side

The Teacher as the Pivotal Figure

The LEAPS set of studies confirm the oft-repeated adage: education is not about bricks and mortar. As many already attest, the central figure in both public and

Learning Gaps



teachers. The data show that private schools arise precisely in those villages where there exists a pool of educated women, which in turn are far more common in areas where there exists a Government Girls' secondary school. Due to a lack of outside opportunities, these women have lower wage rates than educated men. These low wages are then passed onto the students in terms of low fees in the competitive market.

The availability of affordable educated females—a supply channel—for potentially credit-constrained private schools is crucial for expansion into poorer regions. The availability of better educated and knowledgeable teachers is also essential as existing private schools upgrade to middle and secondary levels as students rise up the education ladder.

Public Schools

Teacher Incentives

Public school teachers are paid better, have more training, and are more experienced than their private school counterparts. It is therefore particularly surprising that public school quality, as demonstrated by the learning levels, is so low. In addition, parents express frustration

with their inability to affect local school governance and the unresponsiveness of teachers to parental concerns. All signs point to a lack of appropriate incentives which leads to low teacher "effort." For example, public sector salaries are based almost entirely on teacher education, training and seniority instead of child outcomes, with no adjustment for the teacher's performance - or even whether he/she comes to work on a regular basis.

The Demand Side

Active Parents, Bounded by Constraints

Parents have demonstrated a strong preference for sending their children to schools. The LEAPS data also show that parents can evaluate their children's performance and that children of even moderately literate mothers spend significantly more time studying at home.

Yet, households face serious constraints. Lack of income and limited opportunities to borrow can lead to low investments in children's learning. For example, parents may not send their child to the best possible school. In the extreme, poverty can lead to children dropping out of school, or not even enrolling. The evidence suggests that rationing of limited resources leads to parents "picking winners" at an early age. They tend to invest in the child that they believe is most likely to succeed.

Recommendations

Making It Work

The above analysis portrays a dynamic situation on the ground in rural Pakistan. It is very different from the traditional view of rural education characterized by lack of demand from poor apathetic parents whose only decision is whether to send their child to the single Government school in the village. The constraints identified above, however, can seriously hamper the functioning of this marketplace and its growth and development.

The metaphor of the market does not necessarily imply a hands-off policy approach

to education in Pakistan, however, nor does it imply that this marketplace is efficient. Instead, it suggests that different sides of the market are linked and therefore they must be analyzed together. Importantly, policy reform targeting any one area will have serious repercussions in others. The goal of policy in this environment is not the creation of a "missing" market from the ground up, but to facilitate its functioning. This can be achieved by identifying the constraints specifically and then alleviating them—sometimes by direct provision of schooling and other times by providing information, resources, or changing the regulatory environment. And in some cases, policy makers can even help by staying out of the way and doing nothing. As the new reality is not amenable to a one-size-fits-all policy solution, experimentation and innovation will necessarily be part and parcel of any recommendation. Any policy intervention must, of course, be evaluated in terms of the outcomes.

Recommendations on the Supply Side

Private Schools

Breaking the External Constraints

The main constraints to private schooling are not internal governance but the external environment. Policy makers need to develop a new modality for engagement with a sector that is large, decentralized and composed almost exclusively of independent "mom-and-pop" owned schools. Policy has to move away from the mind-set of engaging with a small group of actors—as in dealing with specific NGOs or the public sector education departments—and towards market-level interventions such as a menu of incentives directed towards the sector.

While public schools are able to do this through existing centralised systems, *quality can improve in private schools if they are offered support services (albeit with a charge)*

through facilitating mechanisms that can advise schools on management, syllabi, and technical training.

This will give schools the flexibility to adapt their services to local circumstances in a more effective manner.

Teacher Availability

Low-cost teacher availability remains the largest constraint in the expansion of private schools to other villages. According to the LEAPS report, private schools are "three times as likely to locate in villages with Government girls' secondary schools—largely

because students in these schools yesterday became the teachers in the private schools today." Government secondary schools for girls have tremendous complementarity with breaking the teacher shortage constraint at the village level. *The government can alleviate the teacher shortage constraint through a direct expansion of secondary schooling.*

Credit Availability

Existing private schools are growing rapidly - completely unsubsidised - at double-digit rates over two decades. All demographic trends point to continued expansion at this pace. Between 2000 and 2005, a large majority of private schools started adding middle grades to their existing elementary enrollment as the current cohort of children moved up the education ladder. As requirements of teacher knowledge and demand for facilities upgrades increases, private schools will potentially have to go beyond their own pockets and those of friends and family to finance this expansion. *Creating new and innovative financing sources for the private sector should be an immediate priority.*

Support Systems

While credit availability can help in alleviating some constraints, there are some inputs to education that might not be readily available "off-the-shelf," or where the existing school ownership might need technical help. Implementing curricular changes or new pedagogy might be provided through specific programs for the private sector.

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Public Schools

Improving Internal Governance

By contrast, the public sector is rife with governance issues that are largely internal to the sector and many times internal to the school as well.

Local Control

One of the reasons why private schools have been more successful than public schools is due to the ownership structure resulting in the "flex-approach"—based on the idea that the ability to make decisions should rest with those who are most qualified to make them. While planning and finance functions are carried out centrally in public schools, private schools are able to tailor the use of funds to the local needs, thereby negating the notion of "blueprint policy." *A crucial determinant of a (public) school's success lies in its ability to be responsive to local demands and trends—which can be dramatically different for each school.*

Teacher Responsiveness

In fact, one needs to go further and look at governance within a school structure. The teacher is the central figure in the system. *Policy interventions that make the teacher responsive to the children's needs and take effective interest in the classroom are of first order importance.* Whether they are implemented through changing the incentive structure of salaries, through school councils or through bonus payments can only be decided after carefully designed experimentation.

Recommendations on the Demand Side

School Choice

Given the increase in school choices at the village level, vouchers that allow potentially credit-constrained parents to choose among both public and private schools can be an important step in facilitating the functioning of the market. These vouchers would highlight the effects of relaxing demand