

Authors

Mauricio Romero
Instituto Tecnológico Autónomo de México (ITAM)

Justin Sandefur
Center for Global Development

Wayne Sandholtz
University of California, San Diego

American Economic Review 2020, 110(2): 304–400
<https://doi.org/10.1257/aer.2018.0470>

Outsourcing Education: Experimental Evidence from Liberia

By MAURICIO ROMERO, JUSTIN SANDEFUR, AND WAYNE AARON SANDHOLTZ

In 2016, the Liberian government delegated management of 93 randomly selected public schools to private providers. Providers received US\$50 per pupil, on top of US\$50 per pupil annual expenditure in control schools. After one academic year, students in outsourced schools scored 0.18σ higher in English and mathematics. We do not find heterogeneity in learning gains or enrollment by student characteristics, but there is significant heterogeneity across providers. While outsourcing appears to be a cost-effective way to use new resources to improve test scores, some providers engaged in unforeseen and potentially harmful behavior, complicating any assessment of welfare gains. (JEL: I44, I21, I28, O15)

Governments often enter into public-private partnerships as a means to raise capital or to leverage the efficiency of the private sector (World Bank 2015b). But contracts are inevitably incomplete, and thus contracting out the provision of public services to private providers will have theoretically ambiguous impacts on service quality (Hart, Shleifer, and Vishny 1997; Holmström and Milgrom 1991). While private contractors may face stronger incentives for cost efficiency than civil servants, they may also cut costs through actions that are contractually permissible but not in the public interest.

*Romero: Centro de Investigación Económica, ITAM (email: romero@itam.mx); Sandefur: Center for Global Development (email: jsandefur@gcd.org); Sandholtz: Department of Economics, UC San Diego (email: wsandholtz@ucsd.edu). Esther Duflo was the cofounder for this article. Romero acknowledges financial support from the Asociación Mexicana de Cultura. Sandholtz acknowledges financial support from the Research on Improving Systems of Education (RISE) program. Sandholtz acknowledges financial support from the Institute for Human Studies. We are grateful to the Minister of Education, George K. Weir, Deputy Minister Roshelle Horton, Brian Macgregor, Nisha Mahan, and the Partnership Schools for Liberia (PSL) team, as well as Yvonne Harty, Rebecca Harty, and Joe Collins from AIESEP for their commitment throughout this project in ensuring a rigorous and transparent evaluation of the PSL program. Thanks to Aja Dugak, Duckertine Doko, and their team at Innovations for Poverty Action who led the data collection. Ari Abaja, Miguel Fuentes, Dev Patel, and Benjamin Tan provided excellent research assistance. We're grateful to Michael Kremer, Karthik Muralidharan, and Patrick Rice who provided detailed comments on the government report of the independent evaluation of the PSL program. The design and analysis benefited from comments and suggestions from Maria Acosta, Prashant Bharadwaj, Jeffrey Clements, Joe Collins, Mitch Dowrick, Susannah Harty, Roshelle Harty, Isaac Mbiti, Gordon McCord, Craig McIntosh, Karthik Muralidharan, Owen Ozier, Olga Romanov, Santiago Santibañez, Diego Vera-Cruz, and seminar participants at the Center for Global Development and UC San Diego. A randomized controlled trials registry entry is available at <https://www.socialsciencesregistry.org/entries/1300> as well as the pre-analysis plan. IRB approval was received from IRB (protocol 14227) and the University of Liberia (protocol 17-04-76) prior to any data collection. UCSB IRB approval (protocol 1610105) was received after the first round of data collection but before any other subsequent analyses. The evaluation was supported by the UCSB Optima Foundation and Autism Trust. The views expressed here are ours, and not those of the Ministry of Education of Liberia or our funders. All errors are our own.

*Go to <https://doi.org/10.1257/aer.2018.0470> to visit the article page for additional materials and author disclosure statements.

304

Outsourcing Education: Experimental Evidence from Liberia

In 2016, the Liberian government delegated management of 93 randomly selected public schools to private providers. Providers received US\$50 per pupil, on top of US\$50 per pupil annual expenditure in control schools. After one academic year, students in outsourced schools scored 0.18σ higher in English and mathematics. We do not find heterogeneity in learning gains or enrollment by student characteristics, but there is significant heterogeneity across providers. While outsourcing appears to be a cost-effective way to use new resources to improve test scores, some providers engaged in unforeseen and potentially harmful

behavior, complicating any assessment of welfare gains.

January 31, 2020