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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 H41, 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.

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