Education PPP across MENA

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'All governments have limited resources, not only financially but also in terms of human resources, political capital and the ability to manage multiple competing priorities. Developing infrastructure is a complex and lengthy process that places demands on these resources. Procuring by Public Private Partnerships ('PPP') relieves government of some of the burden of acting as developer and allows a greater focus on core roles and responsibilities. For instance, PPPs allow governments to focus on the provision of … education, not the construction of … schools'.

This statement, from the Private Partnership Handbook published by the Organisation for Economic Cooperation and Development, is a neat summary of the driving motivation of the surge in PPPs across the MENA region over the past few years. Population growth, combined with burgeoning urbanisation, has increased demand exponentially for infrastructure across MENA, from airports, roads, water and energy to hospitals and schools. More than that, however, citizens are demanding, and governments are promising to deliver rising living standards and enhancements to the quality of the services they provide. An essential tenet of this is education, with people viewing a decent education as a right; no longer a privilege. This chimes true with regional development goals to upskill workforces, add value and accelerate economic output. However, the very high levels of investment required to deliver the promised improvement in education cannot be funded by the government alone, resulting in the emergence of PPP as a means of financing education development across MENA.

Population estimates give an indication of the scale of the challenge facing MENA governments. Total population across MENA is estimated to grow from around 330 million in 2020 to over 840 million by 2050. Improvements in economic output per capita have been lagging behind in MENA, meaning that there is an increasing funding gap for governments to plug. PPP is increasingly being used across the region as a means to finance growth in education provision.

MENA was a pioneer of PPP: the first ever PPP was established in 1854 to fund the development of the Suez Canal. More contemporarily, education PPPs have been utilised in Saudi Arabia, Qatar and the United Arab Emirates. There is a growing move towards the PPP model to finance education, with a focus on both quality of education provision, as well as quantity.

The basic structure of the PPPs across the region are similar. The government issues tenders for a project or bundle of projects, granting a concession to the private party/sponsor to build and/or operate the educational establishment, with the government undertaking to pay the private party over the life of the project. In education PPPs the payment can be linked to the number of students attending the school, college or university. The concession agreement allocates risks between the government and the private party, with the private party obtaining financing from lenders which, in turn, assess the potential risks associated with the project. This model offers governments certain advantages including avoiding the need to finance, upfront, the cost of building new schools and amortisation of payments over the concession period with payments being pegged to the achievement of key performance indicators. Significantly, in addition, it allows the government to utilise the expertise and qualities of expert education providers and thereby satisfy the objective of raising standards.

Historically, PPPs have had a mixed reputation, and the experience of education PPPs in Europe offer some cautionary tales. The most notorious examples are possibly in the United Kingdom, where Tony Blair's government used PPPs on a massive scale in the early 2000s to fund a boom in building new schools, colleges and other educational establishments, amongst other infrastructure investment. It was alleged that the terms of many of these PPPs did not fairly apportion risk and reward, with long term concession agreements guaranteeing returns for the private sector whilst placing much of the risk with the government. Official investigations have since concluded that the commercial terms agreed for the PPPs were deeply flawed: the UK Parliament's Treasury Select Committee stated in 2011 that PPP "funding for new infrastructure, such as schools and hospitals, does not provide taxpayers with good value for money and stricter criteria should be introduced to govern its use". It would appear that governments and other organisations have taken these lessons on board, and a new generation of PPPs is being structured according to more robust and transparent principles which also promise greater accountability. The Organisation for Economic Cooperation and Development has published its 'Principles for Public Governance of Public-Private Partnerships' with the stated objective of ensuring that PPPs represent value for the public sector. New PPP laws being enacted in the MENA region and the terms of tenders do tend to indicate that governments are alive to the need to balance the need to expand education provision, but not at any long-term cost to the public sector.

Done properly, PPPs open up new markets to operators in those jurisdictions, attracting high quality teachers and other staff. For example, GEMS Education, which is one of the world's leading private education providers, currently operates 53 schools across Qatar, Egypt and United Arab Emirates, and last year bought Saudi Arabia's largest private education provider. The decentralisation inherent in PPPs means that delivery of education projects can be the responsibility of acknowledged experts, and thus removed from the bureaucracy of the state. Governments inevitably retain control over syllabuses, but delivery of the content is entrusted to organisations that have access to the latest education technology, resources and know-how.

Currently there are education PPP projects at bid or award stage in Saudi Arabia, Kuwait, Qatar and the United Arab Emirates. Oman recently enacted a new PPP law, as did Jordan and Qatar, with Egypt amending and updating its previous PPP framework. These all point to the increasing importance of the PPP model in education across MENA.

MENA countries are committed to meeting their shared development objectives of broadening and deepening education provision. Most of the countries are also aiming to make their economies less dependent on imported skills and experience, thereby requiring an enhanced focus on the quality and availability of education. Set against this background are the economic challenges thrown up by COVID-19 and the deep fiscal scars that it will leave for years to come, allied with falling revenues from the hydrocarbons industry. The Organisation for Economic Cooperation and Development has stated that "work, knowledge and skills … drive better jobs and better lives, generate prosperity and promote social inclusion." Throw all of those considerations into the pot and it seems inevitable that governments across MENA will have no choice but to utilise PPPs to meet their education objectives.

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