

# Overview of the framework

## Need for a framework

It is well recognized that education is a pre-requisite for the growth and development of a modern and equitable socio-economic order. It is essential for empowering and enabling the economically weaker sections of the society to participate more fully in a democratic polity that identifies equality of opportunity as one of its cherished goals. Over the last 60 years, successive Governments have been committed to achieving the national goal of universal education and have steadily increased the budgetary allocation for education. At present, the expenditure on education in India is about 3.7 per cent of the GDP and this needs to be increased to at least 6 per cent of the GDP, especially for addressing unequal access to education in rural areas and among the urban poor.

**Universal education is a key objective**

The provision of universal school education is a complex task of gigantic proportions in a country like India. The Right of Children to Free and Compulsory Education (RTE) Act, 2009 makes eight years of elementary education the fundamental right of all children. However, addressing the quality of education in schools is critical for the effective development of human capabilities and for achieving the objective of equality of opportunity, especially in respect of access to education for the underprivileged families.

To accelerate the reach of good education across states and regions, it is essential to explore various options for providing school education in pursuance of the education goals set by the Twelfth Five Year Plan. The Central Government has, therefore, initiated a programme for setting up one model school in each block. Of the 6,000 schools to be set up under this programme, 3,500 would be established through the conventional mode of government-run schools. In the remaining 2,500 blocks which have a comparatively better educational profile, the model schools will be set up and operated through Public Private Partnerships (PPP).

**2500 PPP Schools to be set up**

For providing good education to students from economically weaker families, the challenge lies in supporting the recurring costs over time. The engagement with PPP schools must, therefore, rely on continuous financial support over the years in return for agreed outcomes in terms of quality education. Such an arrangement would require a clear and comprehensive framework that addresses the concerns of the Government as well as the private partner. This volume responds to the need for evolving a model document that reflects best practices, particularly from the perspective of public policy, for making

**Comprehensive framework is a pre-requisite for PPP**

quality education accessible to the underprivileged.

For setting up schools on Design, Build, Finance, Operate and Manage (DBFOM) basis, a precise policy and regulatory framework is being spelt out in this volume comprising a Model Concession Agreement (MCA). This framework addresses the issues which are typically important for inspiring confidence among potential investors, and includes diverse aspects such as mitigation and unbundling of risks; allocation of risks and rewards; symmetry of obligations between the principal parties; precision and predictability of costs and obligations; reduction in transaction costs; force majeure; and termination. It also addresses other important concerns such as transparent and fair procedures, dispute resolution and provision of financial support by the government.

### **Access to underprivileged students**

The Concessionaire, who would be a trust, society or a not-for-profit company, is expected to build and manage the School in accordance with the CBSE Guidelines, Good Education Practice, Applicable Laws and the standards specified in this document. The School should have the capacity to teach about 1,000 children from underprivileged families, referred to in this document as Select Students. The Concessionaire will have the freedom to admit other students, not exceeding 1,500 on the condition that at least 40 per cent of the total number of students in the School shall be Select Students. The Central government, through an independent Authority, shall provide financial support for the Select Students while the Concessionaire would be free to charge market based fees from other students, subject to Applicable Laws.

**Support for  
underprivileged  
students**

### **Obligations of the Concessionaire**

The Concessionaire shall arrange the land, build the School and obtain affiliation from the Central Board of Secondary Education (CBSE) before claiming any financial support from the Authority. It shall strive to provide education of a high quality and towards this end, the MCA deals with issues such as appointment and emoluments of teachers, training of teachers, attendance of students and teacher, facilities and amenities in the School, curriculum and other activities aimed at ensuring a holistic development of the students.

### **Affiliation**

The MCA permits the School to obtain provisional affiliation from CBSE. However, permanent affiliation must be obtained within a period of four years of provisional affiliation. The Schools are expected to follow CBSE norms for

**Affiliation  
and  
uniformity**

Infrastructure and delivery of education including, *inter alia*, land, curriculum, medium of instruction and assessment. This would ensure uniformity of standards across PPP Schools.

### **Output parameters**

Unlike the normal practice of focussing on construction specifications, the technical parameters proposed in the MCA are mainly based on output specifications, as these have a direct bearing on the level of service.

The MCA lays down the parameters relating to the quality of education to be provided to the students. Such quality shall be measured in terms of learning outcomes and key performance indicators.

In sum, the framework focuses on the ‘what’ rather than the ‘how’ in relation to the delivery of services by the Concessionaire. This would provide the requisite flexibility to the Concessionaire in evolving and adopting efficient and cost-effective methods of service delivery without compromising on the quality of education. Efficiencies would occur because the shift to output-based specifications would provide the Concessionaire with a greater opportunity to innovate and optimise on service delivery.

### **Performance standards**

The document emphasises not only the scholastic domain, but also the co-scholastic activities comprising holistic development of the students. The framework identifies benchmarks for learning outcomes and key performance indicators such as performance in curricular and co-curricular activities, score for accreditation, attendance of teachers and students, and dropout ratio. It specifies penalties for continued failure in achieving the requisite levels of performance while providing incentives for better performance.

The learning outcomes specify the benchmarks for performance in examinations, including the Board examinations. The benchmarking has been done in terms of the minimum average marks for various exams conducted by CBSE for Classes IX-XII. The benchmark has generally been provided as the higher of the national average marks as declared by CBSE and the average marks secured by students of Kendriya Vidyalayas. Such an assessment of the performance aims to provide a feedback about the transactions in the classrooms and the quality of delivery.

The key performance indicators specify the attendance rate, the dropout ratio and the repetition rate that the School Management shall strive to achieve. For the assessment of quantitative and qualitative performance indicators of the

**Output parameters will focus on the level of service**

**Assessment of learning outcomes and key performance indicators**

**Accreditation by CBSE**

School, accreditation under the School Quality Assessment and Accreditation Scheme of the CBSE has been prescribed along with the minimum accreditation score that the School should strive to secure. Incentives for awards and honours received by the students and teachers have also been specified. For monitoring of the above learning outcomes and key performance indicators, periodic reporting has been prescribed.

### **Financial Support**

In hard infrastructure projects which are capital intensive, viability can normally be achieved by provision of a viability gap grant upfront. However, for services like education, support to the private partner needs to be provided for meeting the recurring expenditure that constitutes bulk of the cash outflows of the project. It is, therefore, proposed to provide Tuition Support at par with the average expenditure incurred by Kendriya Vidyalayas on each student enrolled with it. Annual Infrastructure Support would also be provided to enable the Concessionaire to defray part of its capital investment.

**Tuition Support and Infrastructure Support**

For mitigating hardships in setting up Schools in rural, remote or inaccessible areas, the MCA provides for scaling up of financial support depending on the degree of hardship anticipated in the respective areas.

### **Concession period**

A period of 10 years has been specified as the concession period, which could be extended by a further period of 5 years. This period is considered sufficient for the School to establish itself and improve its sustainability. Government support after the aforesaid period will be governed by the extant schemes of the Government.

**Concession period to be ten years**

### **Selection of Concessionaire**

Selection of the Concessionaire will be based on open competitive bidding on capacity scores. There will be no financial bidding. All project parameters such as the concession period, fees, government support, price indexation and technical parameters are to be clearly stated upfront. The short-listed bidders will be required to disclose their credentials on pre-specified parameters based on which scores would be assigned to each short-listed bidder. The bidder who secures the highest score should win the School at a given location.

**Competitive bidding based on capacity will be the norm**

### **Risk allocation**

As an underlying principle, risks have been allocated to the parties that are best able to manage them. Project risks have, therefore, been assigned to the private sector to the extent it is capable of managing them. The transfer of

**Risk allocation and mitigation are critical to private investment**

such risks and responsibilities to the private sector would increase the scope of innovation leading to efficiencies in costs and services.

The commercial and technical risks relating to construction, operation, maintenance and management are being allocated to the Concessionaire, as it is best able to manage them. Other risks such as the admission of students have also been allocated to the Concessionaire. On the other hand, all direct and indirect political risks are being assigned to the Government.

### **Construction**

Procurement of land for the School is being proposed as a condition precedent to be satisfied by the Concessionaire before the Agreement comes into effect.

The MCA defines the scope of the project with precision in order to enable the Concessionaire to determine its costs and obligations. Before commencing School operations, the Concessionaire will be required to subject the School Infrastructure to tests in accordance with Good Industry Practice for quality assurance.

**Construction quality must be ensured**

### **Management and Operation**

Management and operation of the School is proposed to be governed by pre-determined standards with a view to ensuring a high level of service for the students, and any violations thereof would attract stiff penalties.

**Standards to be enforced**

The MCA provides for a Managing Committee to be constituted in a representative manner with a view to safeguarding the interests of the students and for pursuing excellence in the functioning of the School. The Principal is proposed as the Chief Executive Officer of the School.

### **Force majeure**

The MCA contains the requisite provisions for dealing with force majeure events of different classes. In particular, it affords protection to the Concessionaire against political actions that may have a material adverse effect on the project.

**Protection against political actions**

### **Termination**

In the event of termination on account of default by the Authority, the MCA provides for compensation to the Concessionaire to the extent of twice the annual grant payable, subject to a limit of sixty per cent of the Total Project Cost. The scale of termination payments is reduced after the 8<sup>th</sup> (eighth) anniversary of the commencement of school operations. The rationale for

**Pre-determined termination payments**

making such payment lies in the setting up of the School, at the behest of the Government, for select students in rural areas, which is a venture that would normally be regarded as unviable. In the event of any Concessionaire default, the annual grant will be discontinued and the Performance Security will be forfeited.

Termination payments have been quantified precisely as compared to the complex formulations in many agreements. Political force majeure and defaults by the Authority are proposed to qualify for adequate compensatory payments to the Concessionaire and will thus guard against any discriminatory or arbitrary action by the Government. In the event of an indirect political force majeure, only 75 per cent of the amount payable on Authority default shall be due to the Concessionaire.

### **Support to Select Students after Termination**

To protect Select Students from the effect of Termination, by efflux of time or otherwise, it is proposed to continue the financial support to such Select Students who continue in the same School or move on to another school affiliated to CBSE. Such support would, after termination, be payable directly to the students.

**Students not to suffer impact of Termination**

### **Monitoring and supervision**

Day-to-day interaction between the Authority and the Concessionaire has been kept to the bare minimum following a 'hands-off' approach, and the Authority shall be entitled to intervene only in the event of default. Checks and balances have, however, been provided for ensuring full accountability of the Concessionaire.

Monitoring and supervision of operation and management is proposed to be undertaken through an Independent Panel. A system of periodic reporting has been specified to ensure the flow of information from the Schools to the Authority. A system of bi-annual feedback from students and parents regarding satisfaction from the services provided by the School has also been incorporated. A School Management Information System is proposed to be set up which shall capture essential data such as teacher and student attendance, human resource management, essential information related to students, financial information, etc. and enable display thereof on the website of the School.

**A credible and fair arrangement for monitoring is essential**

The MCA provides for a transparent procedure to ensure selection of well-reputed statutory auditors, as they would play a critical role in ensuring financial discipline. As a safeguard, the MCA also provides for appointment

of additional or concurrent auditors.

### **Independent Panel**

The MCA provides for the constitution of an Independent Panel, comprising three Independent Experts, for review of the functioning of each school. The Independent Experts shall be persons who have been Principals or are similarly qualified or experienced. The Independent Panel is expected to inspect the School at least thrice a year and submit periodic reports to the Authority.

The Independent Panel shall make an assessment of the performance of the School and monitor compliance with the Concession Agreement. In the inspections that would be carried out by the Panel, special emphasis would be placed on learning outcomes and key performance indicators. The Panel would, *inter alia*, also review the performance of teachers and students and the functioning of School Management. They will also comment on the curriculum, School Infrastructure and other critical parameters. This system of independent review is expected to provide an objective and independent assessment of the functioning and progress of every school.

### **Optimal utilisation of School Infrastructure**

The MCA enables optimal utilisation of the School Infrastructure by permitting the Concessionaire to use it for other educational and cultural activities. Additional revenues from such use would enable the Concessionaire to meet its uncovered expenses and make further investment in the School. The use of School premises for social, religious and political gatherings and functions is prohibited.

**Use of School Infrastructure for educational and cultural activities**

### **Equality of access**

The MCA provides for non-discriminatory access to the facilities and opportunities offered by the School in accordance with Good Education Practice. It also provides for support to students from vernacular medium to enable smooth transition to the medium of instruction.

### **Centres of excellence**

The Schools developed on this framework are expected to be centres of excellence and serve as a model for other schools in the vicinity. They are expected to share best practices with other schools so that they also benefit from such practices and innovative learning techniques.

**Excellence is the key**

## **Miscellaneous**

The Concessionaire shall be responsible for providing mid-day meals, school uniforms and books to its students and shall also arrange an annual health check-up.

The MCA also addresses issues relating to dispute resolution, suspension of rights, change in law, insurance, indemnity, redressal of public grievances and disclosure of project documents.

## **Conclusion**

Together with the Schedules, the proposed Concession Agreement addresses the issues that are likely to arise in the financing, operation and management of school education on PPP basis. The proposed regulatory and policy framework contained in the MCA is critical for attracting private participation with the concomitant efficiencies and quality education, especially for underprivileged children, as part of the national commitment to inclusive growth.

**Private participation should improve efficiencies and reduce costs**