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The Malaysian Trust School Model: It's good but is it sustainable?*

Dr Arran Hamilton

In recent years a growing number of nations have embraced Public-Private Partnerships (PPP) in education – including Trust School type models.

Executive summary

In 2010 Yayasan AMIR and the Ministry of Education (MOE) embarked on the Trust School Programme, which was billed as a pioneering public-private partnership in education for Malaysia. This involved both organisations working together to improve the quality of learning and teaching in selected government schools. The early success of the programme resulted in a declaration by MOE, in the Malaysian Education Blueprint 2013 - 2025, that 500 Trust Schools would be created by 2025.

In this policy paper we argue that whilst the Trust Schools initiative has shown significant success, it represents a very *weak* form of public-private partnership, especially when compared to the models currently being deployed in many other education systems. In fact, in its early iteration it has been more of a public-public partnership – with much of the funding for the programme coming from Government Linked Companies (GLCs). We also argue that the current model lacks scalability as it relies on business community donations to fund Yayasan AMIR's intervention programme. This is effectively a form of voluntary taxation and we suspect that it will prove difficult to find sufficient sponsors to finance the transformation of 500 schools.

Instead we suggest that MOE should consider *strong* forms of public-private partnership that involve expert education management organisations being funded on a cost-neutral basis to turnaround Malaysia's lowest performing schools. These approaches are being used to great effect in England, US, Canada and are also currently being piloted in New Zealand.

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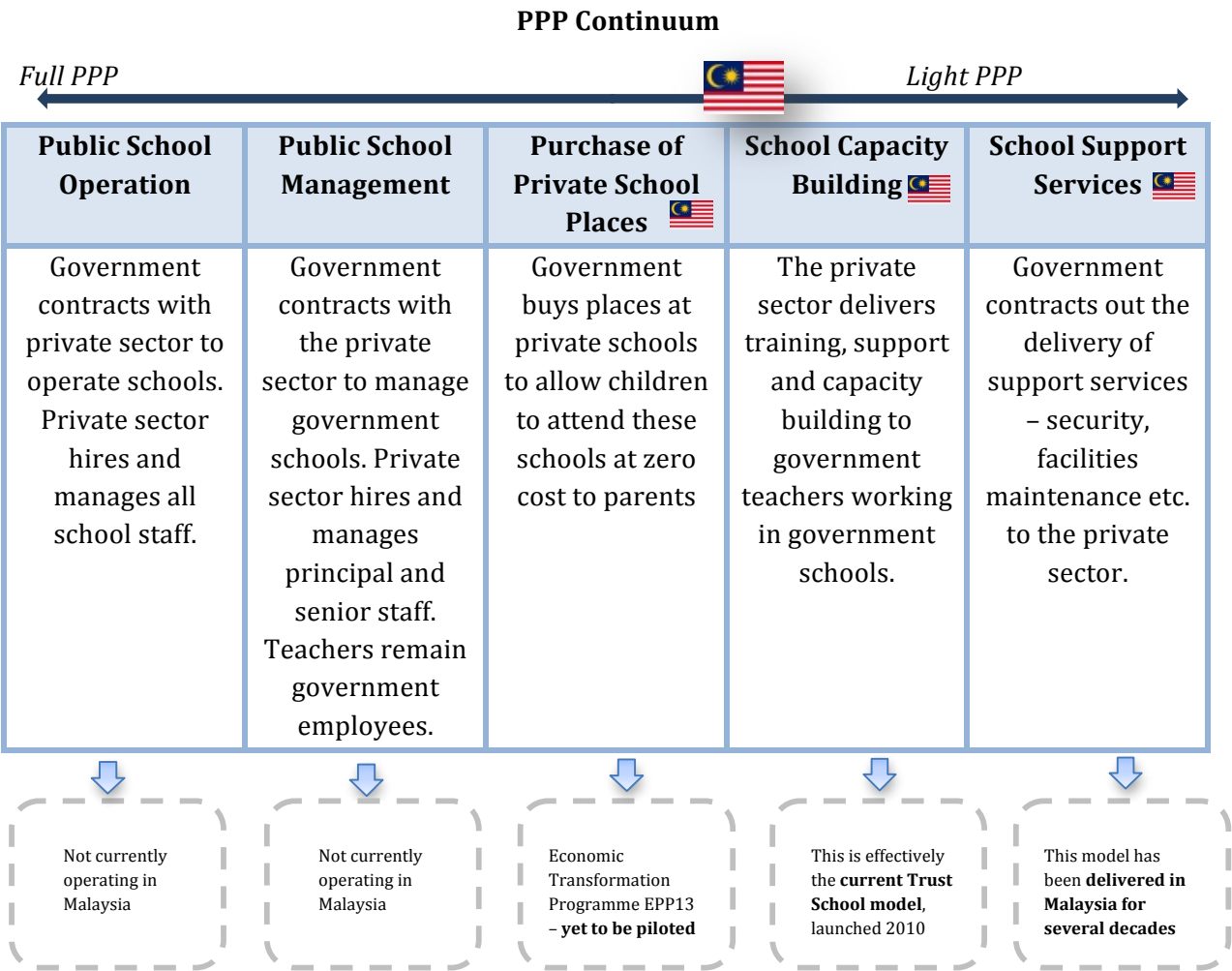
I. Introduction

In recent years a growing number of nations have embraced Public-Private Partnerships (PPP) in education – including Trust School type models. CfBT Education Trust has been advising sovereign governments and international development agencies such as the World Bank and Asian Development Bank on best practice in education PPP. It has also directly delivered innovative PPP contracts in over 80 countries.

Education PPP is not however a new phenomenon. Countries such as the Netherlands have successfully operated PPP models for over 150 years. The Dutch government regards the *funding* of education as a

state responsibility but the *provision* of education has long been delivered by the private and voluntary sectors. Hong Kong is a similar case in point: government funds education but the private and voluntary sectors operate the majority of schools.

PPP is not new to Malaysia either. As the table below illustrates – the MOE has entered into contracts with the private sector for decades to contract out the delivery of Support Services such as school security, grounds maintenance and canteen operation. With the implementation of Trust Schools, and the planned pilot of PPP vocational colleges – Malaysia is already almost half-way across the CfBT PPP continuum.



I. Why have other countries entered into PPP?

“Publicly funded but privately operated schools are associated with higher academic achievement than publicly operated institutions.

Partnerships where the private sector is the operator and the public sector is the financier have the potential to increase student enrollment and achievement while keeping the education budget in check.”

Woessmann¹

Public-Private Partnerships in education are not a lifestyle choice. The governments of the United States, United Kingdom, United Arab Emirates, Brunei, Netherlands, Canada, Philippines and India, for example, have entered into PPP arrangements because there is growing body of evidence that they result in **better outcomes for students** and that they can be more cost-effective than government directly delivering education services.

However, it is important to add that PPP is not always effective. For example, Miron and Nelson’s meta analysis of the impact of the US Charter School school management initiative showed only a small improvement in student achievement when charter schools were compared to government schools.² A key determinant of

whether a particular education PPP is successful seems to be how government contracts with service providers. Transparent open tenders, with robust contract KPIs, strong contract monitoring by the commissioning agency and the will to terminate the contracts of failing providers results in significantly stronger outcomes. These types of processes are implemented in the UK and a recent report by the UK’s Department for Education suggests that government funded but privately run Academies are performing significantly better than schools that are both government funded and government run.³

There are a number of reasons why governments around the world are finding education PPP attractive:

1. PPPs Create Competition:

The private and voluntary sectors can compete for students with the public sector. In turn, the public sector has an incentive to react to this competition by increasing the quality of the education that it provides. This competition offers parents more choice to send children to other better performing schools if they so wish. A good example of this is in the Netherlands. A key feature of the Dutch Constitution is that all schools (public and independent), are funded on an equal basis if they fully adhere to government education policy. This produces a large degree of competition and school choice, one of the Dutch education system’s primary strengths. Independent schools

are very popular, and two-thirds of government-funding for schools goes to the independent sector. The government’s role in education is increasingly as a commissioner rather than a provider of services. Interestingly, the Netherlands ranked 10th in the 2013 PISA series, making it one of the highest performing countries.

2. PPPs Create Flexibility:

They are more flexible than most public sector arrangements. The private sector is given more autonomy in managing schools, which gives them the freedom to innovate. For example, in the New Zealand Partnership School model, school operators have the freedom to set their own formal qualification entry requirements for teachers and complete flexibility over pay scales, the length of the school day and how the curriculum is delivered.

3. PPPs Create Strong

Accountability: Governments enter into legally binding contracts with private sector operators. These contracts usually contain financial sanctions if the private sector does not deliver on its promises and contract bonuses for high performance. These carrot and stick measures incentivise the private sector to deliver above and beyond government requirements. For example in the US, charter schools have a multi-year renewable contract. If they fail to meet key performance targets, the contracting authority

1 Ludger Woessmann, 2006. “Public-Private Partnership and Schooling Outcomes across Countries,” CESifo Working Paper Series 1662, CESifo Group Munich.

2 Miron and Nelson (2001) *Student Achievement in Charter Schools: What we know and why we know so little* (Occasional Paper No.41). New York: Columbia University, National Centre for the Study of Privatisation of Education.

3 <https://www.gov.uk/government/publications/performance-of-converter-academies-in-2012-to-2013>

has the power to revoke the charter.

4. PPPs Allow Access to World-Class Education Expertise:

They enable governments to secure the services of experienced education consultancies and harness this to transform the quality of their education systems.

5. Cost Reduction:

Governments have been able to partner on delivery of education services with the private sector at no extra cost and often at reduced cost. A recent study by the US NGO Save Our States calculated that government school places in New York City cost the tax payer approximately USD 20,283 per student per annum but that in Charter Schools that operated from their own premises, the cost fell to as little as USD 13,652,¹ a saving of 33 percent.

However, in CfBT Education Trust’s experience, PPP works best when there is both high autonomy and high accountability. High autonomy means that experienced education management organisations have the freedom and flexibility to reorganise school provision to create outstanding learning and teaching environments. High accountability means that only the best organisations are selected to manage schools and that government places them under constant scrutiny to perform.

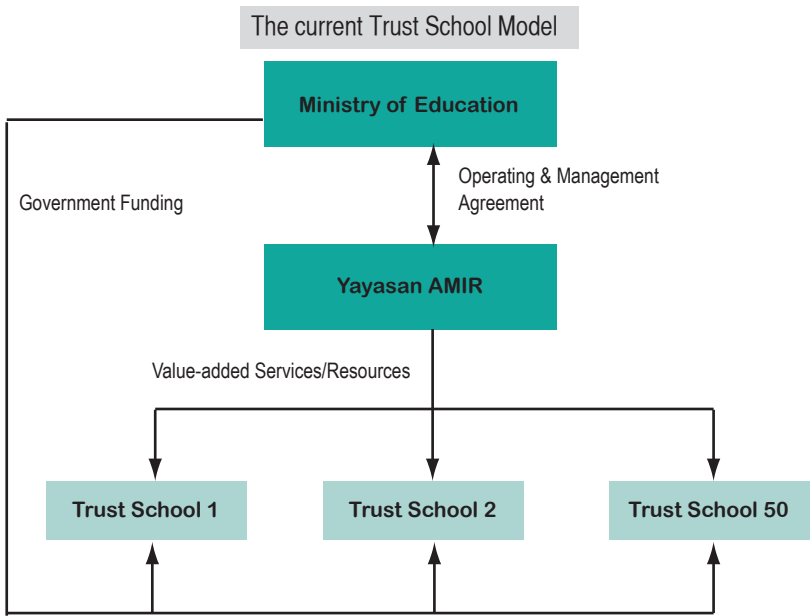
2. The Trust School model

On the continuum of PPP, the current Malaysian Trust School Model is a form of *Light PPP*. As the diagram below illustrates, Trust Schools remain under full government control and management and school funding still passes directly from government to the schools. However, they do receive additional autonomies.

The role of the private-sector partner is to undertake capacity building activity with school leaders and teachers, to support schools to use their new autonomies effectively. The capacity building activity is funded by the private and voluntary sector as a philanthropic or corporate social responsibility initiative. Although the private sector partner does not have formal line management authority over school leaders, it does have the influence to have teachers

transferred out of the school.

We understand fully why MOE and Yayasan AMIR negotiated the Public-Private Sector Operational Management Agreement (PPSOMA) on this basis, when the model was developed during 2009 – 2011. Many other countries that are now further along the PPP continuum started in a similar vein, piloting *Light PPP* models and slowly graduating to *Full PPP* as they witnessed the positive payback to their education systems. Indeed, in many of the countries where education PPPs are in full swing, there was initial ideological opposition to the concept of non-state actors taking responsibility for public education provision. As governments, Ministries of Education and parents witnessed the results, this ideological opposition often dissolved. For example, in the UK, Academies were initially very controversial. Whilst there are still significant pockets of resistance to



1 Wilson and Trichter, 2013. “A Full Analysis of the all-in Costs for District Public Schools and Charter Schools”, Save Our States White Paper.



the model, school leadership teams in more than 50 percent of England's secondary schools have opted to convert to Independent Academy status because of the additional autonomies and flexibilities they received. In this context CfBT operates a chain of 20 government funded, but independent, Academy schools in England. A key feature of the model is that operators like CfBT are not allowed to make a profit.

3. The Malaysian Trust School model may not be scaleable

It is clear that the school improvement ethos adopted by Yayasan AMIR in the delivery of the current Trust Schools programme is highly sound - as is the training methodology deployed for teachers and school leaders. Anecdotal evidence, combined with a growing collection of metric and criterion referenced data, strongly suggests that Trust Schools are transforming.¹

The key issue, however, relates to the scalability of the current model – given MOE's desire to establish 500 Trust Schools by 2025. The existing Trust School model is unlikely to be successful if it is ramped up and applied to five percent of Malaysia's schools.

We believe that there are five design features of the current Trust School model that will need to be re-addressed in order to ramp up the programme and to achieve long-lasting and sustainable school transformation:

1. Programme Funding Mechanism – as previously

indicated, the current programme is entirely funded by donations from the private and voluntary sectors – with most of the funding actually coming from GLCs. This may be problematic because:

- a. The total five year CSR cost of supporting the first 10 Trust Schools was reported to be circa RM 100m. If this is extrapolated to 500 schools, the figure becomes RM 5bn – which is more than 10 percent of the current annual education budget for education. Of course, we recognise that MOE and Yayasan AMIR are already exploring ways of reducing this cost – lessons learnt from the pilot and economies of scale will certainly be able to achieve significant savings.
- b. In spite of those savings, we estimate that if the programme is ramped up using the same methodology as the pilot – the total private sector contribution required to fund 500 schools for five years will be *at least* RM 300m in direct costs and RM 150m in endowment funds – or *a minimum* of RM 450m in total.²
- c. Like Malaysia, many other countries used philanthropy as the principal mechanism to fund their early PPP initiatives. The UK is a case in point. Academy Sponsors had to donate GBP 2m to an endowment fund in order to participate. During the period when this requirement was rigorously enforced, the number of new sponsors rarely allowed for more than 10 schools to be converted to Academy status per year.¹

Once the government relaxed and then finally removed the requirement for philanthropic donations to the school system, the number of government funded but independently operated Academies very quickly mushroomed. The key lesson in the UK was that as the programme grew beyond a handful of schools, suitable sources of CSR and charitable funding quickly dried up and the government had to consider other funding mechanisms. We believe that MOE and Yayasan AMIR may face similar difficulties in raising a RM 450m Trust Schools war chest.

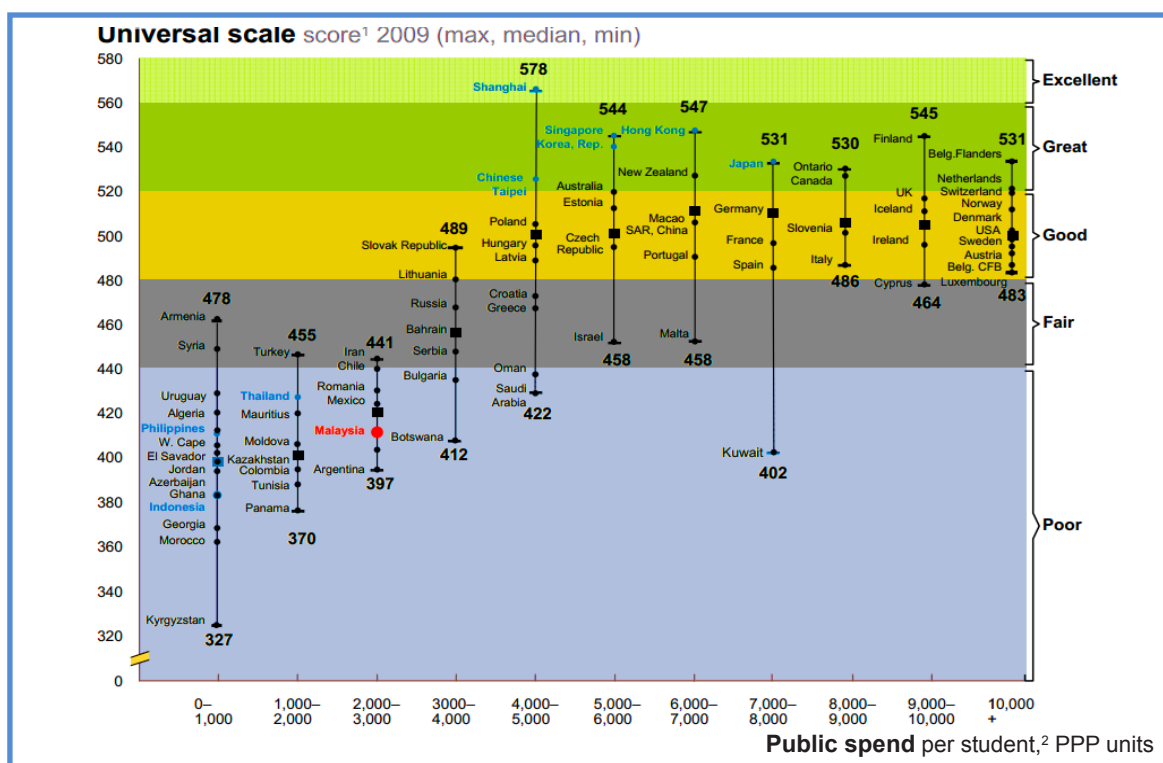
- d. Recent statistics show that public education expenditure in Malaysia already makes up 18.9 percent of total government spending. In other Asia Pacific countries the figures vary widely – Japan 9.4 percent, Australia 12.9 percent, Korea 15.8 percent, New Zealand 16.1 percent, and Hong Kong 20.2 percent.² But in comparative terms, Malaysia already devotes an above average share of government spending on education.

In absolute terms, as the diagram on the following page and MOE's own analysis suggests, Malaysia's performance is also behind other countries that have similar or lower levels of expenditure per student, such as Thailand, Chile, and Armenia. This means that the system may not be allocating funds towards the factors that have the highest impact on student outcomes, such as the training and continuous up-skilling of teachers.

¹ Bolton, P. 'Sponsored Academies: Statistics', House of Commons Library (February 2012).

² UIS database

Country performance in international assessments relative to public spend per student (USD)



Source: Malaysia Education Blueprint 2013

1 Universal scale based on Hanushek & Woessmann methodology, to enable comparison across systems
2 Public spend per student for basic education (preschool, primary, and secondary school levels) for 2008 current prices
Note: Malaysia 2008 public spend is USD 3000 per student

e. This raises a controversial question. If there are already doubts within MOE about whether existing public funds are being deployed optimally to support education improvement – is it appropriate to ask the private sector to top-up government funding? Most other countries that have embarked on PPP have instead chosen to transfer some of the existing government funding to the private sector and incentivise private sector education experts to spend this public money more efficiently. We recommend this approach to MOE – although we fully understand the political ramifications in the Malaysian context.

2. Private Sector Supported versus Private Sector Led – as we have already alluded to, the terms of the PPSOMA effectively mean that the current Trust School programme is private sector supported rather than private sector led. In other words, the private sector partner advises school leaders and teachers but has no direct authority or line management responsibility for school staff. In Malaysia, as with other countries that have adopted this approach, this has slowed down the rate of school transformation. Without direct authority, transformation has to be an entirely negotiated process. Transformation happens more quickly when school staff are directly line managed by or accountable to the PPP delivery partner. Again, we fully understand

the political ramifications of this recommendation in the Malaysian context.

3. Sustainability – the current programme model envisages that Trust Schools will remain part of the programme for five years, after which they will return to the mainstream system. Some key considerations:

- A meta-analysis of the effectiveness of comprehensive school reform models in the United States that analysed 232 separate studies with 1,111 independent observations, concluded that it takes an average of eight years for the investment in teacher support and training to filter down into a statistically significant increase student achievement.¹

1 Borman, G. Hewes, G. Overman, L and Brown, S. 2003. "Comprehensive School Reform and Achievement: A Meta-Analysis". Review of Educational Research 73 (2): 125-230

b. From CfBT's experience of delivering education reform initiatives, we have found that where Ministries of Education design programmes that focus on transformation in small pockets of the system – if these programmes are not long term, a decade or more, and if the rest of the system does not catch up with the transformation that has taken place within the supported schools – within two years of schools exiting from the programme, improvement can plateau and within 5 years it can actually decline. This is because:

i. After the programme ceases, schools are fully re-integrated with the wider eco-system at district and state level and this wider eco-system may not fully understand the education reform paradigm the Trust Schools now operate within. Consequently, the district or state level leadership may actually mandate that the schools revert to their previous and less effective practices – unless of course the other tiers of the education system have been transformed too. This raises the question of whether individual schools are the right unit of change or whether an even greater return on investment would be gained from focusing on transforming school districts.

ii. Assuming that 10 percent of the teaching staff either retire or transfer to new schools each year - it is possible that by year 10 that none of the original staff that participated in the Trust

School programme remain with the school. We accept that if churn remains below a certain level it is theoretically possible that new staff will become indoctrinated into the Trust School paradigm. However, rapid changes in school leadership, for example the arrival of a new *Guru Besar* who does not 'get' the ethos of the school, can rapidly stunt and reverse the transformation process.

Our recommendation is that 'once a Trust School, always a Trust School' (but only if they chose to remain one). In other words, schools should remain within the support framework of the programme – to ensure they continue to grow from strength to strength. This is a common feature of other PPP models.

4. School Selection – initially the selection process for Trust Schools followed a 4-4-2 methodology: 40 percent low-performing, 40 percent mid-performing and 20 percent high-performing schools. We fully understand why this methodology was used for the pilot programme – MOE and wider stakeholders wanted to evaluate the respective returns on investment of supporting different types of schools with different types of needs. However, based on our own analysis of the Trust School programme and other international PPP initiatives, we strongly recommend that the weakest performing schools in the system (band 6 and band 7) should be prioritised for Trust School Status and PPP intervention in future waves of the programme.

Anecdotal evidence suggests that the administrative processes that school leaders have to go through to make use of the autonomies are potentially burdensome and that they act as a significant disincentive to the actual use the autonomies.

This will ensure the biggest return on investment to MOE and the greatest impact on students. It also mirrors the approach that MOE is currently taking to improving English language teaching in secondary schools. Here MOE has identified the schools most in need of support (Hot Spot Schools) and is targeting its interventions towards improving their performance.

5. Trust School Autonomies

– the autonomies granted to Trust Schools are broadly in line with other School Based Management initiatives. The only clear omission is that whilst the private sector partner can have teachers transferred out of Trust Schools after two unsatisfactory performance evaluations, it does not have formal hiring or decision-making power over which new MOE teachers and leaders are appointed to the school to replace those that have exited. Anecdotal evidence also suggests that the administrative processes that school leaders have to go through to make use of the autonomies are potentially burdensome and that they act as a significant disincentive to the actual

use the autonomies. We recommend that the MOE explores ways of streamlining processes so that schools can wield the autonomies without having to seek permission from the MOE. In other PPP initiatives, one of the key success drivers is that schools have the flexibility to completely reorganise their operations without having to continually refer back to the Ministry and, ultimately, that they have the freedom to innovate.

3. Alternative Trust School models for consideration

We also urge MOE to consider the following cost-neutral alternatives that could be piloted in parallel to the existing Trust School Model:

Model 1: Public School Management PPP

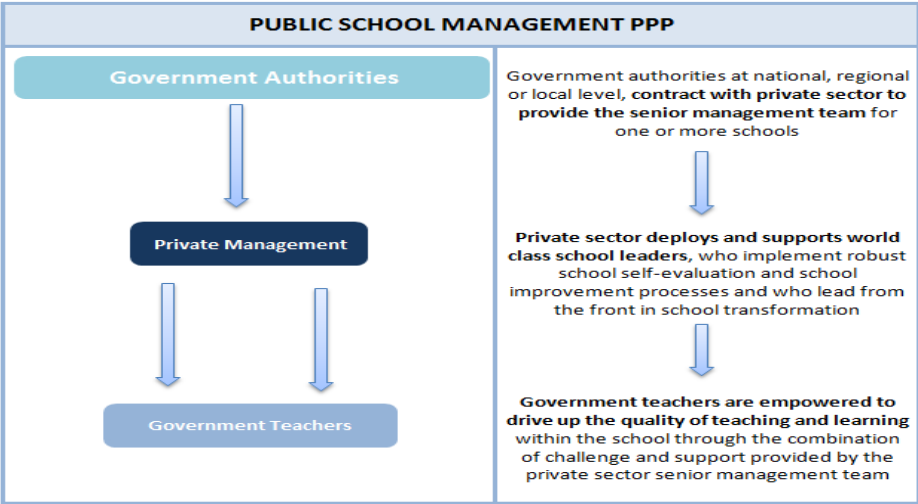
Under-performing management is a constraint to improving public school performance, an issue that has been acknowledged in the Malaysian Education Blueprint. To deal with this, some governments have contracted with private organisations to manage either a

single public school or an entire district. The responsibilities that the contractor assumes under these agreements usually fall into four categories: financial management, staff management, long-term planning, and leadership. Within these contracts, all non-managerial personnel continue to be public sector employees but the school leadership teams are provided by the private or voluntary sector contractor.

Management contracts have several potential benefits for public education, including bringing in professional skills and new ideas from the private sector, giving managers the freedom to manage, reducing the bureaucratic constraints associated with public service employment, promoting competition among organisations bidding to win the management contract, and enabling Ministries of Education to specify performance requirements so that they can change contractors if performance is unsatisfactory.

There is growing evidence that PPPs in the area of management services can work. However, specifying and monitoring the performance of private sector managers, as distinct from the organisation overall, is difficult. Because many factors contribute to school performance besides the quality of management, it would be inappropriate to attribute changes in school performance simply to the effects of the management contract. However, in countries where it would be politically contentious to second or transfer teaching staff employment contracts to a private sector operator, these types of PPP can be a valuable alternative.

The role private and public sector play in Public School Management PPP



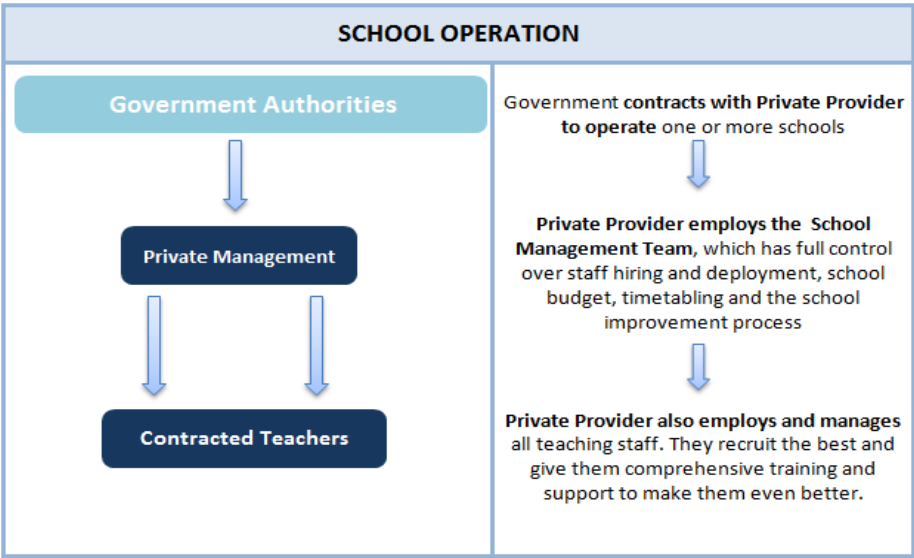
**Model 2: Public School
Operation PPP**

In some countries, such as the US and the UK, the education authorities have gone a step further and have contracted voluntary/ private sector organisations to operate an entire public school or even a school district. In these operational contracts, private or voluntary organisations not only manage the school but staff it as well. The aim, most often, is to free schools from public service constraints or to give schools more autonomy and to improve the oversight of the school by tapping into the interest and knowledge of parents and other community members. In many cases where schools are allowed to govern themselves, communities also contribute to the construction, upkeep, or improvement of facilities (either in-kind or financially).

Sometimes education authorities initiate a contracting arrangement in response to demand from a community organisation or a nonprofit education organisation. This is the driver behind England’s Free School programme – where parent and community groups apply to government for funds to establish a school and then open and run it. CfBT directly manages a number of government funded, but privately operated, Free Schools in the UK.

Operational services contracting is also usually tried in problem areas, making it a viable mechanism for improving schools with

The role private and public sector play in Public School Operation PPP



performance problems and for ensuring service delivery to “hard-to-reach” populations. Also, this type of contract can be targeted to disadvantaged populations.

Under the School Operation PPP, the private sector operator is generally paid a fixed amount per student (usually equal to the average cost of educating a student in the public sector) or is paid a fixed management fee and must meet specific performance benchmarks.

Both the School Management and the School Operation PPP Models have been successfully implemented in a cost neutral (or even cost saving) fashion in the US and the UK. In other words, governments have been able to transfer aspects of delivery to the private sector at no extra (or even reduced) cost and have witnessed significant improvements in student outcomes.

4. Concluding remarks

In Malaysia, the MOE has long pursued PPPs, so the concept of collaborating with private sector for various education related services is not new. However, the delivery of education has never seen a *Full PPP* where MOE contracts out the management or operation of schools to private education providers. This is perhaps due to the belief that the public sector should be the only party responsible for providing basic education. However, there is clear and growing evidence internationally that full PPPs work. They generate competition, choice, encourage innovation, increase quality and can also significantly reduce costs to the taxpayer.

The Malaysia Education Blueprint acknowledges that there are still considerable challenges facing the education system. Our message is simple: PPP works and it’s time to move Malaysia up another notch on the PPP continuum.

About the author

Dr Arran Hamilton is Director of CfBT Education Malaysia.



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