



Competition Commission of Pakistan  
Creating a level Playing Field

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Competition Assessment of the  
Private Schooling Sector in Pakistan  
*Lessons from Rawalpindi / Islamabad*

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**July 2013**

**COMPETITION COMMISSION OF PAKISTAN**

This study assesses the level of competition in the private schooling sector of Pakistan using secondary data and a new survey commissioned by the Competition Commission of Pakistan.

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## Acronyms

APEAM	Academy of Education Planning and Management
CCP	Competition Commission of Pakistan
CRCP	Consumer Rights Commission of Pakistan
DFID	Department for International Development
I-SAPS	Institute of Social and Policy Sciences
OECD	Organization for Economic Co-Operation and Development
KPK	Khyber Pakhtunkhwa
MOE	Ministry of Education
NEMIS	National Education Management Information System
NEP	National Education Policy
NGO	Non-governmental Organization
PEIRA	Private Educational Institutions Regulatory Authority

## Executive Summary

1. During the last few decades, there has been a consistent growth in the number of private schools across Pakistan. A major contributor to this growth has remained the inability of the public sector to meet the increasing demand as well as to offer quality education. In 1983, 3,343 private institutions were operational, which increased to 33,645 in 2000 and 56,360 in 2005, thus representing a growth of 68% during the first five years of the decade. The share of the private sector is estimated to be around 33%, with an annual growth rate of 25%.
2. The present study is based on the realization of the need to understand the dynamics of the private schooling market. In this context, on the directions of the Economic Coordination Committee (ECC) of the Cabinet, CCP commissioned an assessment of the private sector schools and formulation of recommendations for the promotion of a competitive environment. The study reviews the policy and regulatory framework governing the sector and evaluates its performance as reported by parents who choose to send their children to private instead of public schools.
3. In addition to the sharp increase in the number of service providers, a noteworthy feature has been its diversity. Private schools can be categorized on the basis of income, faith, gender, medium of instruction, etc. This diversity has resulted in the emergence of a complex market, catering to a wide range of preferences.
4. Despite a significant rise in the number of private schools, which have captured a substantial share in the market, issues pertaining to the regulation of competition have largely remained unattended. A high degree of segmentation in the private sector on both the supply and demand sides, and a non-functional regulatory framework has contributed to this state of affairs. This study finds that the regulatory mechanism is deficient in a number of ways, and fails to address the emerging dynamics of the private sector market. It is devoid of clarity and suffers from serious shortcomings of content and scope. Stipulations for the private sector are not articulated clearly, thus allowing regulators the space to act in a manner that may be detrimental to private schooling providers.
5. Based on the observation that the cost of private schooling is one of the most frequently raised concerns, the study has explored different dimensions of the cost of schooling. We have found that although the regulation at the provincial level and the Private Educational Institutions Regulatory Authority (PEIRA) Ordinance, 2006, require prior approval for setting and changing fee, this has rarely been implemented. Cost is determined on the basis of a number of factors, including the socio economic setting (location), inflation, the cost of utilities and other overheads.
6. Given the large number of private schools and time and resource constraints, the survey on which the study is based has been limited to Rawalpindi and Islamabad. It is recommended that in future, this assessment could be expanded to cover other major urban and rural population centers.
7. The survey reveals presence of a diverse supply of education services, thus providing a wide range of choices to consumers at both primary and secondary levels. The results also reveal that private schools charge lesser fees for lower classes, and tend to

increase their fees substantially for higher classes. The observation that private schools in urban areas are charging comparatively higher fees for their services is another finding. Quality, in terms of test scores is one of the key determinants that influence consumers' choice. No school or chain of schools, operating in any income group holds a substantial market share allowing it to establish dominance. The main reason for this seems to be the diversity of the market. Multiplicity of demand makes it relatively difficult for a competitor to gain such control over the market to be able to restrict other competitors. However, the converse is true for certain brands of schools, where they have the ability to establish dominance within certain segments.

8. Detailed examination proves the perception of higher profitability in the private schooling sector to be partially true. However, the profitability directly correlates with the quality of services. In a competitive market, the sustenance of supply directly rests on innovation as well as quality. The private schools, operating in low income areas or their peripheries, have limited profit margins. On the other hand, expanding school networks attract students on the basis of quality of their services, and thus create a demand for their services.
9. During the survey, respondents expressed concern over tying practices. Parents reported being forced to pay for articles and services from specific suppliers, which they would not choose otherwise. Payment of expenditures other than the monthly tuition fee is another common complaint. These factors tend to increase the cost for service users.
10. This report recommends:
  - a. A revision of the existing regulatory framework in order to cater to the needs of the private sector and make it more efficient. The private sector filled the vacuum created by a failing public education system, in the first place. Hence, efforts to reform the regulatory framework need to be carefully planned, such that these may not erode the benefits of the private sector initiative.
  - b. Competition can be enhanced by simplifying the process of registration and other requirements for the establishment of a private school. Presently, a new entrant is supposed to get certificates from a number of departments prior to submission for registration. After a careful review, emphasis on immaterial information should be lessened and a one window school registration process may be introduced.
  - c. Schools offering secondary education have to comply with certain requirements but due to a cumbersome process, these requirements become entry barriers. These include registration from the district education department along with an affiliation with the Board of Intermediate and Secondary Education. As a result, the new entrant has to face difficulties in getting registered in addition to paying double charges. This process can also be simplified and altered to be conducted at one window.
  - d. The experience of PEIRA has been considered quite successful so far. Taking advantage of the experience of regulation in Islamabad, an independent regulatory authority at the provincial level should be established with a mandate to formulate and enforce minimum level of quality standards. By enhancing transparency, the Authority would be able to promote fair competition in the private schooling

market besides preserving interests of consumers. The Authority should be staffed by educationists specialized in education governance. The government should finance the education regulatory authorities to avoid any regulatory capture as well as decrease dependence on the regulatees.

- e. In view of the forgoing recommendations, the role of the regulatory agencies at the provincial as well as the district level needs to be redefined, re-enforced and synchronized with the proposed reform. This becomes crucial in the wake of abolition of the concurrent list under the 18th Amendment. Provincial laws for education shall need to be amended for the transfer of education as a completely provincial subject. This provides an ideal opportunity to suitably introduce regulatory changes in line with the recommendations of this assessment.
- f. In a sector like schooling, markets fail since these are prone to information asymmetries. This calls for the establishment of an independent information portal (or any other information dissemination mechanism) at the national, provincial and district level. To enhance its utility, the portal should be accessible to all stakeholders, free or at a minimal cost. The sole purpose of the mechanism shall be to make credible, verifiable information available to the consumers. It shall lead to the emergence of an efficient market, where suppliers could be assessed on the basis of their quality. In the long run, such transparency will improve the state of competition.
- g. To enhance access to necessary information, it can also be considered that the schools publish and disseminate key information in the form of annual reports providing detailed information on fee, admission fee, security charges, enrollment, staff and performance/ result of school. Alternatively, this information can be publicized at the website of the regulatory agency/ information portal. This transparency at the school level will help parents make informed choices while selecting a particular service provider for provision of education to their children.
- h. Although private schools have sprung up in both urban and rural areas, there remain geographic regions such as interior Sind and Balochistan where penetration is relatively low. The government needs to explore public private partnerships and other innovative solutions in areas where literacy rates are low and which private schools have not targeted.
- i. Considering that the survey on which the study is based has been limited to Rawalpindi/Islamabad, it is recommended that in future, this assessment be expanded to cover other major urban and rural population centers.

## Chapter I: Introduction

### 1.1 *Setting the Context*

The landscape of private education in Pakistan has evolved significantly in recent years. Growing number of private schools helped bridge the gap between supply and demand of schools and teachers.<sup>1</sup> The total number of private educational institutions in Pakistan was 3,343 in 1983. This number increased to 33,645 and to 56,360, in the year 2000 and 2005, respectively; thus, registering a growth of 68% over five years.<sup>2</sup> The share of private sector institutions is estimated to be around 33%, with an annual growth rate of 25%.<sup>3</sup> The growth pattern of schools, over the past decade indicates that the existing mechanism of supply (public education sector) could not keep pace with the growing demand for education. Inability of the public sector to meet this increasing demand and to provide quality education, contributed largely to the rise and growth of private education enterprises.<sup>4</sup>

Private education institutions are not a new phenomenon, as they have existed prior to 1947, either run by missionaries, as trusts, *madrassahs* or by private entrepreneurs. However, their share was minimal, and traditionally, the provision of education was dominated by the public sector. Moreover, nationalization of educational institutions in 1972 dealt a serious blow to the private education sector. In the post denationalization period, the growth of private institutions was facilitated by numerous factors. Reduced fiscal space made it difficult for the government to meet demand; therefore supplementing education through facilitating the private sector became a preferred course of action. Liberal policies of the government vis-à-vis the private sector and laxity of regulations coupled with the declining quality of public schools all contributed to the exceptional growth of private schooling.

The growth of private enterprises in a sector is generally associated with improved access, better quality and competitive cost of services; however the expansion of private education in Pakistan falls somewhat short of achieving such ideal outcomes. While the importance of private educational institutions can hardly be overstated, relevant literature cites an array

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<sup>1</sup> Andrabi *et al*, 2008.

<sup>2</sup> Government of Pakistan, (2005), *National Education Census, 2005*.

<sup>3</sup> Institute for Social and Policy Sciences (I-SAPS), *Report on Policy Dialogue on Private Sector Education: Policy and Regulatory Issues*, Islamabad, 2008.

<sup>4</sup> See Dr. P. A. Shami, and Kh. Sabir Hussain (January 2005), *Basic Education in Pakistan, Research Study No. 181*, Academy of Educational Planning and Management, Ministry of Education, Islamabad, and Andrabi *et al*. (2008), *Learning and Educational Achievements in Punjab Schools (LEAPS): Insights to Inform the Education Policy Debate*. The World Bank, Washington DC.

of concerns. Some of these pertain to the lack of equity, imbalances arising from unequal geographical access to private schools, rising out-of-pocket expenses, dearth of information about quality of learning, etc. Furthermore, reference is also made to the need for evolving a balanced regulatory framework that ensures compliance with standards without intimidating the private sector. The absence of appropriate regulatory oversight can lead to market failure, thus increasing the likelihood of anti-competitive practices in private sector schooling.

The growth in private institutions has alleviated a set of issues regarding the provision of education to citizens. However, a number of new issues have arisen, for instance exorbitant fees, non-standardized curricula, lack of quality and the inability to meet minimum infrastructure and equipment requirements. Furthermore, concerns have been raised regarding vertical price fixing and tying, which are suggestive of a non-competitive market.

Against this backdrop, the Economic Coordination Committee (ECC) of the Cabinet asked the Competition Commission of Pakistan (CCP) to review the cost of private schooling and submit a comprehensive report to the ECC. Realizing the need for generating empirical evidence on the state of competition and market behavior, the CCP considered it imperative to get feedback from service users and to review the regulatory framework in which private schools operate.

## **1.2 Objectives of the Study**

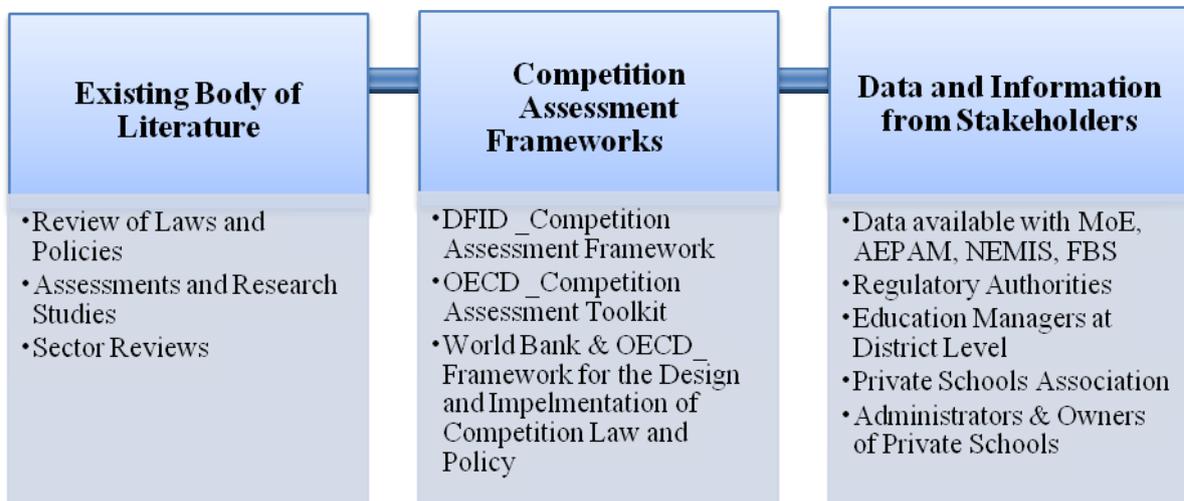
Within this context, the study has the following objectives:

1. Evaluating the prevailing presumptions about abuse of dominance, anti-competitive practices such as limiting services, price discrimination, tying, prohibited agreements and deceptive marketing practices in the private education sector on the basis of empirical evidence.
2. Analyzing the structure of the market and the role of various stakeholders in the provision and cost of services.
3. Reviewing the role of policies and regulations to assess their effectiveness in promoting efficiency, transparency and competition.
4. Providing a set of recommendations on the basis of identified issues to improve the present state of affairs.

### 1.3 Framework of Analysis

A dynamic and competitive business environment with a functional competition regime is a prerequisite for an efficient economy. The rise of private schooling in Pakistan has raised a number of concerns, such as the adequacy of the regulatory framework governing private education institutions and the likelihood of anti-competitive practices. These concerns merit a comprehensive evaluation and analysis of the state of competition in the sector. For this purpose, the present assessment draws on two key sources. First, the existing body of work on private schools in Pakistan, and secondly, the competition assessment frameworks developed by international organizations. The existing literature has been useful in identifying policy barriers, regulatory challenges and understanding the conduct of private schools. Competition assessment frameworks and tools developed by various international agencies have been used to identify market structure, identify entry barriers and analyze the behavior of vested interests. Information collected from various sources, such as parents, regulators, education managers in public departments and private schools have been informative for our analysis. Figure 1.1 highlights the framework of analysis used in this study.

**Figure 1.1: Framework of Analysis**



Growth in private education has been examined in a number of studies and research efforts, but only a few have taken into account the implications of a lax regulatory framework and the evolving dynamics of the private education market. Most of the work on private schools focuses on access, quality and educational outcomes, and not on issues relating to competition in private schools and its effect on efficiency of the sector. The review of

existing work on private schooling has assisted in developing an understanding of the market, and commonly raised issues regarding cost, efficiency and competition.

Jimenez and Tan (1985 & 1987)<sup>5</sup> identified the emerging trend of private schooling in Pakistan in the post denationalization period and highlighted that the majority of private schools operate in urban areas and cater to the urban elite. The changing pattern of the private education market is documented by Kardar (2001) and Andrabi et.al (2002). Kardar (2001)<sup>6</sup> in his study, which is based on field surveys, documents the rising share of private schools. The study deals at length with the existing regulatory framework and its effects on private schools. Andrabi et.al (2002)<sup>7</sup> in their study on the rise of private schools draws attention to the shifting pattern of growth of private schools. Their study highlights that private schooling is no longer an urban elite phenomenon, but has emerged across the board. The study also highlights diversification of service costs as private schools were found to be affordable to middle and lower income groups. The study provides significant insights into the prevalent market dynamics. Similarly, the study by Alderman et.al (2002)<sup>8</sup> highlights the growing demand of private education and emerging diversity in the market, and concludes that lower income groups also prefer private schools.

Jones et.al. (2004)<sup>9</sup> in their research based on survey findings, document the rapid expansion of private schools during 1993-2003 in the northern areas. The expansion of private schools to rural areas, the cost and the quality of service being provided has been addressed by Andrabi et.al (2008)<sup>10</sup> in a recent study. The study concludes that private schools in rural areas are not only affordable but are relatively more efficient than public sector schools. Moreover, recent work undertaken by the Institute for Social and Policy

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<sup>5</sup> Emmanuel Jimenez and Jee Pang Tan, *Educational Development in Pakistan: The role of User Charges and Private Education* EDT 16, World Bank, Washington DC. 1985.

Emmanuel Jimenez and Jee Pang Tan, *Decentralised and Private Education: the case of Pakistan*, in *Comparative Education* 23 (2): 173-90, 1987.

<sup>6</sup> Shahid Kardar, *Private Sector in Education for World Bank*, Systems International Lahore, 2001.

<sup>7</sup> T. Andrabi, J. Das, and A. Khwaja, 'The Rise of Private Schooling in Pakistan: Catering to the Urban Elite or Educating the Rural Poor?' World Bank and Harvard University, 2002.

<sup>8</sup> Alderman, H., Orazem, P.F., Paterno, E. M. *School Quality, School Cost, and the Public/Private School Choices of Low-Income Households in Pakistan* 2002.

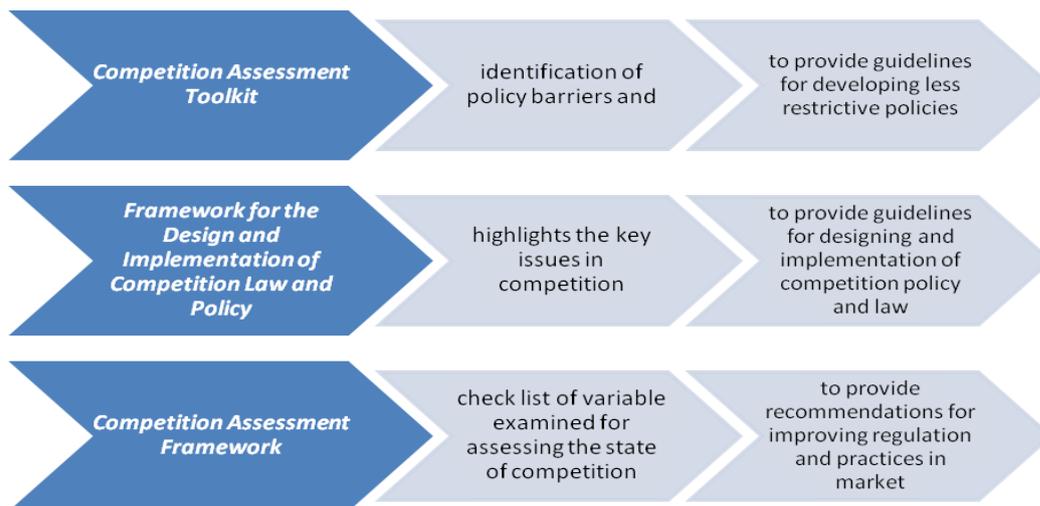
<sup>9</sup> Jones, B., Baid, M., Sajid, S., Rahman, S. *Private schooling in the northern areas of Pakistan: A decade of rapid expansion* in *International Journal of Educational Development*, Vol. 25, 2005, pp 557-568.

<sup>10</sup> T. Andrabi, J. Das, and A. Khwaja, 'A Dime a Day: The possibilities and limits of Private Schooling in Pakistan' in *Comparative Education Review*, 52 (3): 329-355, 2008.

Sciences (I-SAPS) on private sector policy, regulatory frameworks and sector reviews provided valuable insights regarding competition in the sector.<sup>11</sup>

The procedural framework for undertaking a competition assessment builds upon three key instruments: First, the *Competition Assessment Toolkit* developed by the OECD focuses on the evaluation of government policies and regulations.<sup>12</sup> It helps identify policy barriers and provides guidelines for developing less restrictive policies. Secondly, the *Framework for the Design and Implementation of Competition Law and Policy* highlights key issues in competition and provides guidelines for designing and implementation of competition policy and law.<sup>13</sup> Thirdly, the *Competition Assessment Framework*<sup>14</sup> developed by Department for International Development (DFID), UK provides an elaborate check list of variables that should be examined for assessing the state of competition in any sector of the economy.<sup>14</sup>

**Figure 1.2: Competition Assessment Tools and Frameworks**



For the present competition assessment, based upon the aforementioned resources and keeping with the objectives of the study, two sets of parameters were developed. The first set takes into account the nature and structure of the private education sector market; it includes profiling of the sector and describing the structure of the market, which identifies

<sup>11</sup> Institute for Social and Policy Sciences (I-SAPS), *Report on Policy Dialogue on Private Sector Education: Policy and Regulatory Issues*, Islamabad, 2008. & Institute of Social and Policy Sciences (I-SAPS), *Review of Private Education Sector in Pakistan*, Islamabad, 2010.

<sup>12</sup> Organisation for Economic Co-Operation and Development, *Competition Assessment Toolkit*, Paris Cedex 16, France, 2007.

<sup>13</sup> OECD & The World Bank, *A Framework for the Design and Implementation of Competition Law and Policy* OECD Publishing Paris 1998.

<sup>14</sup> Department for International Development (DFID), *Competition Assessment Framework: An Operational Guide for identifying barriers to Competition in Developing Countries*, PRD 114, 2008.

key players and their respective roles and the way the market responds to a new entrant. It also includes delineation of the regulatory framework that governs private schools. The second set of parameters deals with the functional aspects of the market. It includes identification and evaluation of strategic barriers resulting from the actions of existing competitors who intend to discourage new entry, as well as policy and regulatory barriers to entry. The regulatory barriers may exist at any tier of government - national, provincial or local. The presence and role of vested interests in the private schooling market as well as the prevalence of anti-competitive conduct, such as abuse of dominance, collusion and cartelization were also reviewed.

#### **1.4 Methodology**

On the basis of the analytical framework, the evaluation methodology included a comprehensive review and analysis of available data and research undertaken by the government, research institutes and independent researchers.<sup>15</sup> Numerous interviews with key stakeholders were conducted. A service delivery survey to collect feedback from consumers (parents and guardians of the students enrolled in private schools) was also conducted. As the available information on private sector education, especially in the context of competition was found to be lacking, a number of tools were designed and implemented, which included a structured questionnaire for a service delivery survey and open-ended questionnaires for key informant interviews.<sup>16</sup>

The service delivery survey was designed specifically to capture empirical evidence relevant to the scope of the present study, for example, evidence concerning abuse of dominance and the cost of schooling. Around 500 respondents (parents/guardians of children enrolled in private schools) were interviewed to get information about their experience of sending their children to private schools. About 80% of the respondents were from urban areas while the remaining belonged to rural areas. The gender composition of respondents was 83% male and 17% female. The respondents included parents/guardians of students studying in private institutions representing all income groups. The survey was conducted through a questionnaire designed to collect both quantitative and qualitative information. The responses were analyzed by identifying correlations.

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<sup>15</sup> The data available with Ministry of Education, AEPAM, NEMIS and the published reports (Federal Bureau of Statistics' Census of Private Schools 1999-2000, Ministry of Education's National Education Census 2005, Pakistan Education Statistics for 2000 and 2007-08, etc.) were reviewed and analyzed. For a detailed list of works/studies/researches consulted please see bibliography.

<sup>16</sup> Sample SDS form and key informant questionnaires Annex-II.

In order to substantiate the findings of the service delivery survey, 20 interviews were conducted with key stakeholders. These interviews were conducted using separate questionnaires for entrepreneurs / school managers, and officials of regulatory bodies. The information was collected on the basis of responses as well as focused discussions on parameters listed in the questionnaire. The respondents included owners of private educational institutions, representatives and office bearers of private school associations and officials from regulatory bodies including PEIRA, EDO, DEOs, secretaries and officials of the Boards of Intermediate and Secondary Education (Federal & Rawalpindi).

### **1.5 Sample and Profile of Respondents**

Considering the limitations of the published material with respect to competition concerns, a survey was conducted in the urban and rural areas of Rawalpindi and Islamabad. Around 503 respondents (parents/guardians of children enrolled in the private schools) were interviewed to get information about experience of private schooling for their children. About 80% respondents were from urban area and 20% from rural area. Considering the relative homogeneity in the characteristics of private schools in the rural areas, a proportionately smaller sample size was selected from there.

From the total sample, around 82.70% respondents were male and 17.30% were female. The breakdown by gender in different geographical areas varied slightly: In urban areas, 82% of the respondents were male and 18% were female, while in rural areas 84% were male and 16% were female.

**Table 1: Gender and Area-wise Distribution of Respondents (%)**

	Male	Female	Total
Urban	66.00	14.12	80.12
Rural	16.70	3.18	19.88
Total	82.70	17.30	100

The age composition of respondents was important to ensure the reliability of data. In the sample, around 41% respondents were in the age group 31-40 years, about 22% respondents were in the age group 41-50 years, and 19% were in the age group 26-30 years (see Table 2).

**Table 2: Distribution of Respondents by Age Group (%)**

Age group	Urban	Rural	Total
18-25 years	11.13	1.79	12.92
26-30 years	13.12	5.77	18.89
31-40 years	34.99	5.96	40.95
41-50 years	16.70	4.97	21.67
51-60 years	3.58	0.80	4.37
61 years or above	0.60	0.60	1.19
Total	80.12	19.88	100

### **1.6 Limitations of the Study**

The study provides a wide-ranging analysis on important aspects relating to competition in private sector schooling, focusing on Islamabad and Rawalpindi. However, to some extent, the study is limited in its scope as it focused on competition among private schools, placing more emphasis on the schools from specific localities.

Another important point in this regard is the definition of the private sector for this study. Private sector schooling or education as mentioned in this study refers to for-profit private sector ‘schools’, which cater to the needs of different income groups. The private sector does not include not-for-profit or charitable institutions, academies or schools. The private sector assessed in this study does not cover private academies, tuition centers and coaching institutions.

Finally, the study only provides details of the competition scenario in private sector schools, and does not compare and contrast the variables with public sector schools.

### **1.7 Scheme of the Study**

The Report is divided into five subsequent chapters. Chapter 2 highlights the profile of the education sector, its growth and present state of affairs; it identifies key issues and challenges. The chapter defines the relevant market, and examines the current market structure in detail.

Chapter 3 addresses regulation in the sector. The role of governing bodies and institutions is elaborated to familiarize the reader with basic rules and regulations that govern private schools. The chapter also addresses the implications of the regulatory regime on competition in the sector.

The fourth chapter is based on results of the service delivery survey on the cost and efficiency of private schools. It includes information on the type of costs, cost determination, effect of cost on quality and efficiency of the sector.

Chapter five provides an analysis of the state of competition. It encapsulates the issues regarding consumers' freedom to choose, entry barriers, anti-competitive conduct, supplier behavior and effect of competition on cost and efficiency of private schools.

Based on insights of the preceding chapters, the sixth chapter provides an overview of the major challenges and issues identified through this study followed by recommendations.

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## Chapter II: Private Sector Schools- An Overview

### 2.1 Introduction

The schooling sector in Pakistan can be divided into two broad categories: government and private. In both types, the formal education system comprises five years of primary, three years of middle, two years of high /Matriculation (three years in case of GCSE/O Level) and two years of higher secondary schooling (FA/FSc. Level/A Level). Though the educational structures of both the streams are identical, there exist differences in mechanisms of financing and regulation. Private schools are institutions providing education services and are owned and managed by sole-proprietors, NGOs, trusts, missions, etc. In most cases these institutions are for-profit and are owned by a single entrepreneur.

Prior to independence in 1947, private schools had a significant presence<sup>17</sup>, especially at the middle and high level. In the post independence period, the newly found state sought the help of the private sector for achieving the national goal of universal primary education.<sup>18</sup> However, growth in private schooling subsided and for the next few decades, the public sector dominated the provision of education. It is difficult to map the growth of private schools for this period due to scarcity of literature as well as non-availability of reliable data. The nationalization of educational institutions in 1972 delivered a severe blow to the private education sector, when 19,432 educational institutions were nationalized.<sup>19</sup>

The post-denationalization era saw a gradual resurgence of private schools in Pakistan. Initially, their growth was concentrated in the urban centers, and private schools were considered to cater only to higher income segments of society.<sup>20</sup> This trend gradually strengthened, owing to a number of reasons, the foremost being the failure of the public sector to meet the increasing demand for education. The failure to respond was coupled with consistently falling standards of education. The rich moved to alternate choices. The visible shift in government education policies also played a significant role.<sup>21</sup> Increased financial

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<sup>17</sup> Dr. P.A. Shami and Kh. Sabir Hussain, *National Sample Survey of Private Schools In Pakistan*, National Education Management Information System (NEMIS) AEPAM, Islamabad, 2004, pp. 6-7.

<sup>18</sup> Ministry of Education (1947). *Report of the National Education Conference*. Karachi.

<sup>19</sup> Martial Law Regulation 118.

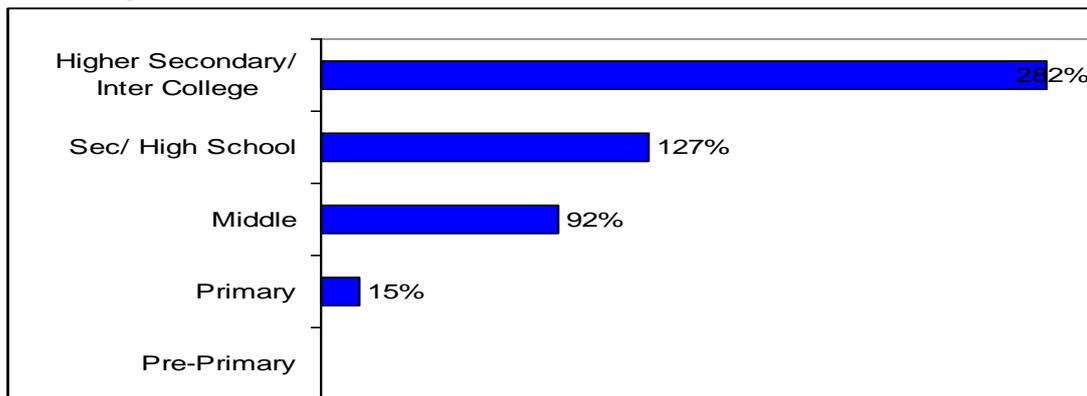
<sup>20</sup> Emmanuel Jimenez and Jee Pang Tan, *Educational Development in Pakistan: The role of User Charges and Private Education* EDT 16, World Bank, Washington. DC. 1985.

Emmanuel Jimenez and Jee Pang Tan, *Decentralised and Private Education: the case of Pakistan*, in *Comparative Education* 23 (2): 173-90, 1987.

<sup>21</sup> NEP, 1979 stated that government cannot carry the burden of providing education and provided for provisions to encourage the participation of private sector. NEP 1992 also proposed incentives for private educational

constraints left the government with no choice but to supplement provision of education through the private sector. These developments set the stage for an unprecedented expansion of private schools in Pakistan. Private schools are no more an urban phenomenon catering only to the requirements of high income households. They have spread to middle and low income as well as to rural and peripheral areas. The extraordinary growth of private schools is evident from Figure 2.1, which illustrates the percentage growth of private schools in Pakistan from 2000 to 2005.

**Figure 2.1: Growth of Private Schools in Pakistan 2000-2005**<sup>22</sup>



Source: Graph generated on the basis of data available in Education Census 2000 & 2005, ISAPS, 2010

## 2.2 Nature and Size of the Market

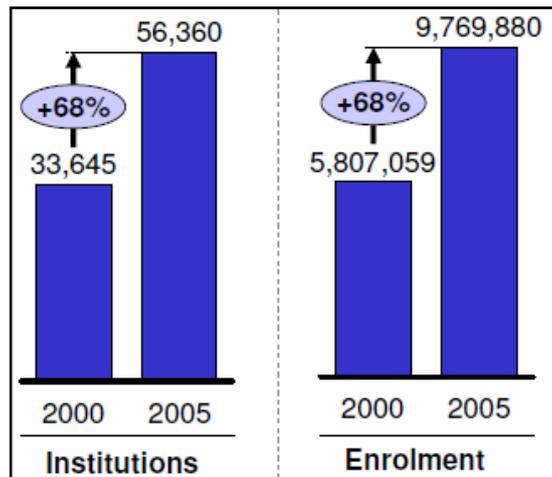
The present state of the private schooling market is an outcome of the emerging trend. Of all educational institutions in Pakistan, 33% are estimated to be in the private sector.<sup>23</sup> The total number of private educational institutions in 2000 was 33,645, which increased to 56,360 in 2005, a growth of 68%. The increase in the number of institutions is matched by the number of students attending these institutions. The total number of enrolled students in private institutions in 2000 was 5,807,059, which has increased by 68% to 9,769,880 in 2005.

initiatives. NEP, 1998 proposed an implementation strategy for involving private sector in education. NEP 2009 proposed bringing of the public and private sectors closer by “common standard, quality and regulatory regimes”.

<sup>22</sup> Graph generated on the basis of data available in Education Census 2000 and Education Census 2005.

<sup>23</sup> Institute for Social and Policy Sciences (I-SAPS), *Presentation on Private Sector Education*, Islamabad, 2010.

**Figure 2.2: Growth of Private Institutions and Enrolment**



Source: Graph generated on the basis of data available in Education Census 2000 & 2005, I-SAPS 2010

The growth trends are indicative of an increasing demand for services provided by private schools. Conversely, it also underscores a decline in the demand for the services provided by public schools.

**Figure 2.3: Market Share of Private Sector in Education**



Source: Generated on the basis of data available in Census of Private Education Institutions 1999-2000 and NEMIS reports for 2000 and 2007-08, I-SAPS 2010

To appreciate the growth of private schools, an analysis of the percentage increase in enrollment is informative. At the primary level, the private sector’s share in 2007-08 was 11% of total enrolled students, registering an increase of 17% since 2000. At the middle and high level, private schools possess shares of 61% and 59%, respectively.<sup>24</sup> Remarkably, since 2000, 98% and 137% growth has been registered at middle and high levels, respectively.

<sup>24</sup> I-SAPS calculation from Census of Private Education Institutions 1999-2000, National Education Census 2005 and NEMIS reports for 2000 and 2007-08.

**Table 2.1: Percentage Share & Change - Public versus Private<sup>25</sup>**

No	Level	Type	% of Total in 2007-08	Change since 2000 (%)
1	Primary	Private	11	17
		Public	89	6
		Total	100	7
2	Middle	Private	61	98
		Public	39	32
		Total	100	66
3	High	Private	59	137
		Public	41	17
		Total	100	66
4	Total	Private	25	69
		Public	75	8
		Total	100	19

There are multiple reasons for the decline in the demand for the public sector’s education services. The principal reason is the declining quality standards of public sector institutions. Evidence from the field as charted in Table 1.1 overwhelmingly corresponds to the demand pattern projected by the data (Table 1.1). When inquired about the preference of parents regarding their choice on the basis of quality of services, a sizeable majority (84%) considered the services offered by the private schools to be far better than those by public schools. In the light of views expressed, there is a different market for institutions offering O/A level and those offering matriculation/FSc.<sup>26</sup>

**Table 2.2 Preference for Private vs. Public Schools (%)**

<sup>25</sup> Compiled by I-SAPS from Census of *Private Educational Institutions 1999-2000*, *National Education Census 2005* and *NEMIS reports for 2000 and 2007-08*.

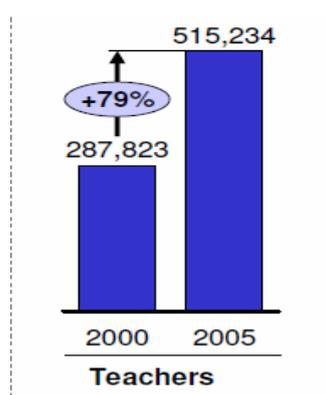
<sup>26</sup> Issue relating to equivalence of marks of O/A levels or Matriculation/FSc. was also highlighted.

Area	Yes	No	Total
Urban	87.84	12.16	100
Rural	68.00	32.00	100
Total	83.90	16.10	100

### 2.3 Workforce in Private Sector Educational Institutions

Private sector institutions employ a large workforce.<sup>27</sup> The total number of teachers employed in the private sector in 1999-2000 was 300,000. By 2007-08, the workforce of teachers increased by 79% to reach 597,618. Of a total 1.4 million teachers in Pakistan, approximately 44% are working in the private schools.<sup>28</sup> These statistics also indicate a better teacher to student ratio in private sector schools, which is one of the significant reasons behind relatively better quality of education services provided.

**Figure 2.4: Growth of Teaching Force in Private Institutions**



### 2.4 Investment, Expenditure and Income

The data available on the financial portfolio of the private education sector is insufficient. Little attention has been paid to investigate the dynamics of education financing in the private sector. The analysis on the basis of available data show that for FY 2006-07, the total expenditure by the private sector was Rs. 36 billion, as compared to Rs. 240 billion by the public sector.<sup>29</sup> The major source of income for private schools is tuition fee (58%) and admission fee (28%). Donations contribute about 9%.<sup>30</sup> According to the 1999-2000 Census,

<sup>27</sup> Due to the restricted scope of present study, only academic workforce i.e., teachers have been accounted.

<sup>28</sup> Compiled by I-SAPS from Census of Private Educational Institutions 1999-2000, National Education Census 2005 and NEMIS reports for 2000 and 2007-08.

<sup>29</sup> According to National Education Census 2005 estimates, out of total 76,047 private institutions, 73,018 institutions reported their expenditure for the year 2004-05, which comes to Rs. 35,914 million.

<sup>30</sup> *Census of Private Educational Institutions 1999-2000*, Federal Board of Statistics, p. 18.

the largest chunk of the private sector's expenditure was on teaching staff (57%). The other two major types of expenditure are salaries for non-teaching staff (11%) and building rents (10%). According to the Education Census 1999-2000, the private sector's gross income was 53% of investment and expenditure.<sup>31</sup>

## **2.5 Quality of Services and Educational Outcomes:**

According to a research study published by Pakistan Institute of Development Economics (PIDE), public and private sector education differ widely in terms of the quality offered. The level of cognitive skills imparted by private schools is generally much higher than public schools. As a result, dropout rates for private schools are much lower than those for government schools. Dropout rates are higher in rural areas as compared to urban areas.<sup>32</sup> In 1996, an extensive study was conducted in the Punjab and NWFP (now Khyber Pakhtunkhwa) provinces to study the learning outcomes and drop-out rates of children at the primary level for three types of educational institutions – private, public and mosque. The findings of the study reveal that for 1<sup>st</sup> grade, drop-outs are lowest for private schools, and highest for mosque schools. However at grade IV, the drop-outs are lower and do not differ significantly between the three categories of schools.<sup>33</sup>

A survey report titled “Gender Aware Beneficiary Assessment” published by the Finance Department, Government of Punjab, highlights trends in the education sector. The survey results show that in Gujrat, the drop-out rate is 18%, which is considered quite high in the context of district's general economic wellbeing. Dropout rates for private schools were half compared to government schools. Non-attractive environment at schools is a major reason for drop-outs. Other major reasons include children working at home, and unavailability of schools in the community.<sup>34</sup>

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<sup>31</sup> This figure might well be understated because an accurate picture could not have been captured in the Census due to sensitivity of financial information. This proposition is supported by a note in the Census 1999-2000 (p. 6) about reluctance of the heads of some private educational institutions to provide information about expenditure, investment and income.

<sup>32</sup> Dr. Faiz Bilquees and Dr. Najam us Saqib, *Drop-out Rates and Inter-school Movements: Evidence from Penal Data*, Pakistan Institute of Development Economics (PIDE), November 5, 2004, p. 13.

<sup>33</sup> Chuard Dominique and Alain Mingat (1996), *An Analysis of Dropout and Student Leaving in Primary Education in Pakistan. (Punjab and North-West Frontier Provinces)*. Asian Development Bank (ADB), Manila, Philippines.

<sup>34</sup> Consumer Rights Commission of Pakistan (2006), *Gender Aware Beneficiary Assessment (GABA) Report: Gujrat and Rajanpur*, Finance Department, Government of Punjab.

## **Chapter III: Review of Policies, Laws and Regulations**

### ***3.1 Introduction***

The government has a fundamental role in the promotion and protection of public policy goals, for which laws, regulations and rules are enacted and enforced. In market-led economies, regulatory oversight by the public sector ensures efficient functioning of the market mechanism. However, on certain occasions, laws, regulations and policies, instead of creating an enabling environment, tended to distort competition. The competition assessment frameworks used in this study highlight the significance of the regulatory framework and relevant policies for improving and sustaining positive competition in the market. In this context, and considering the concerns raised in various studies regarding ineffective regulation of private schools, this chapter undertakes a review of the legal and policy framework for the regulation of private schools. The review is aimed at identifying issues in the regulatory framework as well as its implementation. The evaluation of policies, regulations and the institutional framework has been carried out on the basis of requirements provided in the Competition Act, 2010 and competition assessment frameworks of DFID and the World Bank.

#### ***3.1.1 Regulating Private Education: Cross Country Evidence***

With ‘access to education’ targets set in the MDGs and other international and national commitments, governments around the world, especially in the developing countries, are under considerable pressure for improving education services. As a result of the growing supply-demand gap in the education sector, the significance of private sector investment can hardly be overstated or ignored. On the other hand, governments are also obligated to regulate and ensure that their citizens receive quality education from whatever source it is provided. There are two broad objectives of regulating the private market: i) improve the effects of competition where competition is non-existent or weak; and ii) to ensure the provision of equal benefits of private services to disadvantaged segments of the society. Since every country has a unique set of systems, structures, functions and values, the approaches to regulate private sector education are also unique for every country.

The debate on private schools encompasses comparative advantage and disadvantage of private schools’ regulation, looking into the ways and means of making them work for the state, society and the individual. Those who are in favour of regulation argue that low-income

and less educated parents are not able to make optimal choices for their children. This requires government intervention to ensure equity of opportunities (Adnette, 2004). Randall is of the opinion that regulation by the state is important for ensuring a minimum level of quality education and preventing teaching of anything that is inimical to the interests of society (Randall, 1992).<sup>35</sup> An important justification put forth in the favor of regulation is the apprehension about market failure. The absence of appropriate regulatory oversight to ensure effective and efficient performance of private educational enterprises can lead to market failure, thus increasing the likelihood of anti-competitive practices, such as collusive behaviour, cartelization and abuse of dominance.

On the other hand, the proponents of lax and laissez faire regulatory policy for the private sector education also put forth a convincing and pragmatic rationale in favour of their argument. Many argue that regulation by the state is not the best option, as it also creates space for corruption and anti-competitive practices (Tooley and Dixon, 2005). There is evidence to suggest that regulation of private schools by the government may lead to government control, which would worsen the sector rather than improving it (Dewey, 1996; Coulson, 2001; James, 1991; Toma, 1996; Harrison, 2005).

The need for education-specific regulation has also been debated in the literature. Considering that in a market system schools will be subject to consumer protection regulations, competition law and employment regulations, it is believed that absence of a separate regulatory agency will ensure more autonomy and better performance of schools (Harrison, 2005). It is also believed that emphasis on regulating private-sector schooling is not particularly helpful when the focus should be on improving public-sector schools. Research proves that for regulation to be more effective and useful, it should be kept to minimal levels, consistent with market competition and separate from the government's role as an education service provider. There seems to be an agreement in favor of regulating private sector schools, but with a huge variance on the nature, scope, mandate and implementation procedures.

We consider that the regulation of private education is not only an obligation of the government, but also an issue of critical importance for all stakeholders involved: government, service providers, investors, parents, and students. The government frames its

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<sup>35</sup> See Randall, E. *Private Schools and State Regulation. Urb. Law*, 24, 341. 1992, p.4

regulatory policies, which determine the ease or difficulty for private providers to enter the market and have a fair chance of competition. At their best, regulations can be welcome guidelines to enable quality providers to understand the requirements for working in a given jurisdiction. When regulations are transparent and appropriately applied, they can provide information for parents and students, enabling them to make rational decisions on education choice. In developing countries, where the demand for education is greater than the supply capacity of the government, there is a need to ensure high quality delivery through regulation, while at the same time encouraging investment. A regulatory framework that supports the private sector and assures the quality of private provision is key to ensuring longer-term sustainability – both economic and political – of the private education sector in developing countries.

From here, we move on to extract developing and developed country experiences regarding regulation of private schools.

### ***3.1.2 Independent Schools' Association of Southern Africa (ISASA)***

A national schooling system was established under the South African Schools Act (SASA) of 1996. The national schooling system in South Africa recognized two categories of schools: public and independent, where public schools were state controlled, and independent schools were privately governed. In terms of Section 29 of the Constitution of South Africa, everyone has a right to establish, at his or her own expense, independent educational institutions. The Independent Schools Association of Southern Africa is the largest and oldest association of independent (private) schools in the region. It is a Section 21 company, not for gain, which represents more than 700 independent schools in South Africa, Botswana, Swaziland, Namibia and Angola. Over 150,000 learners attend ISASA-affiliated schools.

ISASA is mandated to represent, promote and protect the common interests of its members; and to provide professional services to members to enhance their quality and to facilitate their contribution to the development of education in Southern Africa. ISASA's vision is of a Southern Africa in which quality education is provided to all learners, the value of independent education in contributing to this goal is recognized, and a value-based, public-spirited community of diverse, high quality independent schools is developed.<sup>36</sup>

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<sup>36</sup> Source: <http://www.isasa.org/content/view/307/178/>

### ***3.1.3 Promotion and Regulation of Private Schools: the Case of China***<sup>37</sup>

In December 2002, the National People's Congress passed the Law of the People's Republic of China on Promotion of Non-governmental Private Schools (NGPS) and the Regulations on Implementing the Promotion Law for implementation as of April 1, 2004. With this new law, the NGPS schools in China entered a new stage of development. Before the Promotion Law, China had promulgated the Certain Provisional Regulations on Schools Run by Nongovernmental Sectors (the Ministry of Education, 1987) and the Regulations on Schools Run by Nongovernmental Sectors (the State Council, 1997). However, these regulations became increasingly limited in terms of contents, as NGPS developed and changes took place in their external environment.

The Law on Promotion of NGPS is specifically adopted to promote robust development of private schools, make them more part of the local community, and raise their level of autonomy, thereby encouraging private donations for the establishment of private schools and increasing educational opportunities for citizens. Matters not addressed by this Law shall be governed by other applicable laws and regulations. The Promotion Law and the Implementation Regulations improved the legal position and environment for NGPS. In addition, the Promotion Law is China's first education law with "promotion" in its name. This shows the positive value orientation of the government for enthusiastically encouraging and fully supporting NGPS.

The differences between the regulations on schools run by the non-governmental sectors and the Promotion Law are as follows:

1. Adopting clear definition and scope of non-government/private schools under its jurisdiction.
2. Emphasizing the public welfare nature of non-government/private schools, but at the same time allowing their investors to obtain reasonable amounts of requital.

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<sup>37</sup> A World Bank and DFID funded study on 'Non-Government / Private Education in China'. Available at: [http://siteresources.worldbank.org/EDUCATION/Resources/278200-1126210664195/1636971-1126210694253/Non\\_Govt\\_Private.pdf](http://siteresources.worldbank.org/EDUCATION/Resources/278200-1126210664195/1636971-1126210694253/Non_Govt_Private.pdf)

3. Clarifying the ownership, management and use of the property of non-government/private schools.
4. Standardizing the legal person governance for non-government/private schools.
5. Working out detailed access and withdrawal mechanisms
6. Strengthening the government's support and supervision of non-government/private schools

#### ***3.1.4 Private Education in the Philippines***

In the Philippines, the private sector has been a major provider of educational services, accounting for about 7.5% of primary enrollment, 32% of secondary enrollment and about 80% of tertiary enrollment. Private schools have proven to be efficient in resource utilization. Per unit costs in private schools are generally lower when compared to public schools. This situation is more evident at the tertiary level. Government regulations have given private education more flexibility and autonomy in recent years, notably by lifting the moratorium on applications for new courses, new schools and conversions, by liberalizing tuition fee policy for private schools, by replacing values education for third and fourth years with English, mathematics and natural science at the option of the school, and by issuing the revised Manual of Regulations for Private Schools in August 1992.<sup>38</sup>

#### ***3.1.5 Private Education: Case of United Kingdom (UK)***

In the UK, the private schools generally prefer to be called independent schools because of their freedom to operate outside of government and local government control, but they are also referred to as public schools. The reason is historical as a 'public school' was open to entrants from anywhere, and not merely to those from a certain locality, which was more usual with other schools, often charitable foundation schools for the benefit of a particular area. It was also usual for those attending public schools to enter the public service, such as the armed forces, the church, the civil service or local government. The 'independent school' factor partly exonerates this 'obligation'.

Part 10 of the Education Act, 2002 requires all independent schools to be registered with the Department of Education. Applications for registration of new schools must be made before

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<sup>38</sup> Source: [http://en.wikipedia.org/wiki/Private\\_school](http://en.wikipedia.org/wiki/Private_school).

the school begins to operate and admit pupils. Regulations made under the Education Act, 2002 set out the standards all independent schools in England must satisfy as a condition of registration. These regulations cover:

- the quality of education provided
- the spiritual, moral, social and cultural development of pupil
- the welfare, health and safety of pupil
- the suitability of proprietors and staff
- the premises and accommodation
- the provision of information and the way in which complaints are handled.

These standards are examined by the Office for Standards in Education (Ofsted) before an application for registration is approved and during the first year of operation. They will be examined thereafter by the relevant inspectorate during the regular cycle of inspections all independent schools are required to undergo to ensure they continue to meet the standards for registration. The Independent Schools Inspectorate is a body which is approved ‘for the purpose of inspection’. It reports to the Department of Education (DofE) concerning the extent to which the Independent Schools inspected by them meet statutory requirements. The Independent Schools Council is an example where the regulating agencies are approved by government, and take over the statutory inspection roles required by government. The 2002 Act provides for action to be taken where schools do not meet the standards.<sup>39</sup>

### ***3.2 Private Sector Schooling Regulation in Pakistan: Legal and Policy Framework***

The Constitution of Pakistan assigns all aspects of school education except curriculum, and policy to the provinces.<sup>40</sup> Though National Education Policy (NEP) has an overarching mandate, all rules, legislation, regulations, and resources pertaining to education are in the provinces’ domain. Currently, the regulatory regime for private schools consists of a number of laws and regulations. Significant among these are the following:

- a. National Education Policy, 2009.
- b. The Punjab Private Educational Institutions (Promotion & Regulation) Ordinance, 1984.
- c. The NWFP Registration and Functions of Private Educational Institutions (Amendment) Ordinance, 2002.
- d. Sindh Educational Institutions (Regulation & Control) Ordinance, 2001 and Amended Act 2003 w. e. f. 12, August 2004.

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<sup>39</sup> Source: [http://en.wikipedia.org/wiki/Private\\_school#United\\_Kingdom](http://en.wikipedia.org/wiki/Private_school#United_Kingdom).

<sup>40</sup> Eighteenth Constitutional amendment has assigned curriculum to the provinces as well, though it has yet to be implemented.

- e. Islamabad Capital Territory Educational Institution (Regulation & Promotion) Ordinance XXII of 2006.

A review of the regulatory framework presently in force in all provinces and the Islamabad Capital Territory (ICT) highlights that the existing instruments are mostly similar, and in fact show similar anomalies. For the purpose of the present assessment a review of three key instruments i.e., National Education Policy, 2009, the Punjab Private Educational Institutions (Promotion & Regulation) Ordinance, 1984, and the Islamabad Capital Territory Educational Institution (Regulation & Promotion) Ordinance is presented below.

### **3.2.1 National Education Policy 2009<sup>41</sup>**

The National Education Policy provides an overarching context for the existing framework. The policy, while acknowledging the failure of the public sector to respond to educational challenges, recommends that the government explores ways for enhancing private sector participation. It also aims to bridge the public-private gap by establishing common standards and regulatory regimes. In this context, the policy instructs the provincial and local governments to develop regulations for private schools. The policy envisages that a regulatory regime is essential for establishing a check on private schools, especially addressing issues of fees, standards, salaries of the teaching staff, etc. In addition to establishing a tangible system of checks and balances, the policy expects provincial governments to encourage private schools as an additional “resource” and to benefit from them.

### **3.2.2 The Punjab Private Educational Institutions Ordinance**

In its preamble, the Punjab Private Educational Institutions (Promotion and Regulation) Ordinance, 1984 aims to promote, regulate and manage setting up of private educational institutions.<sup>42</sup> The Law provides for compulsory registration for all the educational institutions under *Section 3* and in the subsequent section (*Section 4*) empowers the government to exempt any institution from ‘compulsory’ registration. However, the section fails to identify conditions and reasons for such an exemption, thus reducing transparency and providing opportunities for corruption. The procedure for registration as provided in the ordinance is fairly complicated. The

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<sup>41</sup> Ministry of Education, Government of Pakistan, *National Education Policy 2009*, Revised August 01, 2009.

<sup>42</sup> This Ordinance was promulgated by the Governor of the Punjab on 9th August, 1984; and published in the Punjab Gazette (Extraordinary) dated 12th August, 1984; pages 577-A to 577-D.

role of the District Committee (*Section 5*) is ambiguous. To ensure standards and compliance with the regulations, inspection is a key duty of the education department. Although the Ordinance provides for inspection of private institutions by the registering authority or any other officer authorized to do so, it does not mention the frequency, timing or ‘checklist’ of such inspections (*Section 8*). The penalties provided by the law, such as cancellation of registration, or a fine (Rs. 100 for each day the contravention continues) in *Section 11* appear to be inadequate to deter violations. One of the conditions for registration is that fees and other charges levied shall not be fixed or raised beyond reasonable limits. What constitutes reasonable is not defined.

### **3.2.3 Islamabad Capital Territory Educational Institution Ordinance**

*Section 9 (1)* of the Islamabad Capital Territory Educational Institution (Regulation & Promotion) Ordinance, 2006 requires the regulatory authority to be self financing. It leaves the authority without a resource base. It raises two major issues: i) There is an inherent conflict of interest as the authority does not remain independent and impartial to carry-out its functions as a regulator; and ii) it makes the authority dependent on schools, which are likely to pass on the burden to the consumers.<sup>43</sup>

In case of any contravention, the authority possesses penal powers to punish offenders (*Section 16*). However, the manner of the appeal process as provided in the Ordinance is in contrast with the norms of basic justice. *Section 17* provides that appeal against the decision of the authority can only be made by the aggrieved parties to the Secretary, Ministry of Education, within thirty days of the penalty. On rejection by the Secretary, the appellant has no other forum for redress. Similarly, no court can take cognizance of an offence under this Ordinance except upon a complaint made in writing by the regulatory authority. Severe penalties can be imposed on the private schools, if a school contravenes the provisions of the Ordinance. Proprietors can be punished with imprisonment which may extend to one year, and/or fined up to five hundred rupees per day during the period of offence.

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<sup>43</sup> Islamabad Capital Territory Educational Institution (Regulation & Promotion) Ordinance, No LV of 2007, published in the gazette on October 03, 2007.

### **3.2.4 Regulation of Private Education Sector at District Level**

Executive District Officer (EDO), Education heads the district education management. Positioned at the local level, the EDO plays a strategic role in the successful implementation of decentralization policies and the improvement of education quality. It is the link between provincial department and schools, as it is the administrative unit closest to schools. EDO (Education) is assisted by District Education Officers (DEOs), Secondary and Elementary Education (Male & Female) who in turn are supported by Deputies at Tehsil level, and Assistants and Primary School Teachers (PST) at union council/ cluster levels. In provinces, monitoring of both public and private sector schools is carried out by the School Education Department (SED) through the historical structure of EDOs, DEOs, Dy.DEOs, AEOs and via Chief Minister's Monitoring Force (CMMF) through DMOs, MEAs & PMIU-PESRP. At the district level, EDO (Education) and his/her team is responsible to conduct inspections before registration of a private school.

### **3.2.5 Regulation of Private Education Sector: The post 18<sup>th</sup> Amendment Scenario**

As education was already in the provincial domain, therefore the enactment of 18<sup>th</sup> Constitutional Amendment Act, 2010 did not bring any change in the regulatory framework for private education. However, before the 18<sup>th</sup> Amendment, the Ministry of Education (MoE) had been performing the policy formulation role at the federal level. The MoE has been devolved as a result of the recent constitutional changes, and the scenario in the context of national level uniform standards and curriculum needs attention of provincial policy makers.

## **3.3 Institutional & Regulatory Framework Limiting Competition**

The regulatory regime for private schools, for the purpose of clarity, is classified into three distinct categories: the institutional setup, the registration regime and tax regime.

**3.3.1 Institutional Setup:** As noted earlier, all the policies, regulations and rules governing private schools are framed by provincial governments. Provincial education departments are the focal agency that oversees the implementation of these policies. The enforcement and monitoring responsibilities regarding private schools with administrative authority are entrusted to local education directorates. After the

introduction of LGO, 2001, management and regulation of school education was transferred to the district governments.

**3.3.2 Registration Regime:** All private schools are required to be registered with the Education Department in their respective provinces.<sup>44</sup> The schools offering classes up to high (10<sup>th</sup>) and higher secondary (XII) are also required to register/get recognition separately with the local Boards of Intermediate and Secondary Education (BISE). Registration with the education department is essential for recognition from BISE.

3.3.2.1. Recognition by the local examining boards<sup>45</sup> (BISE) authorizes the students of an institution to appear in public examinations. These boards are mandated to hold public examination for /matriculation (10<sup>th</sup>) and (12<sup>th</sup>)/intermediate grades. Passing of examination conducted under these boards makes candidates eligible to compete for public sector jobs as well as for admission to degree courses in universities and colleges.

3.3.2.2 Registration Requirements: Separate rules are formulated for the recognition and registration of private schools. The registration process, conditions, and the related documentation is complex, impractical and time consuming. Conditions to be fulfilled for registering a private school include:

- a) Rationale of the school seeking registration i.e. is the institution needed?<sup>46</sup>
- b) Approval of the managing body running the school by the district education department; if a new management takes control the recognition is withdrawn.
- c) The fees which the school will be charging needs to be fixed in consultation with the education department, and needs approval of the department.<sup>47</sup>

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<sup>44</sup> In Islamabad, the schools are required to register with Private Educational Institution Regulatory Authority (PEIRA).

<sup>45</sup> Presently, there are 23 Boards of Intermediate and Secondary Education in Pakistan; Punjab has 08, Sindh 06, KPK 06, Baluchistan 01, Azad Jammu and Kashmir 01 and Federal Board of Intermediate and Secondary Education for Islamabad and federal territories.

<sup>46</sup> On what parameters can this be determined and do the government departments have the capacity to undertake such an assessment?

- d) A reserve fund with a deposit equivalent to six months of the staff's salary has to be deposited in a scheduled bank. Withdrawals from the fund require authorization by the district education office.
- e) Application for registration must be accompanied by exhaustive information records<sup>48</sup> and registers<sup>49</sup> to be maintained by the school, this information is verified by the registration committee. In addition, the application must include a map of the building, a copy of the rent deed, or proof of ownership of the building, printed prospectus of the school, copy/specimen of the admission form, appointment orders of the teachers along with a proof of their academic credentials, a certificate from the provincial buildings department on the safety of the school building and hygiene report from the public health department.
- f) Registration Committee: The department, on receiving an application for registration constitutes a registration committee<sup>50</sup> for inspection of the school and verification of the information shared with the department. Registration of the school is dependent on the report of the committee.
- g) Recognition from BISE: After the registration requirements are met, almost a similar process has to be undertaken again for registration with the local BISE.

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<sup>47</sup> In case of Sindh, private schools require prior approval of the department. None of these provisions, consultation or approval for fixing or raise of fees have ever been invoked.

<sup>48</sup> Information to accompany the application for registration include: enrollment in each grade, tuition fee, admission fees and other charges for each grade, names and designation of all staff, qualifications, and date of appointment, monthly salary, signed staff contracts, a copy of rental agreement in respect of the premises, the size of each room(including the no & size of corridors), details of the play ground, equipment of the science labs, and complete details for sports facilities, list of available teaching aids, list of books in the library.

<sup>49</sup> Separate registers are to be maintained on, cash receipts and expenditure, salaries paid, stocks, detail of assets held (including the number of desks, chairs, relief maps, mats, wall clocks, stocks, mats and cupboards) admission and withdrawal register (containing detail of students admitted & students who have left), examination performance of students, attendance record of teachers and students, properties owned and income earned from them, casual leaves, inspection book(for the inspecting personnel of education department), union funds, red cross funds, fees, medical funds, correspondence, fines levied & collected. A visitors book for remarks, and log book for vehicles.

<sup>50</sup> Registration Committee usually comprises of Principals, Head Teachers, of government schools and representative from the local education department.

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- h) Cost of Registration: In Punjab, registration is initially granted for a period of 2 to 3 years (at the discretion of DEO). At the lapse of this period, the school has to re-apply for registration and the entire registration procedure has to be undertaken again. The school registration fee is Rs. 8,000 along with an annual inspection fee of Rs 1,000.<sup>51</sup> The fee for BISE recognition is Rs. 30,000 with an additional Rs 2,000 as annual inspection charges. Rs 5,000 are to be deposited for the first inspection.<sup>52</sup>

3.3.2.3 Tax and other Tariffs: Private Schools face a stringent tax culture. In addition to income tax, other taxes levied by the government include: property tax, commercial rate of utilities (electricity and gas), commercialization fees etc. The excessive tax regime feeds into the relatively high cost of education services in the private sector. Private schools do not get any business privileges or incentives (tax rebates, concession in utility expenses, performance incentives, etc.) from the government. The present structure of duties imposed on schools has direct implications on the cost of the services.

#### **3.4 Legal and Policy Framework - Significant Gaps:**

The critical issues identified with regard to regulation are:

- a. Most of the instruments dealing with regulation of private sector schools, though aiming to promote private sector education, only provide for procedures of registration and penalties in case of non compliance with registration requirements. No provisions stating their objective is given.<sup>53</sup>
- b. To ensure the standards and compliance with regulations, inspection is a key duty of the education department. However, the existing framework is deficient. The provision for monitoring through inspection or surprise visits is

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<sup>51</sup> The funds collected in lieu of registration and inspection fees are deposited into provincial treasury by the education department and are placed in central pool of government these funds are not earmarked for education

<sup>52</sup> Boards place those funds as Endowment fund and the period for which recognition is given are at the discretion of the Chairman of particular BISE.

<sup>53</sup> The Punjab Private Educational Institutions Promotion And Regulation Ordinance, 1984, Islamabad Capital Territory Educational Institution Regulation & Promotion Ordinance 2006, Sindh Private Educational Institutions (Regulation and Control) Amendment Act, 2003, The NWFP Registration and Functions of Private Educational Institutions (Amendment) Ordinance, 2002.

not clearly stated, and there are no objective standards to match against. The frequency or timing for such monitoring visits is also missing.

- c. The registration process for establishing a private school is very complicated and exhaustive. This cumbersome process often attracts owners towards seeking regulatory capture.
- d. The Islamabad Capital Territory Educational Institution (Regulation & Promotion) Ordinance 2006 requires PEIRA to finance itself, thereby creating a major regulatory gap. The provision compromises the agency's independence and impartiality to carry-out its functions in an efficient and transparent manner.
- e. The existing management and regulation framework for education requires multiple registration and recognition requirements for private schools. This not only acts as a limiting variable, but is open to misuse by regulators.
- f. The regulatory bodies for private education sector are understaffed and professionally deficient.
- g. The framework lacks clear formulations for positively steering the private sector.

### ***3.5 Existing Regulatory Framework for Private Schooling vis-à-vis the Competition Act***

A review of existing regulatory framework for private schooling indicates no explicit contravention and divergence from the provisions of the Competition Act 2010. However, the present regulatory framework for the private education sector is restrictive and inhibits efficiency. Issues such as a cumbersome registration process, multiple registration and recognition procedures from district education offices and examining boards, and weak monitoring modalities fail to provide an enabling environment. Furthermore, the regulatory framework tends to target private schools operating in middle and low income areas more vigorously than schools catering to higher income groups.<sup>54</sup> A vast majority of schools in higher income strata use foreign curricula and examining systems. The existing regulatory framework has no provision to respond to such a situation. Schools opting for

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<sup>54</sup> Key informant interview with Malik Mohammed Ashraf, EDO (Education), Rawalpindi & Dr. Talat Mehmood (Principal Barkat Ali Model School). The EDO, Education admitted that current regulatory system revolves around the registration process and future inspections are also aimed at ensuring practice of registration criteria without focusing on the cost/quality of services being provided.

such affiliations are effectively beyond the control of regulators, not only creating a governance anomaly, but also an uneven market.<sup>55</sup>

The existing framework for regulation of private schools is devoid of clarity of purpose and suffers from serious shortcomings of content and scope. The stipulations for the private sector are articulated in an unclear manner, thus bestowing the regulators with the potential to act in a manner detrimental to private schools. On the other hand, application and implementation of existing regulations in a comprehensive manner raises the cost of service provision by the private schools. It has a negative impact on consumers in general and low-income households in particular.

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<sup>55</sup> Recently, Government of Punjab has announced holding of Primary (5<sup>th</sup> grade) and Middle (8<sup>th</sup> grade) in all private schools of Punjab. However, the District Education Officers were of the view that it will not be possible and the private schools are inclined to block such moves.

## **Chapter IV: Cost & Efficiency of Private Sector Schools**

### ***4.1 Introduction***

In markets where an effective competition regime is in place, cost and quality of services offered progressively improve for the consumer. Increased competition generally tends to bring down or stabilize prices in addition to improving quality. Cost of private education is one of the most frequently raised concerns. This chapter examines the issue of cost and efficiency of private schools on the basis of information collected via a service delivery survey on the following five parameters: the cost of service; the cost of various kinds of education services available in the market; the quality of services being offered relative to the price paid by the consumer, the price elasticity of demand for education, and the effect of increased competition on the cost of services.

### ***4.2 Cost Determination and Increase in Fee***

It is important to understand the mechanism private schools use to set their fee. In a competitive market, the prices of goods and services are determined by a balance between supply and demand. There are no standard parameters for determining the cost of service provided by private schools. There are no specific regulations regarding the fee structure. The regulation requires fees to be fixed in consultation with the education authorities, but the qualitative information collected from key informants of the survey suggest that such practice is neither observed by the private institutions, nor enforced by the regulatory bodies.

The procedure for determining the fees is largely subjective; the parameters for determination of fees vary from case to case. Important variables in this regard include the target market, the area of operation of the school, inflation, cost of inputs, etc.

The most common objection with private schools is their tendency to frequently increase their fees. When this assumption was tested through questions in the survey, it generated mixed results. 54% of the respondents were of the view that fees of private schools do not increase frequently. The ratio of the respondents in urban areas disagreeing with the notion of frequent increase in fees was 52%, whereas the ratio of respondents from rural areas

contradicting the notion was 61%. This suggests that the probability of frequent fee increase is higher in urban areas as compared to the rural areas.

**Table 4.1: Is the fee of private schools increasing frequently?**

(%)

Area	Yes	No	Total
Urban	47.64	52.36	100
Rural	39.00	61.00	100
Total	45.92	54.08	100

Key informant interviews revealed that private schools usually increase their fees by 10% at the commencement of each academic session. Moreover, the survey and interviews also informed that a sizeable number of parents pay extra costs for various reasons throughout the year.

### **4.3 Fees of different Types of Private Schools**

Private schools operate for different income groups in both rural and urban areas. Their fees vary accordingly. Fees range between Rs. 100 to 15,000 per month. For obvious reasons, schools operating in urban centers, catering to higher income households tend to charge high fees as compared to those operating in rural areas. For evaluating cost, services provided by private schools were classified into primary and high.

#### **4.3.1 Fee Range for Primary Schools**

The regulatory frameworks of private schools divide private schools into three tiers based on the monthly tuition fee per student. Schools charging fee up-to Rs. 500 per month are categorized as low fee schools. Those charging fee from Rs. 501 to Rs. 1,500 are categorized as medium fee schools and the schools charging fee more than Rs. 1,500 are categorized as high fee schools. Survey data informs that 42% of private schools at the primary level charge monthly fees less than Rs. 500 while 34% of schools charge between Rs. 500 to Rs. 1,500. 24% of the schools charge more than Rs. 1,500 per month for primary education. The results were substantially different for private schools in rural areas of Rawalpindi and Islamabad, where a significant majority, i.e. 87%, charge less than Rs. 500

per month. 12% charge fees between Rs. 500 to 1,500 and only 1.33% charge in excess of Rs. 1,500 (see table 4.2).

**Table: 4.2 Monthly Fee Ranges of Primary Schools**

Area	Monthly Fee Primary Level (Class I-V) Percentage			Total
	Less than 500 PKR (Low Fee Schools )	More than PKR 501 but less than 1,500 (Medium Fee Schools)	More than PKR 1,500 (High Fee Schools)	
Urban	30.10	40.13	29.77	100
Rural	86.67	12.00	1.33	100
Total	41.44	34.49	24.06	100

#### 4.3.2 Fee Range at High Level

The results for High Schools (Class VI-X) are somewhat different from primary schools. 45% of the schools charge fees in the range of Rs 1,000 to Rs. 2,500. Schools charging fee less than Rs. 1,000 constitute 28%, while 34% charge in excess of Rs 2,500. A significant finding in this regard is that all schools charging more than Rs. 2,500 are from urban areas. A majority (81%) of schools in rural areas charge less than Rs.1,000 per month.

**Table: 4.3 Monthly Fee Ranges of High Schools**

Area	Monthly Fee High (Class VI-XII) Percentage			Total
	Less than 1,000 PKR (Low Fee Schools)	More than PKR 1,001 but less than 2,500 (Medium Fee Schools)	More than PKR 2,500 (High Fee Schools)	
Urban	13.19	52.20	34.62	100
Rural	80.77	19.23		100
Total	28.21	44.87	26.92	100

The survey indicates diversity in supply. A wide range of choice is available to various income groups at the primary as well as high level. As expected, private schools in urban areas charge comparatively higher for their services.

#### 4.4 Quality of Services vis-à-vis Cost of the Services

An important research question examined through the survey is whether the consumer gets value for money. A competitive market ensures access to quality products and services.

Despite concerns of high fees and recurring increases, a majority of the respondents (70%) approved of the quality of services they receive from private schools.

**Table 4.4: Does the Fee Structure justify Quality of Services?**

Area	Yes (%)	No (%)	Total (%)
Urban	68.24	31.76	100
Rural	75.00	25.00	100
Total	69.58	30.42	100

#### 4.5 Price Elasticity of Demand for Schooling

An increase in the price of goods and services generally results in decreased consumption. Elasticity measures the amount by which consumers change their consumption because of changing prices. In the case of education, the demand curve is inelastic due to various reasons, such as quality and the academic loss associated with alternatives. When asked about the factors that influence their choice, an overwhelming majority (93%) of the respondents from all income groups do not consider fee of a school to be an important factor in their decision making process.

**Table 4.5: Factors Affecting Parent Choice**

Factors	Urban	Rural	Total
Cost Effective/Low Fee (%)	5.46	16.00	7.55

#### 4.6 Impact of Competition on the Cost of Services

In a competitive market, the cost of service tends to decrease, or becomes stable, in addition to the services getting more innovative. In the survey, more than 76% of the respondents report that the fees did not decrease due to an increase in the number of schools. The representatives of Private Schools Associations and executives of schools when interviewed agreed with this consumer perception. They argued that the cost of doing business has risen very sharply, but the increase does not completely reflect in school fees.<sup>56</sup>

<sup>56</sup> Key Informant Interviews with Director Roots School Systems, EDO education RWP, Chairman PEIRA Islamabad.

**Table 4.6: Did Increased Competition Lower the Fees of Schools?**

	<b>Urban (%)</b>	<b>Rural (%)</b>	<b>Total (%)</b>
	<b>Urban</b>	<b>Rural</b>	<b>Total</b>
Yes	18.61	29.04	24.25
No	81.39	70.96	75.75
Total	100	100	100

## Chapter V: State of Competition in the Private Schooling Sector

### 5.1 Introduction

As discussed in foregoing chapters, there has been a visible increase in the private sector's share in the education market. Due to these strides, the private sector in the last two decades has managed to capture 33% of the total market, achieving an annual growth rate of 25%. This change in the market signifies entry of a large number of schools offering services to the consumer. Understandably, this increase in the number of service providers has resulted in competition between schools. However, a number of factors, such as a restrictive regulatory framework, abuse of dominance, etc., can reduce beneficial outcomes arising out of a competitive setting. Such concerns have been voiced in different assessments and studies on private schooling in Pakistan. This chapter evaluates the present state of competition, aided by empirical evidence gathered from the service delivery survey and key informant interviews. Factors such as freedom of choice, transparency, regulatory barriers and the quality of service have been discussed in detail.

### 5.2 Competition in a Growing Market: Availability, Choice & Freedom to Shift

The entry of new firms leads to an increase in the supply of services, as well as having an effect on the demand curve. With an increase in the number of choices, the demand curve becomes more elastic. Competition benefits the consumer by creating more choice.

**5.2.1 Growth in the Market:** Extraordinary growth of private schools is established by the available data and estimates. The same was substantiated by the respondents of the service delivery survey. Majority of respondents (around 97%) validate the expansion and growth of private schools in recent decades.

**5.2.2 Choice Factor:** Increase in the number of actors providing similar services makes availability of choice to the consumer a relevant question. In the context of competition, availability of choice is a key outcome. The expansion of private schools in Pakistan has indeed resulted in availability of multiple options to parents.

**Chart 5.1: Market Growth**



**5.2.2.1 Availability of Choice:** The parents/guardians were inquired about the availability of other schools from which they have selected the present institution for their children. The results indicate availability of multiple options to a sizeable proportion of the population, of the total respondents, 77% had a choice (see Table 5.1). Results indicate higher availability of choice (85%) in rural as compared to the urban areas (75%). This implies that the private schools have opened up in both urban and rural areas. This is an important development with regards to the role of market forces, as lack of access to the entire population remains the most common criticism of market forces.

**Table 5.1: Availability of Multiple Options (Percentage)**

	Yes	No	Total
Urban	75.25	24.75	100
Rural	85.42	14.58	100
Total	77.24	22.76	100

This observation is also somewhat substantiated by the records and information systems of the government. According to government records, total enrollment in the Rawalpindi district at the primary and middle level is 580,964, and at both levels the share of the private sector is higher than the public sector. At the primary level, 57% of students are enrolled in private institutions.<sup>57</sup>

**5.2.2.2 Quantum of Choice:** To corroborate the evidence, the availability of choice was quantified. Most of the respondents verified the availability of choice. The survey data informs that mostly parents have one or two options to choose from.

<sup>57</sup> Government of Pakistan, *National Education Management Information System (NEMIS), 2006-07*, Academy of Education Planning and Management (AEPAM).

**Table 5.2: Number of Available Options (Percentage)**

Number of available Choices(Schools)	Urban	Rural	Total
1 Option	35.91	42.68	37.37
2 Options	50.67	36.59	47.63
3 Options	10.74	17.07	12.11
4 Options	2.01	2.44	2.11
5 Options	0.34	1.22	0.53
6 Options	0.34	--	0.26
Total	100	100	100

**5.2.2.3 Choice Determinants:** The availability of choice to consumers of education services necessitates the identification of the determinants of choice. Which variables determine parents' choice to select a specific school? The respondents were asked to identify from a list, the key reasons which contributed to their choice for a particular private school. Two key variables were found to influence choice the most. Quality of teaching was an important factor for 68% of the total respondents from urban and 41% of the respondents from rural areas. Linked to the first variable, 30% of the respondents declared skilled teachers as the basis of their choice. The results indicate that quality of education is the foremost priority of most parents in both urban and rural areas. Reputation of a particular school is also an important factor (27%). Other factors affecting parents' choice included past results and the ease of access. Distance of a school from the house, especially for girls, was considered important in rural areas (24%) as well as urban areas (22%). More than 12% of respondents declared previous results as an important factor in their choice. It is quite striking that for more than 90% of the respondents, factors such as a low fee and quality of infrastructure were not important in their decision.

**Table 5.3: Determinants of Choice (Percentage)**

Determinants of Choice	Urban	Rural	Total
Institute Reputation	28.29	24.00	27.44
Quality of Teaching	68.24	41.00	62.82
Quality of infrastructure	6.45	5.00	6.16
Highly skilled Teachers	30.02	29.00	29.82
Excellent past Results	11.66	15.00	12.33
Cost Effective/Low Fee	5.46	16.00	7.55
Suggested by kin/friend	7.44	9.00	7.75
Ease of access	22.08	24.00	22.47
No Other Option available	1.74	4.00	2.19
Good science labs	0.25	--	0.20

**5.2.2.4 Option to freely switch choice:** An efficient market allows consumers to switch suppliers with ease. The results indicate a limited ability to switch in case of an increase in the tuition fees of a school. A majority of parents are apprehensive of a compromise on quality. 76% of the parents think they would not be able to get similar level of service at a lower cost.

**Table 5.4: In case of an increase in the cost of service, the ability of consumers to shift supplier offering same quality (Percentage)**

Area	Yes	No	Total
Urban	24.57	75.43	100
Rural	24.00	76.00	100
Total	24.45	75.55	100

The analysis indicates that the growth in the number of schools has resulted in increased number of options for a majority of consumers. In a competitive market, access to information is pivotal for decision making. It is also essential for ensuring transparency.

The survey indicated that most of the time parents are choosing schools based on subjective, and in most instances, unverifiable information, such as quality of teaching, skilled teachers, reputation of the schools, etc. Parents' access to information plays a fundamental role in efficiency of private schools. Access to reliable and objective information shall ensure efficiency and effective competition amongst private schools. Currently, such an information dissemination mechanism is absent. The only piece of information which is available is provided by the schools themselves, generally in the form of ads in newspapers, magazines, pamphlets and banners. Service users are in no position to verify this information.

### **5.3 Competition and Provision of Quality Services**

Competition tends to result in provision of cost effective and better quality of services. In order to gauge the quality of services being offered by private schools, parents were inquired about their level of satisfaction for multiple indicators. The results indicate an overall satisfaction of the parents with the quality of services being offered. However, there are issues specifically related to how the quality of services ought to be perceived, and what the real markers of efficiency should be. The efficiency indicators are clubbed into two categories i.e., infrastructure and quality.

**5.3.1 Infrastructure of Schools:** Various indicators were used to measure satisfaction with infrastructure. These included the condition of classrooms especially seating facility, sports facilities, availability and condition of toilets and hygiene conditions.

- a. Sports Facilities: The importance of sports and games for healthy and balanced growth of children cannot be overemphasized. It was found that a majority of private schools do not have any play grounds. The results of the survey nonetheless indicate that despite the absence of playgrounds, a sizeable proportion (49%) of the respondents showed their satisfaction and only 11% showed their dissatisfaction. The percentage of undecided parents is quite high at about 26%.
- b. Seating arrangement in the Classrooms: Majority of the respondents (71%) showed satisfaction with the overall conditions of the classrooms and seating arrangements provided for children.

- c. Hygiene: Most of the parents, (62%) when questioned about the hygienic condition showed their satisfaction. Similarly, more than 56% of the respondents affirmed their satisfaction with the condition and availability of toilet facilities.

In the registration process for private schools, most of these provisions are mandatory. However, during the survey, implementation of such regulatory provisions was found to be rather weak.

**Table 5.5: Satisfaction with School Infrastructure (%)**

Indicators	very unsatisfactory	Un satisfactory	Un decided	Satisfactory	very Satisfactory	Total
Overall Hygienic Conditions	3.18	4.17	18.89	62.03	11.73	100
Seating Arrangement	0.20	1.79	13.52	70.97	13.52	100
Toilets (availability & condition)	3.38	5.17	26.04	56.06	9.15	100
Sports Infrastructure	5.37	11.13	25.84	49.30	8.15	100

**5.3.2 Competition and impact on the Quality of Services:** Parents were asked if there is stiff competition among private educational institutes in terms of improving overall quality of their services. About 71% parents agreed that due to competition among private schools, the quality of educational services has improved.

**Table 5.6: Has the Quality of services improved due to increased competition? (Percentage)**

Opinion	Yes	No	Total
Urban	67.97	32.03	100
Rural	72.79	27.21	100
Total	70.58	29.42	100

Parents' responses on multiple indicators show that generally the parents are satisfied with the quality of services. A majority (78%) of the parents showed overall satisfaction with the quality of services being provided at schools.

**5.3.2.1 Quality of Syllabus:** The private sector schools in Pakistan do not adopt a standard syllabus. A number of schools use the local curriculum. At the same time, a number of schools, mostly catering to high income households, use the Oxford/Cambridge syllabus. Most of the parents (63%) are satisfied with quality of syllabus being taught at private schools.

**5.3.2.2 Extra-curricular & Co-curricular Activities:** Extra curricular activities such as fine arts, music, painting, drama, etc. are an important component in the physical and mental development of students. In their brochures and publicity campaigns, private schools attach almost equal importance to academic and extracurricular activities. Results of the survey depict that more than 51% of the parents are satisfied. A significant proportion (24%) was undecided regarding the extracurricular activities being organized in schools.

**5.3.2.3 Quality of Teaching:** As quality of teaching is a major preference of parents for choosing a particular school, therefore, their satisfaction level regarding teaching methodologies corresponds. 66% of the respondents were satisfied, while 25% were highly satisfied with teaching methodology of teachers.

**5.3.2.4 Punctuality of Teachers:** Teacher Absenteeism is a major issue in the public sector. This incidence is rare in private schools. Results of the survey indicate that for punctuality of teachers, more than 69% respondents expressed their satisfaction.

**5.3.2.5 Regularity of Classes:** A majority of the respondents (95%) was satisfied with the regularity of classes.

**5.3.2.6 Teachers' Attitude:** 72% of the parents were satisfied while 21% were highly satisfied with the teachers' attitude.

**Table 5.7: Satisfaction of Parents with Education Facilities (%)**

Indicators	very unsatisfactory	Un satisfactory	Un decided	Satisfactory	very Satisfactory	Total
1. Punctuality of Teachers	--	0.99	1.79	69.38	27.83	100
2. Regularity of Classes	--	0.99	4.17	68.39	26.44	100
3. Teachers' Attitude towards parents/students	0.99	0.80	5.37	71.97	20.68	100
4. Teaching Methodology	0.40	1.59	7.16	66.00	24.85	100
5. Quality of Syllabus	3.18	1.99	10.54	63.42	20.68	100
6. Extra & Co Curricular Activities	7.55	7.75	23.86	51.49	9.34	100
7. Overall Satisfaction	0.20	1.99	5.77	78.53	13.52	100

The survey results show that the most significant variable affecting parental choice of a school is teaching quality and the factors revolving around teachers such as regularity, methodology of teaching, attitude, etc. On the contrary, most of the variables dealing with quality of infrastructure, educational atmosphere and co-curricular activities which are essential for imparting a holistic education fail to get their attention, as a fairly large number of respondents were found undecided about these factors. This indicates parents' oblivion towards the relative importance of extra-curricular activities and the availability of sports facilities. This trend also suggests the realization on the part of private schools that parents prefer a focus on academics rather than extra curricular activities. Accordingly, schools emphasize academics and generally ignore other important aspects of a school experience. In this regard, the role of the government is important in order to guide policy and regulation to correct this norm of sole focus on academics.

These findings also suggest an explanation for the decline in standards of public schools, as they have generally failed to ensure availability of good teachers and regularity of classes.

#### **5.4 Supplier Behavior: Competition Concerns**

A number of concerns have been raised regarding the conduct of private schools in Pakistan. There is a perception that private schools are unregulated, charge high fees, use curriculum of their own choice and skim off high profits. In addition, there are apprehensions that existence

of a lax regulatory regime has increased the likelihood of anti-competitive practices, such as abuse of dominance, vertical price fixing, collusive behavior, and tying of the products. In the foregoing chapter, a number of features related to the supply side such as a substantial increase in the number of private schools, prevalence of competition, and its corresponding effects on the quality and cost of private schooling have been discussed. The following section shall address horizontal and vertical competition issues with regards to private schools.

**5.4.1 Anti-Competitive Conduct:** Anti-competitive conduct manifests itself in many forms, such as abuse of dominance, collusive behavior and deceptive marketing practices.<sup>58</sup>

**5.4.1.1 Abuse of Dominance:** No school or a chain of schools, operating in any income group, holds a substantial market share which can be used to affect cost and output decisions. During the course of the assessment, the issues of market share and the possibility of abuse of dominance were discussed with school representatives as well as regulatory bodies. Almost all the informants disagreed with the proposition. The key reason which seems to underpin the argument is the diversity of the market. Multiplicity of demand makes it difficult for any competitor to achieve a share which may enable them to restrict other competitors. Moreover, due to unstable market shares, no supplier has enough market power to influence pricing patterns. The evidence from key informant interviews with representatives of private school associations, managers of private schools and regulators indicate that there is no incidence of predatory pricing to limit new entry, price discrimination or limiting service. The only way to remain in the business is to attract buyers through quality of service. The same was verified regarding schools catering to higher income groups. There are no signs of abuse of dominant position, as there are no institutions with substantial market power. However, it was observed that schools do exercise some degree of dominance in persuading parents to buy supplies from prescribed bookshops. This issue of tying is explored later in the report.

- a. **High Profitability:** There is a general perception of high incidence of profitability in the private sector. However, a detailed examination proves it to be partly true. A majority of private schools operate in low income areas and on the peripheries, with their profit margins being limited. Recently, there have been significant increases in the salaries of teachers, property rents,

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<sup>58</sup> Section 2, Competition Act, 2010.

utilities expenditures as well as income and property taxes. Secondly, profitability directly corresponds with the quality and innovation of services. Sustenance of supply directly rests on the quality of service. Information gathered through the service delivery survey quite clearly established availability of choice to the consumer. The expanding school networks benefit from the quality of their services, on the basis of which they manage to create a demand for their product.

- b. **Switching Costs:** An efficient market allows consumers to switch the suppliers with ease, without compromising quality. In private schooling a substantive number of consumers (76%) showed a limited ability of doing so. The cost of switching schools is based on limited availability of quality at similar expenses. This limitation was found to be visible in higher income groups. A contrary trend was reported in lower income schools. Parents tend to avoid paying fees for months, and then shift their children to a nearby school. Though school leaving certificate from last attended school is mandatory for admission to another school, the regulation is neither properly observed by the enlisting schools nor enforced by PEIRA. Representatives of PEIRA<sup>59</sup> confided that they receive hundreds of application from different schools regarding switch over but they were unable to help them out.

**5.4.1.2 Cartelization:** During the course of this study, no evidence of cartelization between the education service providers was found. The only evidence found is in the form of nexus between schools and bookstores to multiply their income. However, this incidence is only visible in selected schools mostly catering to middle and higher income groups. Most of these schools follow foreign syllabi and tend to collude with book stores and suppliers. However, low income schools mostly follow the national curriculum and buyers are more informed about the cost and availability. Elite schools or schools catering to middle or low income groups were found to follow their own pattern and strategies for responding to the changing market and increase their base. These high income schools regularly introduce add-ons and extra features with their services, such as offering pick and drop service, riding classes, swimming sessions etc.

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<sup>59</sup> Key Informant interview with Member PEIRA

**5.4.1.3 Other Anti-Competitive Practices:** Incidence of tying in private schools is quite high.

A number of routine actions by the private schools need to be scrutinized.

- a. **Extra Charges:** It was found that parents were forced to pay for a number of articles and services where they may not opt for suppliers specified by the schools. Payment of expenditures other than the monthly fee is common for parents. Expenditures that parents have to bear in addition to school fee include transportation charges, charges for books, and recreational charges. The survey collected information about the extra charges that parents have to pay. The schools in the survey have been divided into three categories; low, middle and high based on the range of charges paid by parents.

**Table 5.8 Extra Charges Paid by Parents (%)**

Item	Category	Urban	Rural	Total
Transportation Charges	No charges	37.72	84.00	46.92
	Low	19.60	10.00	17.69
	Medium	30.77	5.00	25.65
	High	11.91	1.00	9.74
Total		100	100	100
Books Charges	No charges	2.98		2.39
	Low	51.86	92.00	59.84
	Medium	25.81	3.00	21.27
	High	19.35	5.00	16.50
Total		100	100	100
Recreation Charges	No charges	21.34	10.00	19.09
	Low	46.65	86.00	54.47
	Medium	26.30	3.00	21.67
	High	5.71	1.00	4.77
Total		100	100	100

Schools for which the item wise (e.g. transport, books, recreation, etc) extra charges are less than Rs. 750, are categorized in low extra charges category. Those with extra charges on a single item around Rs. 751-1,250, are grouped as middle extra charges school, while the schools with extra charges on a single item exceeding than Rs. 1,250 are categorized as high extra charges schools.

For transportation charges, 26% of the parents fall into the middle group, 18% in the low group and approximately 10% fall into high group. In rural areas majority of school do not offer transportation facilities to the students. In urban areas, for those who pay for transport, the most common amount paid falls into the medium (between Rs. 750 – 1,250) category.

b. Purchase of Uniform from a Specific Outlet:

According to section 4 of the Competition Law, 2010 the private service providers are prohibited to enter into any agreement or undertaking which might result in restrictive trading or reducing competition within the relevant market. With this reference product tying is another important issue. On certain occasions, private schools specify shops for students’ uniforms. The survey results indicate that in urban areas, 51% of households were forced to buy a uniform from a particular shop. However, in rural areas, a majority (86%) of parents informed that they aren’t compelled to buy uniforms from specified shops.<sup>60</sup>

**Table 5.9 Are you compelled to buy uniform from a particular shop?**

(%)

Area	Yes	No	Total
Urban	50.87	49.13	100
Rural	14.00	86.00	100
Total	43.54	56.46	100

<sup>60</sup> In 2009, the Indian Competition Commission took notice of the school's notification to only allow Bata shoes to the students. Also, there was a case in Zambia where the Competition Commission intervened against the tying practice for purchasing school uniform from designated shops.

- c. Purchasing Books from Specific Bookshop: The survey results inform that a majority of parents (55%) in urban areas reported being forced to purchase books from particular shops. The incidence is much lower in rural areas (13%).

**Table 5.10 Are you compelled to buy books from a particular shop? Percentage**

Area	Yes	No	Total
Urban	54.84	45.16	100
Rural	13.00	87.00	100
Total	46.52	53.48	100

Tying of products is an issue prevalent mainly in the urban areas. For e.g. students are required to purchase note books with a printed monogram of their schools. For some schools, these are more than twice the price of ordinary notebooks. This practice limits competition and needs to be controlled. This practice of schools thus restricts consumers' choice and raises the cost for them.

**5.5 Barriers to Entry:** Market competition can be affected by a number of barriers which include natural, strategic and regulatory. Regulatory and policy barriers are the most relevant in the context of private schooling.

**5.5.1 Regulatory Barriers to Entry:** As discussed in Chapter III, the existing regulations are restrictive and have the potential to act as entry barriers affect private schooling in a negative manner. However, popular perception regarding establishment of a school is to the contrary. When parents were inquired about it, most of them (45%) were of the view that private schools can be easily established. It seems that the significant growth of private schools and failure of public officials to conduct post registration contributes to this perception. The perception that schools can be easily established was contested by the managers and owners on the grounds of complex and cumbersome processes of registration, dual processing (as schools have to register with the Boards of Intermediate and Secondary Educations), high corruption, and increasing costs. Key informant interviews with officials of federal as well as provincial education regulatory authorities also inform that the registration process is complicated in addition to being exhaustive in nature. One member of the PEIRA was of the view that the focus of regulatory authorities

has been on registration alone, while the more important component of post-registration duties including inspection have taken a back seat.<sup>61</sup>

**Table 5.11: Can private schools be established without much difficulty? Percentage**

Yes	No	Don't know	Total
45.13	30.82	24.06	100

**5.5.2 Existence of State Owned Enterprises:** In most sectors, presence of a large state-owned enterprise at times tends to distort competition. However, in case of private schooling, a non-functional public sector has in fact facilitated the growth of private schools. Results from the survey substantiate the proposition as majority of the parents (84% and 68% in urban and rural areas respectively) feel that public schools are relatively less efficient than private schools.

**Table 5.12: Government Schools Less Efficient than Private Schools? Percentage**

Area	Yes	No	Total
Urban	87.84	12.16	100
Rural	68.00	32.00	100
Total	83.90	16.10	100

<sup>61</sup> Key informant interviews with chairman federal education directorate CDA Islamabad, member of PIERA Islamabad, EDO education RWP etc.

## **Chapter VI: Conclusions and Recommendations**

### **6.1 Introduction**

The assessment examined the private schooling market based on surveys in two selected districts, i.e. Islamabad Capital Territory and Rawalpindi, with a focus on the prevailing state of competition in the market. The evaluation was undertaken on the basis of empirical evidence generated from field surveys, key informant interviews and official data available on private schools in Pakistan. The focus of the report was identification of challenges to competition arising from the rapidly changing education market. The key concerns regarding the cost and value of services, market efficiency and anti-competitive practices were explored. The examination aimed at assessing the present state of competition in private schooling and its impact on the consumer's ability to access quality services. This final chapter of the Report summarizes major findings and proposes a set of recommendations for enhancing competition in private schooling sector.

### **6.2 Key Findings and Conclusions:**

The key findings and conclusions of the study are as follows:

1. Private education has gained a significant role in the education sector of Pakistan. One in every four educational schools in Pakistan is private. The total number of private schools in Pakistan was 3,343 in 1983, which increased to 33,645 in 2000. The number reached 56,360 in 2005 registering a growth of 68% in five years. Private sector's share in enrolments is estimated to be 33% with an annual growth rate of 25%.
2. An important feature of private schooling is its diversity. On closer examination it becomes evident that private schools can be classified into multiple categories based on income, faith, gender and medium of teaching. This diversity results in the emergence of a complex market, catering to a diverse set of consumers with a wide array of preferences.
3. The study observes that there exists a large supply-demand gap as well as high level of market segmentation in the private education market. Broadly, there are three types of schools operating in the private education market: a) elite schools for affluent households, b) high-middle income schools and c) schools for low income households. Due to this

diversity, we found that market dynamics within these segments are distinct and unique to each segment.

4. The growth pattern of private education over the past decades indicates that as the demand for education increased, the existing mechanisms of supply (public education sector) failed to respond. Inability of the public sector to cater to the increasing demand largely contributed to the growth of private schooling.
5. The cost of private education is one of the most frequently raised concerns. The cost structure of private schooling has many dimensions, which have been explored in this study. A majority of consumers (71%), was of the view that although quality of services provided has improved, the cost did not decrease.
6. We observe that the cost determination is largely subjective and is usually based on a number of factors including the socio-economic setting, the target market, inflation, and other overheads. Though provincial regulation and the PEIRA Ordinance do require approval from regulatory bodies before fees are fixed or changed, it has rarely been implemented.
7. In response to the survey conducted for this study, an overwhelming majority of parents (92%) do not consider the fee of a school to be an important factor in determining their choice for a school for their children.
8. A majority of the respondents reported paying a tuition fee for primary education in the range of Rs. 100 to 1,500 per month. 41% reported paying less than Rs. 500 and 35% reported paying between than Rs 500 and Rs. 1,500.
9. For the high (secondary) level, a significant proportion of the respondents (45%) reported paying a monthly tuition fee of less than Rs. 2,500. In addition, 28% reported paying less than Rs. 1000.
10. When inquired about frequent fee increases by private schools, a majority of the consumers (54%) disagreed.
11. 70% of the consumers reported being satisfied with the quality of services for the tuition fees paid.

12. A wide range of choices is available to the consumer at the primary as well as higher level. The results also reveal that private schools charge lesser fee at lower levels, and tend to increase substantially with the level of study. Expectedly, private schools in urban areas charge a comparatively higher fee.
13. The expansion of private schools has resulted in the availability of multiple options to consumers. In response to questions about choice in the survey, 77% of the respondents indicate that they had a range of schools to choose from.
14. Two factors were found to be the most important in determining choice of a school. Quality of teaching was regarded as an important factor by 68% of the total respondents from urban areas and 41% from the rural areas. Factors such as infrastructure facilities were not considered as important by the vast majority of respondents. Responses to the survey suggest that parents make the choice of schools on the basis of subjective information e.g. quality of teaching, skilled teachers, reputation of the school, etc. In this regard, the quality of information available to parents plays a fundamental role in determining what choices are made. We observe that an important aspect of the sector is the absence of reliable and objective information on the basis of which informed choices could be made.
15. Factors dealing with the quality of infrastructure, educational atmosphere and extra curricular activities, which are essential for imparting a holistic education, fail to get parents' attention. A large number of respondents were found to be undecided. This indicates parents' oblivion towards the relative importance of extra-curricular activities, availability of sports facilities, etc., and that their sole focus is on academics.
16. No school or chain of schools, operating in any income group holds a substantial market share which can be used to affect the cost and output decisions independently.
17. There is a general perception of high incidence of profitability in the private schooling sector. However, on detailed examination, it proves to be partially true. Profitability directly corresponds with the quality of services. A majority of private schools operate in low income areas and on their peripheries, with their profit margins being limited. The expanding school networks get benefit on the basis of quality of their services, for which they manage to create a demand for their brand.

18. During the course of the evaluation, no evidence for cartelization was found. Elite schools as well as schools catering to middle or low income groups were found to have followed their own patterns and strategies for responding to the changing market.
19. The study informs that existing regulations are restrictive and have the potential to affect private schooling in a negative manner. It seems that the significant growth of private schools and the failure of public officials to conduct post registration duties feed into this perception. The general perception that schools can be easily established was contested by managers and owners during key informant interviews.<sup>62</sup> They pointed to the complex and cumbersome process of registration and dual processing. In addition to registration with the provincial education department, private schools have to register with the Boards of Intermediate and Secondary Education. This increases costs as well as the possibility of corrupt practices.
20. With regards to competition, tying of products and services is a practice where private schools' conduct was of particular interest. To ascertain the facts, a number of routine actions by the private schools were scrutinized. It was found that parents were forced to purchase a number of articles and services from specified suppliers, which they might not have chosen otherwise. Expenditures other than the monthly fee are common in private schools of Islamabad and Rawalpindi.<sup>63</sup> These include transportation charges, books, recreational charges, etc. A majority of parents (55%) in urban areas purchase books and notebooks from specified book shops. This limits the choices available to them, and raises their expenses.
21. There exists no formal mechanism to elicit feedback from private schools into the government's policy making. However, if there are any schools that possess some degree of voice, these are expensive, private schools that operate in urban areas. Smaller, cheaper schools that operate in rural and peripheral areas have no voice in the policy debate. Their issues are bound to be completely different from their counterparts in urban areas.

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<sup>62</sup> KII with Dr. Talat, principal Barkat Ali Model School RWP, Mr. Tariq Mehmood principal Roots INT'L RWP, Mr. M. Saleem, Vice Principal, City School, Islamabad, Mr. Maqsood, Coordinator Beacon House School Systems.

<sup>63</sup> KII with Mr. Jamil Ahmad Asst. Director, Federal Directorate of Education, Islamabad and Malik M. Ashraf EDO, Education, Rawalpindi.

### 6.3 *Recommendations*

Markets have their own dynamics and are required to be dealt with accordingly. As noted earlier, the private schooling market, over the past few decades, has not only grown in volume but has also developed into a more complex entity. Therefore, devising an umbrella policy may not serve the purpose, and instead of improving competition, it may distort it. Considering the present state of competition in the private schooling market and the identified issues, a more holistic course of action is desired. Provinces need to coordinate and come up with comprehensive harmonized policy guidelines for engaging with the private sector. There is a need to take specific policy actions as well as institutional reforms to ensure provision of quality education to the masses.

From a competition standpoint, increased regulation of markets is considered an unhealthy restraint on market forces. Therefore, the policy makers need to revisit education policy with reference to the role of the private sector. The private sector needs to be viewed as an important tool in bridging the vast gap in the demand and supply of education services. It is in the environment of a failing public education system and lack of regulation that the private sector evolved in the first place. Thus, advocating for regulation of the private sector becomes tricky. It remains for the government to ensure that such a mechanism be introduced that does not constrain the growth of the private sector, but in fact aids its operations and promotes competition. The private sector needs to be looked as a solution to the problem rather than a problem in itself.

Considering the findings of the study, we make the following recommendations:

1. The existing regulatory framework for private schools is restrictive in its scope as it provides a set of stringent measures for entry. The undue stress of excessive documentation needs to be scaled down. There are at least nine different types of registers that a private school has to maintain.<sup>64</sup> After a careful review, emphasis on immaterial information should be lessened. A new entrant is supposed to get certificates from a number of departments prior to submission for registration i.e., public health, civil works, etc. These processes are not transparent and the outcomes are perceived to depend on the strength of the applying parties. The provincial education regulatory authorities need to establish separate school inspection departments and introduce a one window school

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<sup>64</sup> Interview with Mr. Iftikhar Ahmad, Siddique Public School, Rawalpindi and CH. Muhammed Yasin, DO Education (Elementary) Rawalpindi.

registration process. Schools offering secondary education have to comply with certain requirements, but due to a cumbersome process, these requirements become entry barriers. These include registration from the district education department along with affiliation with the Board of Intermediate and Secondary Education. As a result, the new entrant has to face difficulties in getting registered in addition to paying double charges. This process can also be simplified and altered to be conducted through one window.

2. The experience of PEIRA is considered quite successful so far. Taking advantage of the experience of regulation in Islamabad, an independent regulatory authority at the provincial level should be established with a mandate to formulate and enforce minimum level of quality standards. By enhancing transparency, the Authority would be able to promote fair competition in the private schooling market, besides preserving interests of consumers. The authority should be staffed by educationists specialized in education governance. The government should finance the education regulatory authorities like PEIRA to avoid any regulatory capture as well as decreasing dependence on the regulatees.
3. In purview of the forgoing recommendations, the role of the regulatory agencies at the provincial as well as the district level needs to be redefined, re-enforced and synchronized with the proposed reform. This becomes crucial in the wake of abolition of the concurrent list under the 18th Amendment. Provincial laws for education shall need to be amended for the transfer of education as a completely provincial subject. This provides an ideal opportunity to introduce suitable regulatory changes in line with the recommendations of this assessment.
4. The majority of parents do not consider the fee as excessive and were found content with the quality of services being offered. Thus, there seems to be little evidence to support the requirement for fee regulation. Furthermore, there is little evidence that government's price regulations improve market outcomes. The market must be allowed to determine fee levels based on the services and facilities that schools provide; parents are the best regulators.
5. A primary issue relating to competition in the education sector is access to relevant information. Whether it is the matter of quality indicators of schools or fee, parents essentially get information from the party involved in the transaction itself. Such a

framework creates a conflict of interest, compromises the quality of information, and cannot aid the consumer in making an informed choice. In markets prone to such informational rents, the role of the government is to ensure transparency and dissemination of accurate information to the consumer. The mandate of the regulatory authorities at the provincial and/or district levels need to be enhanced to implement such an information dissemination mechanism. This will greatly mitigate market failure in the form of information asymmetries in the private schooling market.

6. To enhance access to necessary information, schools should publish and disseminate key information in the form of annual reports providing detailed information on fee, admission fee, security charges, enrollment, staff and performance/ result of school. Alternatively, this information can be publicized at the website of the regulatory agency. This transparency at the school level will help parents make informed choices while selecting a particular service provider for provision of education to their children.
7. There is a realization on the part of private schools that parents prefer a focus on academics rather than extra curricular activities. Accordingly, schools only emphasize academics and generally ignore important aspects of a school experience in the form of extra curricular activities. In this regard, the role of the government is important in order to guide policy and regulation to correct this norm of sole focus on academics.
8. In raising their concerns, expensive private schools operating in urban areas have some degree of voice. Schools that operate in the lower income localities and rural areas lack such voice. These schools are bound to have different nature of problems relative to their counterparts operating in urban areas. Efforts to include their views and opinions in the policy debate need to be made.
9. The low fee schools may be charged domestic tariffs for utilities as electricity, gas, etc. this would serve as an incentive to promote private sector investment in the schooling market, and thus enhance competition.
10. The CCP should undertake advocacy and investigative action to ascertain and eradicate tying practices as per the Competition Act.
11. To promote competition in the sector, the CCP may consider issuing policy notes to the concerned quarters, in the light of recommendations of this report.

## Annexure I - Questionnaires

### Questionnaire for Private Education Sector Service Delivery Survey

#### Section I: Identification (To be filled by enumerator)

<b>A1</b>	<b>Enumerator code</b>			<b>A2</b>	<b>City Name</b>		<b>A3</b>	<b>Locality</b>	
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#### Section II: General

<b>Q-1</b>	<b>Full name (Optional)</b>					
<b>Q-2</b>	<b>Gender</b>		<b>1</b>	Male	<b>2</b>	Female
<b>Q-3</b>	<b>Age of Respondent (parents/guardians of students)</b>					
	<b>1</b>	18-25 years	<b>2</b>	26-30 years	<b>3</b>	31-40 years
	<b>4</b>	41-50 years	<b>5</b>	51-60 years	<b>6</b>	61 years or above

#### Section III: Competition Assessment of Private educational institutes through Service Delivery Mechanism

##### (a) Product Choice:

<b>Q-4</b>	<b>On what grounds you have preferred this particular School? You can select multiple.</b>							
	<b>1</b>	Institute's Reputation	<b>2</b>	Quality of Teaching	<b>3</b>	Quality of infrastructure	<b>4</b>	Highly skilled Teachers
	<b>5</b>	Excellent past Results	<b>6</b>	Excellent past Results	<b>7</b>	Cost Effective/Low Fee	<b>8</b>	Suggested by kin/friend
	<b>9</b>	Ease of access	<b>10</b>	No Other Option available	<b>11</b>	Any other, please specify: ..... .....		
<b>Q-5</b>	<b>Have you made your decision from wider range of choice?</b>							
	<b>1</b>	Yes			<b>2</b>	No		
<b>Q-6</b>	<b>Kindly tell the names of some Schools over which you have preferred this particular School?</b>							
	<b>1</b>		<b>2</b>		<b>3</b>			
	<b>4</b>		<b>5</b>		<b>6</b>			

**(b) Service Quality, Infrastructure and satisfaction level:**

**Q-7: how much satisfied are you with the following facilities of your child's school?**

SCORE						
Indicators	Satisfaction Level					
	Very Satisfactory	Satisfactory	Undecided	Unsatisfactory	Very Unsatisfactory	No response
Punctuality of Teachers	5	4	3	2	1	66
Regularity of Classes	5	4	3	2	1	66
Teacher Attitude towards parents/students	5	4	3	2	1	66
Teaching Methodology	5	4	3	2	1	66
Quality of Syllabus	5	4	3	2	1	66
Extra Curricular Activities	5	4	3	2	1	66
Over all Hygienic Conditions	5	4	3	2	1	66
Seating Arrangement	5	4	3	2	1	66
Toilets Sanitation	5	4	3	2	1	66
Sports Infrastructure	5	4	3	2	1	66
Overall Satisfaction	5	4	3	2	1	66

**(C) Fee Structure & Service Provision:**

<b>Q-8</b>	<b>Have you chosen this School on the basis of low fee structure?</b>			
	<b>1</b>	Yes	<b>2</b>	No
<b>Q-9</b>	<b>Do you agree that the fee structure of private Schools justifies the services provided there?</b>			
	<b>1</b>	Yes	<b>2</b>	No
<b>Q-10</b>	<b>Is the school fee of your child rising frequently?</b>			
	<b>1</b>	Yes	<b>2</b>	No
<b>Q-11</b>	<b>Do you agree that there is stiff competition among private educational institutes in terms of improving overall quality of their services?</b>			
	<b>1</b>	Yes	<b>2</b>	No
<b>Q-12</b>	<b>If the school fee increases, can you change/shift the school of your children with out</b>			

compromising the Educational Standards?					
	1	Yes	2	No	
<b>Q-13</b>	<b>Do you agree that public educational institutes are less efficient than private ones?</b>				
	1	Yes	2	No	
<b>Q-14</b>	<b>How much monthly fee, do you pay for a particular grade in this school?</b>				
<b>Grades</b>	<b>&lt;100 Rs</b>	<b>101-250 Rs</b>	<b>251-500 Rs</b>	<b>501-750 Rs</b>	<b>751-1000 Rs</b>
<b>I</b>					
<b>II</b>					
<b>III</b>					
<b>IV</b>					
<b>V</b>					
<b>VI</b>					
<b>VII</b>					
<b>VIII</b>					
<b>XI</b>					
<b>X</b>					
<b>Q-15</b>	<b>How much expense, do you have to pay other than school fee in one month?</b>				
<b>Kinds Of Expense</b>	<b>&lt;500</b>	<b>501-750</b>	<b>751-1000</b>	<b>1001-1250</b>	<b>1251-1500</b>
Transport					
Books					
Recreation					
Any other, please Specify:					

**(d) Consumer Perceptions about State of Competition**

<b>Q-16</b>	<b>Do you agree that there is large expansion in private education market during recent past?</b>				
	1	Yes	2	No	
<b>Q-17</b>	<b>Do you think that it is easy to start a private education business?</b>				
	1	Yes	2	No	
<b>Q-18</b>	<b>Do you think that due to increase in the number of private education enterprises the cost of private education services has decreased?</b>				
	1	Yes	2	No	
<b>Q-19</b>	<b>Do you think that there is considerable improvement in the quality of private education services due to this market expansion?</b>				
	1	Yes	2	No	
<b>Q-20</b>	<b>Do you think that private education service providers collaborate with each other to</b>				

	<b>safeguard their own interests?</b>			
	<b>1</b>	Yes	<b>2</b>	No
<b>Q-21</b>	<b>Do you think that private education sector is ill regulated in terms of consumer protection?</b>			
	<b>1</b>	Yes	<b>2</b>	No

## **SAMPLE QUESTIONNAIRE**

### **Key Informant Interview: Owner or Executive of Private Education Service Provider**

1. Kindly tell us, the names of some major private education service provider in this city besides you?
2. Have you observed any major/significant shift in the market share of certain private education service provider?
3. Has there been extensive entry by new education service provider in private education market during recent past?
4. If so, can you tell us some reason for this extensive market entry?
5. Do you agree that a high profit margin is one of the major causes for this trend?
6. Do you think that new education service providers succeeded in making their mark in the private education market?
7. Can you tell us some specific challenges and obstacles faced by your organization upon entry in the private education market?
8. Do you agree that new entrant has to face a lot of obstacles to start its business in highly concentrated market of private education service providers rather than a less concentrated market place like residential area?
9. Are there any barriers like access, technology and supply of educational inputs faced by new entrant in private education market?
10. If so, how do they affect the new entrant in the market?
11. What are the regulatory barriers in the private education market? Are you aware of the specific authority dealing with these regulations?
12. Are there any regulatory barriers which make entry in the private education business difficult or restricted? If yes, please name them?
13. Do you agree that there are no limits to the number of private education service provider permitted to enter the market keeping in view the regulatory framework?
14. However, is the private education sector subject to any regulations or policies that are costly or that frequently change?
15. If so, which government organization is responsible for administering them?
16. Do you think that private education service provider in this market suffer from unequal application of laws or regulations?

17. Is private education service provider restricted to charge specific price for a particular education service (fee structure; grade wise tuition) by any regulatory mechanism?
18. Do the suppliers of intermediate educational services (books providers/printing press) have high bargaining power for their services provided to the private education service provider?
19. Do you think that existing major private education service provider have aggressive behavior towards new entrant of equal market footings (equal investment, quality & scope of services)?
20. Do you agree that prices or profits in the private education market appear to be higher than those prevalent in similar market (various service markets) in the country?
21. Is there any practice of price discrimination (charging different prices to different consumers) by private education service providers?
22. Do the private education service providers require that the service buyers also purchase a different service other than requested? (Tuition fee/uniform + books/uniform should be purchased from school's shop or a specified shop)
23. Does advertising in the private education market concentrate on brand awareness, service quality and infrastructure rather than on price?
24. Are there any practices of regulatory capture by private education service providers?
25. Do you think that there are cartels in the private education market? If so, do they coordinate their prices?
26. Do any professional associations of teachers/staff appear to have a role in setting or influencing the prices of final services being offered by the private education service provider?
27. Do you think that lack of infrastructure in some geographical areas appear to give incumbent private education service provider a monopoly status?
28. Do you think that the private education service providers have to face some kind of competition with the state owned/public education service providers?

## **SAMPLE QUESTIONNAIRE**

### **Key-Informant Interview-Member/Official Regulatory Authority**

1. What is the regulatory mechanism of private education market in Pakistan?
2. Kindly tell us; what are the major pre-requisites, in regulatory perspective, for setting up private education firm in Pakistan?
3. Is the private education market subject to any regulations or policies that are costly or that frequently change?
4. If there is any such restriction, which organization is responsible for administering them?
5. Are there any regulatory barriers for a new market player to enter in the private education business?
6. Is there any such regulation which makes entry for a new private education firm more difficult?
7. Are there any limits to the no. of firms permitted to enter the private education service market?
8. Is the private education market regulated to charge specific price for a particular education service?
9. Do you agree that there is little/no regulation of private education market for the protection of the rights of education service buyers in terms of cost of private education?
10. Do you think that current regulatory actions distort the competition in the private education market?
11. Kindly tell us, are there any regulation to check the unethical practices by the private education firms?
12. Have you ever listened or dealt with the case of abuse of dominance by a large private education firm against small market players?
13. What are the regulations regarding the abuse of dominance by large private education firm?
14. Do you agree that there are unequal applications of laws or regulations on small or relatively new private education firms?
15. Do you think that there are certain cartels in the private education market and they coordinate their prices of educational services being offered?
16. Can you tell us; is there any regulatory action available to curtail the cartelization of private education market?

17. Are there any regulations available for countering the following private education market failures?

- a) Books, fee (student cant purchase from the book market)
- b) Uniform fee/purchases
- c) Tuition centre selection

18. Do you agree that current regulatory mechanism of private education market needs some improvements? If yes, please give some recommendations?

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