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Palestine Economic Policy Research Institute

## **Policies to Enhance Private Sector Investment in Primary Education in Palestine**

**2008**

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- ♦ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ♦ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ♦ Disseminating up-to-date socio-economic information and research results.
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## **Foreword**

Education is not only considered a basic human right but also represents an investment in human capital, and as such is a vital component of a nation's development and prosperity. In fact, many studies have indicated that investment in basic education yields a higher rate of return than investment in industry or agriculture. However, in many developing countries the burden of providing basic education lies mainly with the public sector, which often lacks resources to supply it to a sufficient standard of quality. The experiences of developed countries have shown that the private sector can play a complementary and supporting role, and many nations now offer incentives to promote private investment in this field.

The aim of this study is to investigate the obstacles hinder the participation of the private sector in basic education in Palestine, and to make appropriate recommendations to help decision-makers design policies which will encourage the private sector to play a significant role in developing human capital through basic education in Palestine. This will reduce the burden on public finances, improve the quality of education provided, and stimulate economic growth.

This policy research paper is one of fourteen studies that the Palestine Economic Policy Research Institute (MAS) is undertaking as part of its two-year 'Enhancing private-sector competitiveness' program, which is generously funded by the International Development Research Centre (IDRC), Canada. I would like to offer my sincere thanks to the IDRC for supporting this series of studies.

I would also like to thank the experts that the research team interviewed, the participants at the workshop during which the study was presented and discussed, and the referees, Dr. Naim Abul Hommos and Dr. Khawla Shakhshir. Last but not least, I would like to thank the research team for the considerable effort they put into producing this study.

**Dr. Mohamed Nasr**  
**Director General**



## **Executive Summary**

This study aims to research and explore the main obstacles to private sector development in private basic education, in order to identify policies that would enhance private sector involvement in the education sector. Basic education incorporates the first grade to the tenth grade. Basic education is obligatory in all developed countries and most developing ones. Moreover, education is perceived as a basic human right, so it is seen to be the responsibility of every government to provide education for its population.

During the Israeli occupation of the Palestinian territory, the educational system was marginalized in order to incapacitate the Palestinian society. This incorporated under-investment in new or existing schools. This resulted in a serious deficiency in education institutions, in general, and basic education institutions in particular. Under these circumstances the private sector attempted to fill the gap. One can distinguish between two types of private education institutions: private for-profit and not-for-profit (civil society) institutions.

Most private education institutions emerged during the period of the occupation provide good quality education and enhance human resource development. Several civil society groups as well as private individuals established private schools in response to the increase in the number of students requiring education. However, the quality of these new schools did not attain the same level of quality of schools which established prior to the period of Israeli occupation in terms of their infrastructure and teaching capacity. The private for-profit sector did not have a major role in education provision prior to the establishment of the Palestinian Authority. Moreover, this sector continues to be weak relative to those in some neighboring Arab countries, notably, Jordan and Lebanon. Today the share of the private for-profit sector remains marginal compared to the public sector or the United Nations Relief and Works Agency (UNRWA).

Since its establishment in 1994, education, and particularly basic education, was a priority for the Palestinian Authority. The Ministry of Education and Higher Education continues to confront the challenges imposed by neglect during the years of occupation. It has attempted to formulate policies to improve and develop the quality of education in Palestine. In this context new basic and secondary public schools were established to provide heavily subsidized or free education. In addition, the

Palestinian Authority has enacted laws to guarantee the obligatory nature of basic education. However, and despite all the Ministry's efforts to develop and upgrade the education sector, there continues to be many problems, particularly the low quality of basic education and the large class sizes in public schools.

The dependence on external funding and donor money to build and equip public schools, the high costs of salaries and the high population growth rates justify the increasing need for the involvement of the private sector (for-profit and not-for-profit) in basic education. In this context, the Ministry of Education and Higher Education provides a set of incentives to enhance private sector involvement in basic education. These incentives include allowing private schools to admit children in first grade two months younger than public schools, also the public schools do not accept those students who have registered in first grade at a private school until the children reach third grade. In addition, the Ministry of Education and Higher Education gives private schools a license option up to five years at a time, should the schools comply with the regulations. The Ministry of Education also involves private schools in its training courses, and allows them to determine their uniform policy.

However, the private sector continues to suffer from a large number of hindrances that limit its attractiveness and capacity for further investment. Amongst the obstacles faced by the private sector in providing basic education, one could identify the weak investment environment due to the unstable political situation which discourages the private sector from engaging in high capital investments.

Other obstacles facing the private education sector include the absence of sufficient and sustainable financial and in-kind incentives which are limited to relaxed regulations. In addition, the investment law does not provide particular incentives to the private basic education sector. The private education sector suffers from high investment costs and low return on investments, particularly in basic education. In addition, the accredited curriculum of the Ministry of Education and Higher Education is rather dense, which limits the capacity of private schools to incorporate extra-curricula activities in their programs. Finally, some private school directors complained about having multiple reporting channels and the complex and excessive tax regime their investments are subject to.

The study suggests several recommendations and policies that would enhance private sector involvement in basic education. Amongst those are:



- ✧ Develop a clear philosophy and specific policies for the education sector that incorporate a clear definition of the roles of the public and private sectors, and that highlight the importance of the private sector in basic education.
- ✧ Strengthen the coordination between the Ministry of Education and Higher Education and the private education sector in order to promote mutual cooperation between providers of education that ensures efficiency in tackling the challenges of the education sector.
- ✧ Provide financial incentives to the private sector under terms determined by the Ministry of Education and Higher Education and other related authorities within the Palestinian Authority in collaboration with the private sector. These incentives could include: fixed financial aid incentives, monetary incentives covering a certain percentage of student fees, subsidizing books and other learning tools, providing land for school buildings, or exempting these institutions from land registration fees. These incentives will contribute to increasing the return on investment for the private sector in providing basic education, which would encourage its expansion in this area.
- ✧ Allowing flexibility for the private sector in curricula selection, by limiting the main curriculum set by the Ministry of Education and Higher Education to core courses such as Mathematics, Arabic and English, at all basic education levels. This should give the private sector enough flexibility to compete on the demand for private education with other schools through introducing new programs and curricula, and thus also having an active role in advancing the quality of education provided.
- ✧ Guarantee the necessary funding for private investments in basic education, due to their high capital requirements, through low interest loan programs, which could be linked to certain process indicators such as the availability of a library, a laboratory, or certain limits on the number of students per teacher.
- ✧ Reduction of or exemption from different types of taxes, such as value added tax or taxes on student transportation vehicles and buildings. There could also be greater facilitation of the process of purchasing student transportation vehicles and limiting the associated costs.
- ✧ Including the private sector in financial aid packages provided by donors to the Palestinian education sector, by, for example, participating in building new classrooms within private schools.

