



THE C ENTRE FOR D EVELOPMENT AND E NTERPRISE

## CDE IN DEPTH

ISSUE 3 / NOVEMBER 2005

# Private schooling for the poor?

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International research raises new questions for South Africa

**CDE IN DEPTH** provides South African decision-makers with detailed analyses, based on original research, of key national policy issues.

Series editor: Ann Bernstein

This publication is based on a workshop on the role of the private sector in providing education for the poor, held in March 2005. It has been written by Dr Tim Clynick, consultant to CDE, and Dr Sandy Johnston, senior CDE associate.

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## Private schooling for the poor?

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The Centre for Development and Enterprise  
*Johannesburg, South Africa*

## Contents

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Introduction	3
Does the private sector have a role to play in educating the poor?	5
Lagos, Nigeria: poor parents support neighbourhood private schools	10
Contracting private education services to widen access for the poor	13
Some key themes	16
Conclusion	22

# Introduction

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Many people argue that the only way for children in poor countries to receive a basic education is through larger education budgets, or more international aid for public schools. That view, however, ignores the crucial role that private education can play, and is already playing, in meeting the educational needs of the poor. As surprising as this may be, private schools today serve some of the poorest people on the planet. Recent studies in the worst slums in Africa and Asia indicate that these schools generate learning outcomes on a par with public schools at far lower cost and with fewer facilities. Parents prefer these neighbourhood private schools over local public schools because of the latter's underperformance, impoverished learning and teaching culture, and shoddy management.

What is going on? Do these studies hold lessons for education in Africa? In South Africa there are growing numbers of independent low-fee schools serving poor learners in informal settlements, inner cities, former townships, and remote rural areas. What potential is there for expanding private education in poorer communities that are demanding more and better education opportunities?

In March 2005, CDE invited three of the international experts responsible for these global studies to address public and private sector stakeholders in South African education on aspects of their findings. This publication records their inputs, and develops a number of themes based on them and the subsequent discussions.

**Prof James Tooley** of the University of Newcastle in the United Kingdom has directed a global study of the role of private schools serving poor families, focusing on Asia and Africa. He concentrated on the implications of the research results for commonly held views of the impact of private education on the poor.

**Dr Olanrewaju Olaniyan** of the department of economics at the University of Ibadan, Nigeria, presented a study of the flourishing private schooling system and the entrepreneurs driving it in poor areas in Lagos.

**Michael Latham** is the director of EdInvest, a private education company of the International Finance Corporation (IFC) in Washington, DC, and the principal international consultant to CfBT ([www.cfbt.com](http://www.cfbt.com)), a non-profit education resources management company based in the United Kingdom. He outlined practical ways of helping non-state education providers to achieve their goals.

As surprising as this may be, private schools today serve some of the poorest people on the planet

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# Does the private sector have a role to play in educating the poor?

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**James Tooley** and his researchers explored the nature, prevalence, and quality of private sector education in slums and other poor areas in Ghana, Nigeria, Kenya, India, and China. They found that:

- There are many private schools for the poor.
- Free and/or public education is not necessary to increase the enrolment of poor children. In fact, the introduction of free public primary education for all in Kenya may have led to a net decline in school enrolment.
- Private education for the poor compares well with public education – in general, teaching quality and learner results were better in the private sector schools.
- It is not necessarily the better-resourced schools that perform better. On average, the private schools for the poor had fewer resources but achieved better results than their publicly funded counterparts.

Tooley and his colleagues arrived at these findings by confronting some negative assumptions about private sector education for the poor. Here are some of the most prevalent ones.

Despite popular perceptions to the contrary, private education for the poor is widespread

## Assumption one: There is no private education for the poor

Despite popular perceptions to the contrary, private education for the poor is widespread. In fact, in the areas surveyed, most schools attended by the poor are private schools.

In the slums of Hyderabad, India, for example, 918 schools were recorded in the course of the project. Of these, 335 (or 37 per cent) were unrecognised unaided private schools, and 320 (35 percent) were government schools. The remaining schools were recognised unaided private or 'private aided schools'. Sixty-five per cent of children in the slum areas of the old city of Hyderabad attend unaided private schools.

By definition, there are no official figures for unrecognised unaided private schools and their pupil numbers in any country studied. As a result, official government enrolment figures (used by international organisations) consistently underestimate the number of children in school. Tooley and his researchers estimate that, as a result, enrolment may be underestimated by 30 per cent, or even more in some instances.

This has significant, and possibly dramatic, implications for the international effort to achieve 'education for all'. When people speak about children not being enrolled

in schools, they are missing up to 30 percent of poor children who are in unregistered private schools.

Thus the surveys show that, in those neighbourhoods, private schooling for the poor (in unrecognised and recognised private schools) is actually more important than government schooling. In poor areas ranging from India to Nigeria, well over 60 per cent of poor primary school children attend a private as opposed to a government school.

## Assumption two: Free public education is required to increase school enrolment by the poor

In January 2003, Kenya's 'Rainbow Coalition' government introduced free primary education in government schools. The move was widely acclaimed nationally and internationally, and the number of children enrolled in primary education in Kenya has reportedly increased by 1,2 million – a remarkable figure.

But is it really? Research in the slums of Kibera, Nairobi, showed that, when free primary education was introduced, there were 76 private schools in those areas, with about 12 000 students. When free primary education was introduced, these schools suffered a massive drop in enrolment, and at least 25 closed completely. Therefore, the additional enrolment in primary education resulted, largely or entirely, from children transferring from private to public schools.

## Assumption three: Private schools for the poor provide poor learning and teaching

Children transferring from private to government schools may not seem like a negative development, given the widespread perception that unregulated private schools for the poor are probably of poor quality. However, is this assumption valid? This issue was explored from three angles.

Parents indicated that they were very dissatisfied with the poor performance of teachers in the government schools

### Parents

In Kenya, as noted earlier, many parents moved their children to government schools when 'free primary education' was introduced. Following this, a number of these parents moved their children back to the private schools in the slums. Why was this? Parents indicated that they were very dissatisfied with the poor performance of teachers in the government schools. One father moved his daughter back to a private school which was in very poor physical condition. He said: 'If you're offered free fruit and vegetables in the market, they'll be rotten. If it's free food, it's rotten. If you want fresh fruit and vegetables, then you have to pay for it.'

In private schools, teachers are accountable to the school manager/owner (who can fire them), and through him or her to the parents (who can withdraw their children). The incentive structure is therefore much stronger in private schools than in government schools, where permanent appointments prevail and parental influence is far weaker.

## Educational inputs

Parents' perception of the poor quality of education provided by government schools is corroborated by field data painstakingly compiled during the five country surveys. Learner:teacher ratios are useful illustrations of this issue, with much lower ratios in private schools in all countries. Perhaps the most telling data in favour of private schools, again in all five countries, are the results of random visits to public and private schools. For example, the table below shows high levels of teacher absenteeism in Hyderabad's public schools. The other studies provide much corroborating data.

**Table 1: Hyderabad, India: teaching and absenteeism**

School management type		Activity of the 4th grade teacher				Total
		Teaching	Non-teaching	Absent		
		Count				
Government	Count	223	59	17	299	
	% within school management type	74,6%	19,7%	5,7%	100,0%	
Private aided	Count	43	2		45	
	% within school management type	95,6%	4,4%		100,0%	
Private unaided unrecognised	Count	295	18	13	326	
	% within school management type	90,5%	5,5%	4,0%	100,0%	
Private unaided recognised	Count	192	4	1	197	
	% within school management type	97,5%	2,0%	0,5%	100,0%	

## Learner achievement

Some 26 000 children in five countries were tested in IQ, mathematics, English (or Chinese in China), and usually one other subject. Questionnaires were given to pupils, their parents, teachers and school managers, to allow statistical control of all background variables. The results are currently under peer review, and so are not reported here. However, in terms of raw scores, the private schools outperform their government counterparts – and these advantages are maintained once background variables are controlled. Typical results come from Hyderabad and Ga, Ghana.

In Hyderabad, mean scores in mathematics were about 22 percentage points and 25 percentage points higher in private unrecognised and recognised schools respectively than in government schools. The advantage was even more pronounced for English.

In Ga, the advantage for both types of private schools was smaller but still large in terms of standard deviations, with average math scores being about six and 12 percentage points higher in private unregistered and registered schools respectively than in government schools. In English the advantage was about nine and 14 percentage points. In all the countries surveyed, government schools performed worst of all three school categories in all subjects, after controlling for all variables.

**Table 2: Raw scores in Hyderabad, India**

Subject		Mean % Score	SD	Cases
Math	Government	38.41	26.51	1240
	Private unrecognised	60.78	20.55	1315
	Private recognised	63.38	21.26	1355
	Total	54.59	25.38	3910
English	Government	22.44	20.63	1240
	Private unrecognised	53.64	19.82	1315
	Private recognised	59.48	21.22	1355
	Total	45.77	26.10	3910

Note. SD = standard deviation.

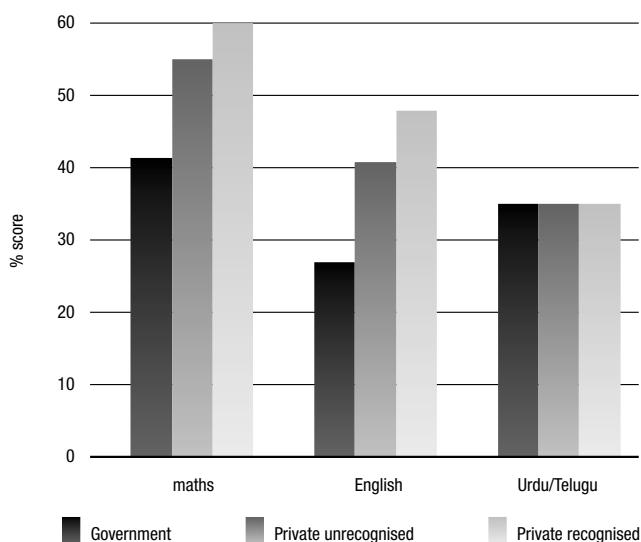
Source: Survey of Achievement data.

**Table 3: Raw scores in Ga, Ghana**

Subject		Mean % Score	SD	Cases
Math	Government	55.60	20.06	1364
	Private unrecognised	61.31	19.38	665
	Private recognised	67.72	16.90	1521
	Total	61.86	19.42	3550
English	Government	57.15	17.20	1356
	Private unrecognised	65.67	17.73	666
	Private recognised	71.50	14.83	1517
	Total	64.91	17.56	3539
Religious and moral education	Government	52.65	17.84	1372
	Private unregistered	60.13	16.39	686
	Private registered	63.05	14.46	1536
	Total	58.53	16.86	3594

Note: SD = standard deviation.

Source: Survey of Achievement data.

**Figure 1: Hyderabad, India: learner achievement (3910 children from sample of 153 schools)**

## Assumption four: Private schools outperform government schools because they are better resourced

Comparative data on teachers' salaries indicate a very close correlation among data from all five countries: teachers' salaries in government schools are consistently four times higher than teachers' salaries in unrecognised private schools, and more than twice as high as in the recognised schools. Yet these schools are outperforming the government schools despite being more poorly resourced.

Government schools on average perform worse than private schools – registered or not. The result is that when poor parents do have a choice, they send their children to private schools, preferably in their neighbourhoods.

This does not mean there are no high-performing government schools, or poorly performing private schools, in the poor areas studied. Each country must identify factors that account for performance variations within school types (public, unregistered private, and registered private), thus avoiding the blanket condemnation of school types that often occurs. Although successful schools usually share several basic practices, it does not follow that there is one basic success model for all schools.

Most successful low-income private schools are succeeding because they are able to do some basic things very differently. Private school owners, for example, are aware of the plight of the poorest of the poor, and some offer free or subsidised scholarships to parents who are too poor to send their children to private school, or to children who have been orphaned or who are from large families.

Yet many private schools, particularly unrecognised schools, report that the public authorities in their areas are continually trying to close them down, and that no one recognises what they do: 'If the BBC ever comes in and films them, it's only to say how awful these places are. I'd like to celebrate what they do, celebrate their achievement, their entrepreneurship and so on,' Tooley stated.

Most successful low-income private schools are succeeding because they are able to do some basic things very differently

### Researching the global private education sector: Prof Tooley's research agenda

James Tooley has recently directed an international research programme examining the role of private schools serving poor families in Asia and Africa, funded by the John Templeton Foundation. Research was conducted in low-income areas in India, China, Nigeria, Kenya, and Ghana.

Previously, he directed a global study of investment opportunities for private education in developing countries for the IFC – the private finance arm of the World Bank – which led to his publication *The Global Education Industry* (IEA 1999), now in its second edition. This study explored the private education market and the regulatory and investment climate in a dozen countries in Africa, Asia, Latin America, and Eastern Europe, and also included detailed case studies of 20 private education companies or institutions.

Tooley has also consulted to the IFC, World Bank, UN, UNESCO, and Asian Development Bank Institute on private education in developing countries. He is a frequent keynote speaker at international conferences on the global education industry.

According to Tooley, the conclusion is inescapable: in the countries studied at least, private schools for the poor achieve more, and at lower cost, than government schools. Not everyone is served by private schools, but the great majority are. Therefore, it should be recognised that private schools for the poor do exist, and that they have a major role to play. If aid is channelled only to state education systems, it would be concentrated on the low-achieving and expensive option. Instead, the way forward may be to encourage private entrepreneurs who have shown themselves to be able and willing to serve the poor. Funds could be channelled through a revolving loan fund, for instance, to help private schools improve their infrastructure, or through voucher schemes to help the poorest access the higher quality private education that is already available.

## Lagos, Nigeria: poor parents support neighbourhood private schools

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*In June 2003, the Nigerian government directed that all unregistered and registered private schools in Lagos should close or reapply for registration. This deadline has come and gone. In his presentation, **Dr Olanrewaju Olaniyan** examined the reasons why poor parents and private education entrepreneurs ('edupreneurs') are thriving in Nigeria's capital.*

The answers can be found on visiting each of the private schools themselves, in this case located in an area of Lagos that contains a major slum area called Makoko which is built on stilts above the filthy waters of the Lagos lagoon.

The Nigerian government does not have a complete list of all the private schools. This determined the research method – since nobody knew the number of schools, researchers were employed to traverse all the streets and count all the schools in every street, whether primary, secondary, registered or unregistered.

Officially there are 1,2 million pupils in Lagos's primary schools, amounting to an enrolment rate of 50 percent. However, the study found an additional 400 000 learners in 1 754 unregistered private schools. Official figures undercount the number of primary school learners by nearly 33 per cent.

Private schools are owned by individual entrepreneurs who manage them along purely commercial lines. They have clear rules for controlling and disciplining staff and learners. There are two associations of private school owners in Lagos: one for registered and recognised schools, the other for unregistered schools, together representing 67 per cent of the primary school learners in Lagos. This shows why closing these schools would be such a difficult undertaking.

School income is generated mainly from school fees, and profits are retained in the schools. Donations are infrequent. Bank loans are not used to finance the schools. One reason may be a lack of collateral; another may be the high interest rates in Nigeria (about 25 per cent).

In the countries studied, private schools for the poor achieve more, and at lower cost, than government schools

Registered private schools charge higher fees than unregistered private schools, and school fees are generally higher in non-poor areas than poor areas. Registered private schools must pay government taxes and levies. While unregistered private schools do not pay tax, they put an allocation aside which they use to pay 'extra-legal fees' – among other things, paying off school inspectors.

Despite the fact that almost all these schools are in low-income areas, nearly all have scholarship programmes. About 24 per cent of learners are on concessionary lists; 31 per cent of private schools have free scholarships, administered by the school proprietor (always the school head). At times, the school fees are delayed until the parents can pay, or payments are made daily when cash is available.

Most school buildings are in poor condition. However, parents told researchers: 'Why do you expect our children to go to a brick building? The houses we live in are just like the schools, so what is special about all these big school buildings that you are talking about?'

Schools also compete fiercely among themselves, and try to maintain consumer loyalty. Some introduce special subjects such as computers, religious knowledge, and French. Others choose to offer subjects in English and not in their pupils' mother tongues: most parents want their children to speak English, and attend schools where English is the first language. The private schools understand this, and use this to stay ahead of the public schools.

Fifty-two per cent of teachers are female. In contrast to public schools, where all the teachers are permanent, in private schools, permanent and temporary teacher appointments are split about 50:50. In the unregistered schools, however, a greater proportion of teachers are temporarily employed.

Teachers in government schools are older on average than those in private schools, and tend to be far better qualified; some even hold masters' degrees, while many teachers in private schools only have basic school teaching certificates. Yet teachers in unregistered private schools achieve higher average scores in IQ tests than those in government or registered private schools. Teachers in registered and unregistered private schools earn as little as \$12 to \$20 a month.

Consistently less teaching takes place in government than in private schools

Consistently less teaching takes place in government than in private schools. Unregistered or 'illegal' private schools achieved better results than registered schools, which helps to explain why parents send their children there. Another reason is that unregistered private schools in particular allow over-age enrolment; about 37 per cent of these children work in addition to attending school.

Private schools consistently perform better than government schools in three subjects: English language, mathematics, and social studies.

Most fathers and mothers of learners in private schools are self-employed artisans (only about 12.7 per cent of mothers are housewives). Some 25 per cent of the parents earn less than \$35 a month. When asked what their school of choice would be, 44 per cent of parents of children at government schools said that, if the fees were the same, they would prefer to send their children to private schools. The majority of parents whose children are in private schools are satisfied with their choice, and rate the schools highly on such matters as teachers' ability, discipline, homework, and knowledge of English in comparison with government schools.

However, local community ties may also be a major factor for poor parents who choose private over public schools (see box: *Poor private schools as neighbourhood communities*, this page).

Private schools receive no government resources, whether registered or not. Why, then, has the Nigerian government not been able to close down the private schools? According to the study, the reason is that government schools in poor areas cannot provide the required quantity and quality of schooling the people want. In operational terms, private schools in poor areas are superior to similarly located government schools – in low-income areas, sanitation is bad, solid waste disposal is bad, and the condition of all schools is therefore dictated by the condition of the area.

Illegal private schools flourish in Nigeria's regulatory environment, because many of the regulations create compliance problems for all schools. One example is the regulation requiring schools to have land of at least one hectare. Another states that a school must have a minimum of 12 classrooms before it can open. Low-income schools in crowded slums simply find it impossible to comply with these sorts of regulations.

## Poor private schools as neighbourhood communities

### Overcoming social distance

'In many government schools in the slums teachers are bussed in from outside. There's also social distance between the teacher and the kids. The private schools pay much lower salaries but the teachers are also drawn from within the community. These private schools are organic and therefore they are able to respond organically to the community, in many ways.' (Tooley)

### Flexible school policies

'Private schools can also be very flexible. For example, in many communities parents are too poor to afford uniforms. Children going to the 'free public schools' must have two uniforms, and pay for them up front or by means of a levy or additional fees. Private schools offer parents more options and flexibility in this regard without the stigma of not being able to afford uniforms.' (Tooley)

'Private schools are also more flexible regarding payment of school fees. In Ghana you can pay school fees on a daily basis. The daily fee is actually slightly more, if you averaged it over the term, than the levy in government schools. However if your father's a fisherman, and he doesn't catch any fish today, you don't go to school. You go to school tomorrow and you catch up. There's plenty of flexible time in school or after school to catch up, so that sort of flexibility (of uniforms or if you're sick), the teacher understands.' (Tooley)

'We have the scourge of HIV/AIDS, which is leaving many children orphaned. These children now have to cater for their brothers, have to cater for their sisters, and at the same time they have to be in school. Formal schools do not have an arrangement for these people, who have to feed their brothers and sisters and also require learning. Poor private schools are helping.' (Participant)

Illegal private schools flourish in Nigeria's regulatory environment, because many of the regulations create compliance problems for all schools

The private schools of Lagos also serve other economic purposes, such as reducing poverty. Registered private schools in Lagos employ more than 16 000 people, though their wages are low. Added to this, private school providers allow pupils to pay concession fees, and even give them full scholarships. It is hardly surprising, then, that the government has failed in its efforts to shut down this thriving education sector.

## Contracting private education services to widen access for the poor

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**Michael Latham** asks how state contracting of private education services can improve schooling for poor learners. He prefers the term ‘non-state provider’ to private provider, since education providers range from pure ‘for-profit’ companies to philanthropic ventures.

We know that new non-state schools must meet minimum regulatory requirements. This is where developing country bureaucracies are at their most effective in linking with non-state providers. However, a lack of financial and human capital undermines efforts to either regulate or support the non-state sector: these schools are not inspected, education standards are not monitored, learning and teaching support is withheld, and finances are not audited. So what can be done?

In many countries, the state provides the public with detailed information about the annual performance of all schools, public or private. Parents choose the schools that offer the best education returns. The state can offer schools incentives for meeting certain compliance standards; these incentives may include financial support, training resources, and credit. Alternatively, the state can formally contract non-state providers and hold them accountable for meeting the terms of the contract. Contracting education services is the most promising way of supporting desirable education outcomes in the non-state sector. Various types of contracts have emerged, each with specific advantages for expanding the reach of affordable, quality schooling.

Contracting education services is the most promising way of supporting desirable education outcomes in the non-state sector

### Management contracts

Under a management contract, a non-state provider manages government infrastructure and employs government staff – this essentially amounts to the private management of public schools. The private operator is paid a fixed amount per student (students don’t pay any fees) or a fixed management fee in return for meeting specific performance benchmarks. In the United States more than 450 public schools, with more than 200 000 students, are run under private management contracts (‘charter schools’). The management contracts typically specify enrolment criteria and support for poorer learners.

## Service delivery contracts

Under service delivery contracts, non-state providers use their own infrastructure and staff to provide specific services. A relevant example is where the state ‘buys’ places at non-state schools for public students, at an agreed rate. In Côte d’Ivoire, the state pays for 40 percent of secondary school students to attend non-state schools. In the Philippines, more than 300 000 students attend non-state schools, amounting to the largest state service delivery contract in the world. The advantage for poor learners is that there are no costs, and the main advantage for the state is that it spends no more than the average spent on learners at public schools, and also doesn’t have to make any capital investments.

### Financing private education for the poor in Ghana

In Ghana, there is a strong demand for education provided by the private sector in middle-income and poor areas. But private schools struggle to access finance, which limits their potential impact.

Few banks are willing to invest in these schools. According to Tanya Scobie, sector operations manager of the IFC, education is ‘actually pretty good business; [schools] make predictable cash flow, but banks don’t typically have a good understanding of the [education] sector.’ Banks therefore extend only short-term loans at very high interest rates.

In response to this, the IFC has implemented a joint investment and technical assistance programme in Ghana, providing, among other things, partial credit guarantees for schools. Banks regard this as an attractive initiative, and loans have been extended for longer periods at reduced interest rates.

Apart from the perceived risk factor, the schools lack collateral, thus hampering their access to finance. This problem has been partially mitigated by having parents pay tuition fees directly to the banks rather than to the school; this allows the schools’ debts to be serviced before any revenue is passed on to the schools themselves.

According to Scobie, many school managers have poor managerial skills, and no training in drawing up business plans or managing their accounts. The IFC’s programme provides support and training in these areas. This also increases the schools’ ability to access loans, as they can approach banks with business plans.

Scobie says that although the Ghanaian government formally supports the provision of private education for poor learners, it provides private schools with little actual support. The IFC is planning a public awareness campaign to counter the ‘entrenched ideology in the country, [even] amongst donors’, that private sector involvement in education is inappropriate and undesirable.

The IFC is also planning to establish a management consultancy which will continue to support these private schools after its programme has ended.

Is this a way forward for private schooling for the poor in South Africa?

Under service delivery contracts, non-state providers use their own infrastructure and staff to provide specific services

## Public–private partnerships

Formal public–private partnerships (PPPs) are another contractual form utilised in this sector. Perhaps the most controversial model currently in use is that described as ‘build, maintain, operate, hand over’. Acting under contract, investors provide the capital; build, operate, and maintain the school; and then, after a certain period of time, hand it over to the public sector. State payments are contingent on the contractors meeting performance standards specified in the contract.

In other PPPs, specialised curriculum and administrative services are contracted from providers. There are many examples: Pythagoras in Brazil provides ‘school improvement’ packages to schools, while De la Salle in the Philippines and the Lebanese organisation SABIS provide accreditation and support services. Each is an example of a PPP that directly assists non-state (private) schools with accreditation and management support – a major challenge in many private schools.

Finally, the state can contract a non-state provider to ‘turn around’ non-performing state schools. In the United Kingdom, authorities ‘outsource’ non-performing public schools to private ‘turnaround’ specialists. A PPP of this kind allows for the rapid transformation of underperforming schools – often very poor schools with entrenched social problems.

Many private schools in poor communities can be described as ‘horrid, fly-by-night, and dreadful’. In these schools the challenge is to encourage educational entrepreneurs ('edupreneurs') to risk their capital. Commercial banks are wary of lending to schools: there are risks involved in having to foreclose and ‘throw poor children on to the street’. State financial subsidies can help these private schools; however, officials very often object to the notion of state support (especially financial) for non-state schools. This is particularly so in the case of ‘for-profit’ schools. As a result, non-state providers are often subject to more public scrutiny than the state sector. NGOs and community organisations are politically more palatable to many states than for-profit providers.

A key question is how to develop a formal ‘relational contract’ between the state and non-state sectors in respect of poor schools that are providing a public good. Poor private schools are weak and disorganised; the state holds all the cards. For this partnership to work, the state must recognise this power imbalance and agree to work in a supportive way. This ‘relational contract’ extends to finding appropriate funding mechanisms. It may be highly desirable to involve a third party in negotiating on behalf of poor schools with potential commercial funders – the IFC, for example, has the right combination of resources to play this role, but so do other organisations and associations for non-state providers.

The state can contract a non-state provider to ‘turn around’ non-performing state schools

## Some key themes

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Many of Tooley’s findings resonated with participants’ observations of new and unofficial educational institutions in informal settlements, inner city warehouses, and other sites across South Africa. However, the fact that the Human Science Research

Council (HSRC) counted 2 000 independent schools in South Africa in 2001 while the government's database captures only 1 000 suggests that denial of the role and existence of private schools for the poor is a factor in this country as well. Certainly, the profile of private education in South Africa is changing faster than commonly understood (see box: *South Africa's independent school sector: some key facts*, this page).

The input of the international experts has significantly raised the bar on what local analysts should know about private schooling for poor communities in South Africa. Besides this, their work forces local analysts to ask old questions in new ways, and a host of new ones as well.

The presentations suggest that a new, dynamic, and more practical approach is needed by all stakeholders: parents, public and private sectors, and private schools and their associations. Participants recognised that South African experiences were often similar to international ones, but sometimes also significantly different. In this section, nine themes emanating from the presentations and subsequent discussions are outlined.

- **The neighbourhood role of private education in poor areas**

Participants noted that there is little doubt that private schools for the poor existed in South Africa in large numbers, and in many localities. One important question was whether they dominated education provision in these areas, as was happening elsewhere. The answers to this and other basic questions were not known.

- **The extent of unregistered schools**

Another basic issue is measuring the number of unregistered private schools in these localities, and their importance to poor learners. Their numbers and learner enrolments will not be known until the kind of research outlined by Tooley and Olaniyan has been conducted. This raises the question of how accurate official edu-

The input of the international experts has significantly raised the bar on what local analysts should know about private schooling for poor communities in South Africa

#### South Africa's independent school sector: some key facts

- 1 900 registered schools (550 in 1990).
- An unknown number of unregistered schools.
- More than 400 000 learners (fewer than 150 000 in 1990).
- 70 per cent of learners are black (58 per cent are African).
- Most private schools charge less than R8 000 a year per learner.
- The bulk of learners are in middle- to low-income categories.
- The vast majority (95 per cent) of independent schools are non-profit.
- More than 70 per cent of private schools are religious or community-based.
- Elite schools make up perhaps 10 per cent of the total registered schools.
- About 50 per cent of schools are affiliated to an association.
- Small size is a major financial constraint among low-fee schools.

Source: ISASA

cation statistics are. Do they reflect the realities of education in all our communities, particularly where the poorest people live? What faith can we put in our official statistics? The data at the disposal of policy-makers should be as accurate as possible.

- **The policy implications of private schooling for the public and private sectors**

If Tooley and others are correct – and participants agreed that their findings would probably hold for South Africa as well – the country may well be neglecting an important educational resource which could significantly enhance the opportunities and life choices of poorer South Africans. But this insight needs to be matched by some hard policy questions, including how such schools should be dealt with in national, provincial, and municipal education policies and strategies. This situation also has policy implications for those South African corporations, education foundations, and other donors which presently spurn investment in private schooling on the grounds that this is an ‘elite sector’.

- **The nature of demand for private schooling**

How important private schooling is for learners in poorer areas, and for previously disadvantaged families, requires substantial further study. Comparative studies of this kind generate anxiety and competition among all schools, public and private. Nevertheless, this is an essential area for research, which will clarify the returns on the country’s investments in education in both sectors.

Besides careful quantitative work, the nature of the demand for education from parents and learners must also be investigated. Understanding the nature of real demand drivers in South African schooling has been neglected at the expense of understanding – and rectifying – the supply side of public education.

There is little doubt that private schools for the poor exist in South Africa in large numbers, and in many localities

- **The impact of government subsidies on private schools**

The payment of state subsidies (via the provinces) to non-profit providers undoubtedly has a major impact on the education sector. One effect is apparently to encourage greater numbers of private schools in South Africa to register with education authorities, so as to access the subsidy. Official data show that 95 percent of private education provision is non-profit. This may indicate that South Africa is taking its own route to universal education, but this cannot be accepted until the appropriate research has been undertaken.

However, what is surprising is the degree to which the apparently thriving non-profit private schooling sector is not celebrated for its services to learners from poorer backgrounds. There are substantial communities of low-fee schools serving poorer communities, but their activities and achievements are obscured by more vocal, perhaps better-resourced, and certainly more politically astute, private school constituencies. Good examples of low-fee schools include those affiliated to (and supported by) the Catholic Institute of Education; the Alliance of Black Independent Schools; and ISASA. The non-profit private schools are predominantly schools with a particular religious, ethnic, or language orientation, and their fees are typically low to moderate, though nearly all seek to provide quality education.

On the other hand, public subsidies for non-profit schools (implying government oversight) are a disincentive to entrepreneurs wishing to establish for-profit schools

- is this the reason why local edupreneurs are not emerging in South Africa's disadvantaged communities in greater numbers? Both Tooley and Olaniyan's work shows that for-profit education dominates private provision for poor families in developing countries where such provision is fee-based and where the state does not subsidise private schools. Schools are owned and run by individual proprietors, local 'edupreneurs' who want to make money but also to serve their communities. Further research will no doubt throw light on these and other important dynamics.

One the most interesting yet neglected dynamics is the economic empowerment potential of education and schooling for emerging 'edupreneurs'. The fact that many white former school principals, managers, and teachers have used their voluntary service retrenchment packages to establish private schools indicates the business potential of education in this country. Combined with high numbers of unemployed teachers, there must be significant potential for rising numbers of 'edupreneurs' to emerge, particularly in African communities, where public schooling is uneven. Further research is required to illuminate this potential of education to provide new jobs and satisfy the education demands of poorer communities.

- **South Africa's private sector provision – primary, secondary, or both?**

We also need to know more about the levels of education provision in poorer areas. Are most schools primary, secondary, or both? This has implications for public school building programmes and the rollout of secondary schooling in traditionally underserved areas. Tooley concentrated on primary schooling; in South Africa, we may very well find a similar proliferation of private providers in the primary schooling sector, but this may not necessarily be the case. According to Latham and others, the secondary school sector in sub-Saharan Africa is already dominated by private schools. Is this also the case in South Africa? What is the South African pattern, and what are the implications for the provision of post-grade 9 non-compulsory schooling? Similarly, the potential roles of private providers in meeting South Africa's goals in respect of Early Childhood Development, adult basic education (ABET), and literacy needs to be examined.

One the most interesting yet neglected dynamics is the economic empowerment potential of education and schooling for emerging 'edupreneurs'

- **Comparing private and public service providers**

It is equally important to ascertain how private and public schools in poor areas compare in terms of quality and affordability. For some time now, South African learners have enjoyed free universal schooling from grade 1 to grade 9. This is a major achievement; however, parents and learners in poorer areas have begun to demand better schooling. How well prepared is the public sector to respond to this demand for more differentiated education, irrespective of the level of school fees being paid?

As the international inputs showed, this a highly complex issue reflecting intrinsic value judgements about the respective roles of public and private initiative in education. Participants' inputs reflected this complexity: it is not possible in this abridged publication to capture the full range of opinions and viewpoints. We will therefore focus on three important subsidiary issues that were discussed at length.

### **– Free public education**

The first issue is the principle of ‘free’ public education. Some participants supported the view that free public education is the only principled way of achieving equal education for all South Africans – though some doubted that public education could ever be completely free. Others differed. However, most participants agreed with Latham’s view that an intelligent combination of public and private investment in education would result in the greatest cumulative impact on poor learners.

Participants acknowledged that, in practice, free education for all was having perverse effects, mostly unintended, and mostly on the most vulnerable. This irony was not lost on participants, particularly those from Malawi, Kenya, and Nigeria, who felt that ‘free public primary education’ (implemented in support of those countries’ Millennium Development Goals) may have resulted (for many of the poorest learners formerly enrolled in private schools) in declining education standards. Thus Tooley reported that many parents would move their children back to private schools if they could afford to do so.

Tooley’s observation implies that there is at least some doubt that private schools are affordable to the very poorest learners. In such instances, ‘free public education’ is necessary. But participants agreed with Tooley that, in cases where public schools are underperforming, or simply absent, learners should be given vouchers to the value of their provincial per capita allocations which will allow them the choice of attending either private or public schools. Government subsidies might play this role in countries where they are available. However, as we will examine later, how such subsidies are made available is crucial, especially in public schools that are effectively privately run (such as South Africa’s former Model C schools).

By the same token, should government subsidies not be enough to enable learners from very poor backgrounds to attend private schools, they could be amplified by private sector and international donors. Numerous participants stated that both the public and private sectors as well as donors did not want to be seen to support ‘private schooling’ of any kind because of the sector’s inability to shed its negative image of serving the elite at the expense of the poor.

Most participants agreed that an intelligent combination of public and private investment in education would result in the greatest cumulative impact on poor learners

### **– Paying for schooling**

Participants also debated the principle of poor families paying for schooling. Some felt that this was the nub of the advantage which private institutions held over public ones – in the absence of incentives and other accountability mechanisms utilised in the public sector. There was little doubt that, if parents paid for services, they tended to hold school managers more accountable for learner and school performance. In Tooley’s words, if parents paid for their children’s schooling at private schools, they ‘became clients,’ and private education providers competed among themselves for market share.

Participants debated whether public subsidies for poor learners would achieve the same end. In many public schools, learner subsidies were manifestly failing to maintain or improve learning and teaching. This issue can only be clarified by detailed quantitative research in different categories of schools. Some participants stated that the fees payable to both private and public schools were central to this debate. However, researchers could not establish what was affordable without consulting parents.

In summary, numerous participants supported the principle of parents paying at least a portion of their children's school fees, in line with their means. This principle is already recognised in legislation, and needs to be supported.

#### **– Competition and accountability in the private sector**

The third issue is whether or how competition and accountability can be achieved in the public sector by using the kind of contracting partnerships described by Latham.

Numerous participants felt that South Africa's public schools represent the best possible arena for private action in support of affordable and high-quality schooling for the poor. Several drew attention to the fact that many township public schools were standing empty – or were practically mothballed – because of community perceptions that they were very bad. Therefore, these schools had failed the poor. At the same time, former Model C (section 21) public schools were providing some poorer learners with affordable, high-quality education.

Some participants viewed Model C schools as successful examples of local public-private partnerships which were very valuable to the country. One stated:

In section 21 Model C schools we have the very best examples of public-private partnerships in South Africa that are really working. Parents are the private part of that partnership, and contribute probably R10 billion a year to these publicly owned schools. A government publication put it at R5 billion, but this is a massive underestimate. This has enabled the government to redistribute a double amount to disadvantaged schools. If this country succeeds in extending the base of disadvantaged children who are really getting a good education, it will largely be due to these schools, because they're the only integrated schools there are to speak of.

Ironically, former Model C schools now seem to be at risk: the Education Laws Amendment Bill was described as 'a full frontal assault on the only schools in South Africa that are really working, and are really [racially] integrated'.

Some participants stated that this was a serious problem. Some argued that the opposition encountered by private schools was political motivated, or ideologically driven. However, others turned to possible solutions. One of the government's main education goals was to ensure equal access to all schools irrespective of socio-economic status or race, and it felt that Model Cs were excluding learners because they were poor and black. Others disputed this, pointing out that Model Cs were not only racially integrated (compared with other public schools), but also offered poorer learners financial support, ultimately derived from other parents who could pay. One solution proposed was to remove the financial burden on Model Cs of 'supporting' poorer learners by making a financial grant to the school equal to the average provincial cost per learner, and not a poverty-weighted proportion of that grant as is now the case. In return, these schools could commit themselves to achieving certain equity goals.

Participants pointed out that Model Cs played a key role in education, and generated a vastly disproportionate number of the higher-grade passes in key subjects such as maths and science.

Some participants viewed Model C schools as successful examples of local public-private partnerships which were very valuable to the country

- **Public–private partnerships**

However, it is clear that, for the vast majority of poor learners, affordable schooling has to be provided by public schools, many of which are underperforming, and some of which are effectively dysfunctional. What can be done about these schools? A number of suggestions were offered, building on Latham's presentation of various contracting relationships between the public and private sectors.

Tooley reported that his interest in South Africa had been piqued by the existence – rare in developing countries – of listed private education companies with significant resources. These companies represented a major and largely unrealised national asset. They possessed business acumen and experience derived from setting up, financing, and managing large numbers of very successful schools. The larger companies were open to contracting with the public sector, not only to provide non-core but also core teaching and management services as well. Many of the country's most experienced education managers – particularly financial – were therefore potentially available to the public sector, but have not been utilised. Why is this the case? What is the extent of the 'human capital' available through private education companies – including international or global companies? What steps need to be taken to bring the public and private sides of this potential partnership together?

Private education companies are for-profit enterprises. However, this does not mean that they cannot set up and run non-profit schools. One participant suggested that R&D money should be invested in developing a 'chain' of affordable quality schools that might attract financial support from commercial banks, private lenders and investors, and even public authorities. Latham had mentioned some possible contractual arrangements which would facilitate such an intervention. Would the state and the private sector be prepared to entertain experiments of this kind, aimed at demonstrating here what is becoming a feature of the education sector in many other developing countries? One participant stated that 'mothballed' public schools in Soweto presented a perfect opportunity for a high-profile public–private partnership experiment in terms of which the private sector would be contracted to run and manage a public school. Such initiatives were now common in the United Kingdom and the United States.

A key constraint on affordable quality private education is a lack of capital. However, Tooley argued that 'edupreneurs' were more than ready to invest in their own schools. Why is this not happening in South Africa? This needs to be studied, with schools viewed as small business enterprises. Does this have something to do with the broader constraints on small business in general? Or with overly zealous government regulation?

Participants mentioned that for-profit schooling in South Africa was anathema to many public officials as well as politicians across the spectrum. Private schools were subjected to many regulations from which public schools were excluded; accreditation was one example. According to one participant, all public schools are deemed to be accredited, but private providers must be accredited with the Council for Quality Assurance in General and Further Education and Training (Umalusi) and pay R700 to do so. Private schools in very poor informal settlements were subjected to Umalusi's checklist, which was initially developed for private providers of higher education. However, government schools close by had never been visited by inspectors. This made it exceptionally difficult for the private sector to become involved.

One participant stated that 'mothballed' public schools in Soweto presented a perfect opportunity for a high-profile public–private partnership experiment

Commercial banks were therefore reluctant to lend to schools, as were companies, even via their CSI initiatives. Has the time come for a major public-private ‘education empowerment initiative’, aimed at building a new business out of providing education opportunities in poor areas?

- **The role of private school associations**

Olaniyan dealt with the role of private school associations in servicing the needs of poor communities in Nigeria, and protecting poor schools against an overpowering public monopoly. His insights raise key issues for South Africa, and its apparently well functioning private school bodies. Voluntary associations appropriately defend the rights and interests of their members, and their ability to support members improves exponentially when they share common interests and goals. Is this the case in South Africa? And are these bodies committed to achieving the same ends? Whatever the answers, it is clear that, unlike Nigeria, South Africa’s private schools suffer from a very limited associational life – perhaps half of them don’t belong to an association, and therefore receive no support. Is this the reason why so many private schools are not registered, and cannot meet accreditation and other schooling requirements?

## Conclusion

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This workshop has highlighted evidence that for-profit schools are providing quality education for the poor in many parts of the world. Perhaps this evidence will help to convince South African policy-makers to move away from the misconception that the only contribution the private sector should make to education for poorer South Africans is in the form of CSI finance to public schools.

The discussion among participants with different experiences and roles in education pointed to the complexity of creating a suitable environment for increasing private sector involvement in providing education. But almost all agreed on the value of exploring these new approaches to education, and the need to find new ways of meeting South Africa’s educational needs.

The implications for education policy are also not straightforward. Some argue that the evidence presented to the workshop actually supports greater efforts to ‘rescue’ elementary public schools. Others argue that the state should ‘rescue’ poor private schools by issuing targeted public (and private) education vouchers, for example – or that private companies should be contracted to take over a school or a region’s schools, and be accountable to the provincial education department. A fourth, more radical, argument is that more public funding is part of the problem, and not the solution – the combination of parental ‘self-help’ and ‘self-finance’ and greater control are precisely why the poor are turning to private schooling in the first instance.

The scale and significance of the research being conducted by Tooley and others need to be factored into South African policy analysis. There is scope for ‘edupreneurs’ to help provide and improve schooling for poorer communities across the country. A greater recognition of the innovative role that the private sector and

This workshop has highlighted evidence that for-profit schools are providing quality education for the poor in many parts of the world

markets could play in providing quality education to poorer learners in South Africa is an essential new dimension of the debate about delivery, state capacity, and the role of the private sector. What is happening now, how far this could be taken, and whether South Africa differs from Nigeria or India are key questions. The answers will require independent, objective research at sufficient scale to assess the current national situation.





## Previous publications in this series

*Labour-intensive public works: towards providing employment for all South Africans willing to work* (April 2003)

*Growth and development in South Africa's heartland: silence, exit, and voice in the Free State* (July 2005)

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