In South Africa, as in other developing countries, low-fee private schools are growing. CDE estimates that those charging fees below R12,000 a year are educating a quarter of a million children in disadvantaged communities. The debate about their role in the education reform South Africa seeks is thick with ideology and thin on facts. What do we know about low-fee schools here? What can we learn from other countries? Can we find the right combination of public and private provision to ensure that more and more young South Africans have access to a good education as soon as possible?
The Centre for Development and Enterprise, South Africa’s leading development think tank, focuses on vital national development issues and their relationship to economic growth and democratic consolidation.

Through examining South African realities and international experience, CDE formulates practical policy proposals for addressing major social and economic challenges. It has a special interest in the role of business and markets in development.

Series editor: Ann Bernstein, Executive Director of CDE

This report is based on the presentations by Sir Michael Barber, Chief Education Advisor to Pearson PLC, and Dr Jane Hofmeyr, CDE’s Education Policy and Advocacy Director. The report was written by Dr Kim Draper, CDE’s Education Research Manager, and Dr Jane Hofmeyr.

The full report is available on CDE’s website www.cde.org.za.
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<tr>
<td>ALTs</td>
<td>Advanced Learning Technologies</td>
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<td>ANAs</td>
<td>Annual National Assessments</td>
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<td>APEX</td>
<td>Academy for Professional Excellence</td>
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<td>ASER</td>
<td>Annual Status of Education Report</td>
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<td>BRAC</td>
<td>(formerly) Bangladesh Rural Advancement Committee</td>
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<td>CAMPAC</td>
<td>Campus and Property Management Company (Pty) Ltd</td>
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<td>CDE</td>
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<td>CER</td>
<td>Cornerstone Economic Research</td>
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<td>DBE</td>
<td>Department of Basic Education</td>
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<td>GDE</td>
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<td>NECT</td>
<td>National Education Collaboration Trust</td>
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<td>NSC</td>
<td>National Senior Certificate</td>
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<td>OMIGSA</td>
<td>Old Mutual Investment Group of South Africa</td>
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<tr>
<td>PAEPL</td>
<td>Provincial Average Estimate (of expenditure) Per Learner</td>
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<td>PALF</td>
<td>Pearson Affordable Learning Fund</td>
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<td>PED</td>
<td>Provincial Education Department</td>
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<td>PIC</td>
<td>Public Investment Corporation</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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Introduction

Private education is expanding rapidly in rich, poor and middle-income countries. Between 1991 and 2003, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), private school enrolments across the globe grew far quicker than those of public schools. The fastest growth was in Africa: 113 per cent as opposed to 52 per cent for public education. In 2012, across all income groups in sub-Saharan Africa, 16 per cent of pupils were in private primary schools, and 21 per cent in private secondary schools. In southern Asia the figures rise to 18 per cent and 40 per cent, respectively.

In the developing world, however, it is low-cost private schooling that is gaining traction: in 2010, researchers estimated that there were one million ‘budget’ (low-fee) private schools in countries like Ghana, Kenya, Nigeria, China, Pakistan, the Philippines and Uganda. Between 1990 and 2010 the percentage of students in low-income countries attending private primary schools doubled, from 11 to 22 per cent.

In South Africa private schools (officially termed ‘independent schools’) have also been increasing rapidly but the sector, at officially 6.5 per cent of all schools in 2014, is small compared to other developing countries. Low-fee independent schools are also growing at a significant rate and becoming a key feature of the sector.

The South African public education system is in serious trouble and proving a major obstacle to development. The drop-out rate from public schooling is very high: of 100 students that started school in 2003, only 48 wrote matric in 2014, 36 passed and 14 qualified to go to university. Learner achievement is also especially poor, as evidenced by South Africa’s own national examinations and assessments, as well as all regional and international comparative surveys, where South Africa is among the lowest performing countries.

This is despite interventions and investment by government. The allocation to basic education of R203 billion for 2015/2016 comprises 16.7 per cent of total expenditure. In 2013 South Africa spent some 6.2 per cent of GDP on education, one of the highest percentages in upper middle-income countries. According to the 2015 UNESCO report Education for All, the average education spend as a percentage of GDP in upper middle-income countries was 5.1 per cent, and 14.9 per cent of their national budgets were spent on education.

South Africa’s dialogue about reform has focused largely on the public sector: how can government improve the delivery of quality schooling? Historically the private sector has played a role in improving education, but this has been largely as a provider of funds to initiatives within the public sector. However, South Africa could be leveraging the contribution of business, markets, ‘edupreneurs’ and philanthropic resources far more effectively to deliver better quality schooling to disadvantaged learners in the education system.

One area where the private sector is making a difference is in low-fee independent schools, an area of research for the Centre for Development and Enterprise (CDE) since 2008. We have highlighted their growth and contribution to choice and access to quality education in disadvantaged communities, and have made suggestions about how best the country can respond to this development.

To investigate this issue further, in November 2014 CDE hosted a discussion with Sir Michael Barber, a leading authority on education reform and low-cost private schools internationally. This report summarises his presentation and the discussion, and also includes an up-to-date analysis of the latest developments, new and emerging players, and the significance of the increasing number of low-fee independent schools in South Africa.
CDE’S Perspective on Education Reform

Ann Bernstein, Executive Director: CDE

South Africans debate the education question more perhaps than any other subject. It is widely perceived as one of our biggest challenges; for the vast majority of young people and their families society has failed to provide them with a quality education.

In the past 20 years South Africa has excelled in increasing access to basic education, but struggles to provide quality education on a broad front. Improving quality is no easy task, and should be seen as one of the largest management challenges in the country. In the schooling sector, there are about 12.4 million learners in just under 26,000 schools. Some 425,000 educators in nine different provinces and 86 districts around the country teach them. At this scale it is unlikely that there are any simple solutions or easy answers. System reform is complex.

Any solution to the dismal education that most of South Africa’s children are receiving has to focus on accountability. Teachers who don’t come to school or who don’t teach must face the consequences of non-performance, or the system will never improve. Performance management linked to accountability and effective professional development is absolutely vital for the quality of schooling.

There is ongoing debate about the role of the private sector in education. Much of the time it is seen as an additional funder to the public purse, a ‘cash cow’, rather than an active participant in reforms to improve the quality of teaching and learning. But this is changing for the better.

CDE has been a key player in arguing that the role of the private sector should include involvement in policy issues through research, debate and dialogue. In this context, CDE welcomes the formation of the National Education Collaboration Trust (NECT). At the end of 2014 Sizwe Nxasana, outgoing CEO of FirstRand Bank Holdings and chairman of the NECT, spoke about the role of this new institution, the critical challenges it faces, and the priorities as he sees them with regard to the professionalisation of teachers: performance management, continuous professional development, accountability, ethics and discipline.

CDE has also argued that the private sector should stop funding ad hoc projects and adopt a much more strategic approach to changing as large a system as schooling.

In the last few years, private equity, individuals, donors and companies have recognised the potential of affordable independent schools and begun to invest in chains of both low- and mid-fee schools.

In the case of private schools for the poor, South Africa is behind the curve relative to many developing countries, and the independent sector as a whole is a relatively small one in international terms. (Although CDE would argue that it is a much larger sector than the official figure of 6.5 per cent of South African schools.) Thus, while the sector is expanding rapidly, it is doing so from a low base.

In most other developing countries, these schools are a much larger phenomenon. The numbers in India, for example, are astonishing. India is a vast country with over 1.2 billion people. The Indian schooling system is the largest in the world with some 253 million students enrolled in 1.4 million schools. One can imagine the challenges faced in educating all these children.
Private education has expanded rapidly in India: enrolment in elementary schools is approximately 35 per cent and over 50 per cent at the secondary level. In-depth studies in cities like Mumbai and Patna show that upward of 75 per cent of children in these cities are attending private schools. According to the 2014 Annual Status of Education Report (ASER), enrolment in private elementary schools in rural India has increased from 19 per cent to 29 per cent in the seven-year-period from 2006 to 2013.

Poor parents make great sacrifices to send their children to private schools. This is often as a result of their disillusionment with government schools and their willingness to pay for their children to attend very rudimentary private schools.

Studies undertaken of the factors behind this trend and the performance of these schools provide a very clear lesson – in system reform, accountability matters. In private schools in India, for example, the teachers are accountable to the school manager who can fire them for non-performance. And the manager is accountable to the parents who can withdraw their children (and fees) from that school. This is unlike government schools, where the chain of accountability is much weaker: teachers have a permanent job with salaries and promotions typically unrelated to performance.

CDE has been involved in a wide range of education policy issues for the past 20 years. It has worked for, and continues to work towards, fundamental reform in the public schooling system. We do not advocate the wholesale privatisation of education, but see the independent school sector as complementary to the public system and a key part of the solution to improving the quality of South African education.

CDE argues for a diversified national system where parents have a choice, whether they’re poor, middle class or wealthy. But most important of all, we want more learners to receive a decent quality education and we want better results.

Low-Fee Private Schools: International Experience

Sir Michael Barber, Chief Education Advisor: Pearson

Sir Michael is a global expert on education reform and large-scale system change. He is the Chief Education Advisor to Pearson and chairs the Pearson Affordable Learning Fund (PALF) that invests in low-cost private schools serving the world’s poorest students. Sir Michael also commits some of his time, pro-bono, to the British government in their efforts to help the education reform process in the Punjab Province of Pakistan, home to around half of Pakistan’s population of 200 million.

The Global Education Crisis

In spite of repeated global commitments, we are not on track to meet the Millennium Development Goal of universal primary education by 2015. Getting every child in the world into primary school and learning is proving to be a tough challenge. At present over 60 million primary children are not in school at all. Another
250 million or more are in school but barely learning anything worthwhile. Apart from being a betrayal of human rights, this is storing up tremendous problems for those children and their families, and for all of us.

One of the greatest challenges for education in the 21st century is the regularity and speed at which technology changes. This inevitably affects the types of jobs that are available, the nature of the labour market, and the way economies function. Being uneducated in this day and age will significantly limit a person’s employment opportunities. In South Africa, currently, more than a quarter of the working age population is unemployed, the majority of them are under the age of 25. The difference between not being educated and being educated is more extreme that it’s ever been before. The 21st century is going to be a very, very tough place for anybody who does not have access to quality education.

The global shift is now away from the focus on increasing access to education to improving learning outcomes. While enrolment is an important first step, it is not enough. The demand for more and better schooling, and providing access to quality education for a growing number of students, fuels the debate around which sector of the economy is best placed to provide high quality education – public or private.

Public or private?

There are those who argue for government being the funder, regulator and provider of education as a public good. Others leap to the conclusion that if the public sector is not up to the job, it should get out of the way and leave it to the private sector. But a purely private approach is no more likely to work than a purely public one. I’m not in favour of purely public education systems. Similarly, I’m not arguing for purely private provision. The issue is the right combination of public and private. I often say that the road to hell in education is paved with false dichotomies.

It would be better to ask how we make sure that every child is in school and gets a good education regardless of whether they’re in the public or the private sector. This question will allow more creative policy solutions to the crisis in education in South Africa, as in many other countries around the world.

Most people think government should regulate education to impose quality standards that will ensure the entire public is getting a good service. Education is a really important public good, so getting the regulation system right is crucial. But that doesn’t mean that government has to be the sole or monopoly provider of education. Indeed, where government is generally the monopoly provider, or seeks to be the monopoly provider, parents vote with their feet: they vanish from the public system because they are frustrated with what they get. That is one reason for the burgeoning, low-cost private school sector right across Africa, parts of Asia and, indeed, sections of South America.

Irreversible System Change

So how do we get the change needed in the system, a change that is sustained or irreversible? It’s not about spending more. In many countries, public expenditure on education has risen but results have remained flat. This has certainly been the case in South Africa over the past 15 to 20 years. The fundamental reason investment is going up and results are not is that most of that investment is going into teachers’ pay without a change in teacher behaviour. Around 90 per cent of the education budget in South Africa goes to paying
teachers. In Ghana, it is even higher, at around 95 per cent. Both South Africa and Ghana have schools where children haven’t had a textbook for years because the money is spent on teacher salaries. Increasing the money paid to teachers, without demanding a change in what teachers do in classrooms, will not result in improved outcomes.

This is not sustainable in a context where there are many other increasing demands on the public purse. It is likely that people will get frustrated by paying tax, at ever-increasing rates, for a service without any improvement in results. This problem is not unique to South Africa – it’s a problem in both developing and developed countries. Both Australia and England, for example, have failed to achieve substantial improvement in their school achievement levels over the past 10 years, despite an increase in expenditure.

To improve the system, you need real change, and you need that change to be irreversible. Irreversibility means that 1) learning outcomes are demonstrably improved; 2) the educational structures are modified, so that even if you decided to go back it would be really difficult; and 3) the culture is changed, so nobody wants to go back in any case, because they can see the new system is better. Unless you get all three in place it’s easy to slip back.

If you get the right elements for change, you get momentum towards irreversibility and ultimately system change. While the government is delivering the change, it has to win the battle of ideas. It has to win the ground war (implementation challenges) and the air war (ideological challenges) at the same time. Trying to win the air war, the battle of ideas, requires constant pressure in the ground war – government must keep the momentum of implementation on the ground to get irreversibility.

Private Schooling for the Poor: Pakistan

In Pakistan, as in many other developing countries, poor parents are increasingly choosing to send their children to private schools. Punjab, the most populous province of Pakistan, is home to 100 million people, about half the population of Pakistan. In Punjab as many as 40 per cent of children are now in low-cost private schools. It is estimated that around a quarter of rural children are in private schools, and in the urban areas it’s more than half.

Using public-private partnerships to improve access and quality

The Punjab education system is an example of major, rapid, whole-system reform that involves a collaborative relationship between the public and the private sector. Part of its success lies in good public-private partnerships (PPPs), such as the Punjab Education Foundation.
The Punjab Education Foundation

The foundation was established in 1991 and restructured in 2004 into an autonomous, private institution to promote high-quality education for the poor through partnerships with the private sector. It is funded by the government of the Punjab Province of Pakistan and is headed by a team, most of whom are from the private sector. The Foundation’s Assisted Schools Programme aims to improve the quality of education by taking advantage of the growing number of private schools in Punjab. The programme attempts to improve the quality of education in Punjab through three components: a voucher scheme (launched in 2006), teacher training, and a monetary incentive to schools for improved academic performance.

Through this sort of partnership, the private sector in Punjab is not so much a competitor as a partner in delivering quality education to the poor. In Punjab, getting poor children into schools has been a key strategy over the past few years. PPPs have allowed millions of children to attend publicly-funded, privately-managed schools. These schools receive their funding from the government, but are free to the parents who send their children there. This is made possible through a voucher programme, the most rapidly expanding education programme in the Punjab Province. For the 200,000 children from poor families that would not otherwise be in school, a voucher of 6,000 rupees (about R1,200) a year allows them to access schooling at privately-managed schools. The voucher programme is increasing access and allowing children to go to schools that provide a better education, on average, than the public schools in Punjab, which cost the government about 15,000 rupees per student each year. Vouchers are cheaper for the government. And the children who use them to access low-fee private schools are achieving better learning outcomes. If you’re the finance minister, this looks interesting!

Of course, dealing with corruption in the voucher system is an ongoing concern. Using watermarked vouchers with a photograph of the child is one strategy that the Punjab Education Department has used to counter fraud. Introducing a smart electronic card will certainly help reduce the incidence of corruption. Making sure that the right children, those children from poor families, are supported to access education through the voucher system is key to securing more equitable educational opportunities for all children. The voucher system in Punjab offers lessons for other education systems wishing to increase access to better-quality private school opportunities for poorer children.

The importance of effective leadership and accountability

Strong leadership from the Punjab Chief Minister, Muhammad Shahbaz Sharif, contributed to turning the failing education system around. There is no substitute for good political leadership. When the Chief Minister of Punjab asked ‘How do we get every child in Punjab a good education, regardless of whether they are in the public or private education sector?’ the solution was the Punjab Education Reform Roadmap. The Roadmap is a provincial strategy for improving the quality of primary and secondary education. The Chief Minister is urgently trying to improve the public system through effective performance management and at the same time building a private sector that will make a major and positive contribution.

The big shift you’ve got to get in a place like Pakistan to establish democracy, which is very fragile, is the shift from the politics of patronage to the politics of delivery. And this is what the Chief Minister understands. In Pakistan, like in so many other countries, getting the policy right is only a small part of the challenge. The
biggest part is making sure that it is implemented in every school, across the system. The Chief Minister’s hands-on leadership approach to managing the delivery of quality education in all schools in Punjab’s 36 districts is grounded in a strong chain of accountability.

**The chain of accountability**

This extends along the whole delivery system – from the Chief Minister to the teachers in the classroom. Part of the success is the focus on using monthly data to keep the Chief Minister and his team of district education leaders informed about where the problems are, to make decisions based on that data, and to act immediately to solve problems. He meets every month with the top officials from the Punjab education system to check that the Roadmap is being implemented. The Chief Minister and his team set targets for the districts to achieve by a fixed date: better teacher attendance, improved student attendance, getting books and teacher guides into the schools, and fixing buildings. These are basic targets, but essential in getting a school system to work. They established a data system, so that every month, they receive data from every school on each of the targets. CDE 2015

It seems to be working! This approach has resulted in an increase in teacher attendance from around 80 per cent to about 92 per cent. The number of school buildings with basic infrastructure improved from approximately 80 per cent to over 90 per cent. The key to success was the team of highly competent officials who oversaw the Roadmap and held all officials accountable. In the Chief Minister’s terms, his approach is ‘patting those [on the back] who have done a good job, and sacking those who are found to be dead wood’. Based on the previous successes, a new set of standards for 2018 have been developed. These now include learning outcome targets.

The measurement of learning outcomes is particularly interesting and innovative. Each month, data-collectors gather information on learning outcomes. They each have a tablet, and using a simple test with randomly generated mathematics and English questions, children in schools are tested. This almost instantly generates mathematics and English results for around 60,000 schools. This system is still in its infancy, but if it works, it will be a really powerful way of tracking progress in outcomes.

This delivery strategy can be particularly effective in the private schooling sector, in part because there is a very clear, simple chain of accountability. The parents pay, the school manager manages, and the teachers teach. If the school manager doesn’t manage, the teachers don’t come to work, the parents stop paying school fees, and the school will go broke. This effective form of accountability is mostly absent in the public sector.

**Innovation in Low-Fee Private Schools**

Improving educational outcomes can be achieved through the active reform of an existing system, as in the case of the Punjab education system, but also by innovating and doing things differently. Innovation in a public education system is difficult because it is tough for governments to take risks – the stakes are perhaps too high. It is in this area that the private education sector can make a significant contribution to improving educational outcomes.

The Pearson Affordable Learning Fund (PALF), founded in 2012, supports this sort of innovation in private schools in developing countries across the world. PALF funds affordable learning in schools which cater for children from low-income families, as well as private schools catering for older students at the end of high
school when they move into vocational education. PALF was created with the fundamental belief that every learner deserves access to a quality education and that innovation and private providers are critical components to achieving that goal.

A key aspect of their strategy is to embed in any investment agreement a requirement that the provider has to measure and publish their learning outcomes. This allows a built-in evaluation of the programme. In their seven investments around the world (four in India, two in Africa, one in the Philippines), PALF is trying to reduce the unit cost per child in a low-fee private school to less, or no more, than the cost of educating a similar child in a government school. If successful, these projects will be true demonstration projects, showing governments how better learning outcomes can be achieved at potentially a lower cost.

SPARK Schools in South Africa, a network of affordable private schools that is backed by PALF, have adopted an innovative blended learning programme based on an experimental programme in California called Rocketship Education. Rocketship is a network of public elementary charter schools, serving primarily low-income students in neighbourhoods where access to good public schools is limited. Rocketship Education has rethought the traditional school model, allowing each child to learn in their own way with a combination of traditional instruction, technology and tutoring. The use of blended learning generates a lot of excitement in learners and the learning outcomes are demonstrably higher than the learning outcomes in the public system.

By combining whole group, small group and online learning opportunities, the cost of educating each student is kept low. Expansion of the SPARK Schools model in South Africa will ensure that, through innovation, their costs per student will be no more than the cost of educating a learner in a public school in Johannesburg.16

Pakistan provides us with another example of an educational innovation: the use of tablets in education for children from poor communities. The programme, Teletaleem, was initiated in 2009 as a collaborative effort of technologists and educationists.

**Teletaleem**

The Teletaleem project enhances learning achievement in mathematics for students in remote rural areas by connecting them to widely available, but often inaccessible, online learning content and tools. The goal of the project is to use advanced learning technologies (ALTs) to attain broad-based access and improved quality of education in primary schools. A mobile satellite-enabled van provides the schools with learning services enabled by information and communication technologies (ICTs), such as teacher training, student learning and assessments, supported by ALTs. As the van moves between schools, it becomes a portable classroom in which each child has a tablet and lessons presented by expert mathematics teachers are beamed into the classroom on a large screen. The project gives these children the opportunity to learn from expert teachers through the use of portable technology (tablets).

A third example of innovation in private schools comes from the Academy for Professional Excellence (APEX) in the Philippines. APEX was established to address the need in retail and service sectors for qualified and well-trained professionals. Alongside the normal school curriculum, the academy offers job-specific training programmes in retail, tourism and other service industries. Their graduates are immediately employable: they are ready for the workplace because they have acquired the necessary knowledge and skills through work experience and on-the-job training. The strong partnerships between the school and the affiliated companies mean that graduates can move straight from school to employment.

Over time all these different types of innovation provide an opportunity to improve an education system as a whole. There are two ways the public sector can learn from these sorts of innovations. One is to try these
innovations in the private schools and build models that can then be adopted into the public system and become truly transformative. On the other hand, the public sector can fund innovations in the private sector because children are getting much better outcomes for the same amount of money.

Keeping Private Schools Affordable

Keeping the fees low in private schools is always a concern. In most schools the salary bill makes up a very substantial portion of the annual school budget. For low-fee independent schools this can be a huge challenge, making it difficult to keep the fees affordable for low-income families. BRAC (formerly Bangladesh Rural Advancement Committee) schools in Bangladesh provide an example of how the salary bill is kept low, thus making the schools more affordable.

BRAC is a development organisation founded in Bangladesh in 1972. It has education programmes in six countries with more than 900,000 students worldwide enrolled in its private primary schools. These one-roomed schools with a single teacher who teaches all subjects account for approximately 10 per cent of the primary school children in Bangladesh. Designed to give a second chance for learning to the disadvantaged students left out of the formal education system, they complement mainstream public school systems with innovative teaching methods and materials. The education programmes open private primary schools in communities not reached by formal education systems, bringing learning to millions of children, particularly those affected by extreme poverty, violence, displacement or discrimination.17

A typical BRAC teacher is a woman from the community in which the school is situated, with 10 years of schooling experience, but no formal teaching qualification. Teachers undergo an initial 12-day training course in order to acquire basic information on teaching and learning and to enhance their teaching abilities. Each one-teacher school is operated by the same teacher for the same cohort of children for a period of four years and delivers lessons in all subjects. In Bangladesh, students in the BRAC schools obtain better results than students in the public system.

Concluding Remarks

In the end, everybody is going to be judged on outcomes. Increasing learning outcomes, wherever you are in the world, is a really important part of preparing citizens for the 21st century.

Reforming public systems is important, but governments should not only be thinking of how to improve education in the public system. They ought to be focused on how to give every child a good education as soon as possible.

The key is the right combination of public and private education to achieve the innovation and the big leaps forward in the next 10 years. This should be possible if we get the policy and the implementation right.
Low-Fee Independent Schools in South Africa: Facts, Trends and Issues

Dr Jane Hofmeyr, Policy and Advocacy Director (Education): CDE

For 15 years Jane Hofmeyr was the Executive Director of the Independent Schools Association of Southern Africa (ISASA) with 700 diverse member schools, including many low-fee independent schools. She also has been involved in numerous national and international research projects on private schools and in 2012 she worked with an NGO in New Delhi to help it establish a national alliance of state associations representing thousands of low-fee private schools in India.

The Independent School Sector in South Africa

The definition of a private or independent school differs from country to country. In South Africa a broad description is used. Effectively any school that is not a public school (state-controlled) is an independent one (privately governed and operated) and consequently there is great variation among independent schools. The nature of the independent school sector in South Africa, and especially of low-fee schools, is very different from most other developing countries: the vast majority of schools are not-for-profit, the fees of South African low-fee schools are considerably higher, girls are the majority of learners, a maze of actively implemented legislation and regulations governs independent schools, and they face severe sanctions if the requirements are not met.

In South Africa qualifying not-for-profit schools charging low- and mid-level fees may obtain a state subsidy. This is not common in developing countries. Another difference is that the right of independent schools to exist is protected in the 1996 South African Constitution – as long as they do not discriminate on the basis of race, are registered with the state, and maintain standards that are not inferior to those of comparable public schools. They express fundamental democratic rights such as parental choice of education, and advance the right to basic education. The Constitutional Court found in April 2013 that the right to basic education applies to all children whether in a public or an independent school.

Data Problems

Poor data on private schools is a problem in developing countries. Government databases are unreliable and many private schools are unregistered, and thus not included in any official databases. Yet field research in specific areas has revealed that unregistered schools are a very large part, if not the majority, of low-fee private schools in many countries.

South Africa suffers from the same challenges. According to the Department of Basic Education (DBE) in 2014 there were 1,681 registered independent schools (6.5 per cent of all schools) in the country and 538,421
learners (4 per cent of all learners) were enrolled in them. However, the sector is undercounted as researchers have found and government recognises. Umalusi, the statutory body with the mandate to accredit all independent schools, estimated that in 2013 there were about 3,500 independent schools.

The number of unregistered independent schools in South Africa is unknown. The only research that has been carried out on unregistered independent schools is CDE’s school survey in 2008 and 2009. This revealed that about a quarter of the low-fee independent schools in the six poor areas surveyed were unregistered. Without a large-scale mapping exercise it is not possible to determine how many there are in the country.

Unregistered schools are illegal and should be closed by the provincial education departments (PEDs), but this happens infrequently. Many PEDs lack the capacity to do so, but from time to time some do conduct audits to verify the number of registered schools and in the process they identify unregistered ones. Some schools have tried to register over the years, with no success, either because they cannot meet all the requirements or because of departmental inefficiency.

While the focus of this report is on low-fee independent schools, it is very difficult to obtain information about them because government data on independent schools is not disaggregated enough to enable this. Consequently, except where CDE has undertaken its own research or obtained data directly from some of the PEDs, we have had to use the official data on the whole independent school sector, despite its limitations.

**Independent schools: Myth and Reality**

The discussion about independent (private) schools in South Africa is frequently based on assumptions, assertions and myths. For an informed debate we need some facts.

**Myth: Independent schools are expensive, exclusive and deepen social inequality.**

- Low-fee independent schools that charge annual fees below R12,000 educate an estimated 250,000 children. Without these schools even fewer children would have access to good education in communities where there are no or dysfunctional public schools.
- Most low-fee schools are not selective, and accept learners who have failed in the public system to give them a ‘second chance’ at passing matric. Most provide bursaries to children who cannot afford the fees.
- In low-fee schools nearly all the learners are black.
- Girls make up 51 per cent of learners in all independent schools, but 63 per cent in low-fee high schools.
- With very few exceptions, low-fee schools follow the national curriculum, embodying the national goals and values, and they write the state matric examination.

**Myth: Support for the growth of low-fee schools means support for the privatisation of all**

Although the independent school sector is growing, it is off a very small base – only some 4 per cent (about half a million) of the 12.4 million learners in school. It is quite possible to support private schooling and increased access and choice for poor parents and work for the reform of the public schooling system, as CDE does. The innovative, cost-effective models with which low-fee schools are experimenting can inform system reform.

**Myth: Independent schools turn education, a public good, into a profit-generating commercial commodity.**

Most independent schools in South Africa, and especially low-fee ones, are not-for-profit and qualify for Public Benefit Status for providing a public good. Most of them rise organically out of communities’ unmet needs for access to a school, good quality education, or a different type of schooling. The majority of the new chains of low-fee schools are also not-for-profit. Most also have extensive community development programmes or partnerships with public schools. For-profit independent schools also help fulfil demand from parents for good quality schooling, which the country urgently needs.
Myth: Independent schools undermine children’s fundamental right to education and the state’s obligation to provide it.

On the contrary, the Constitutional Court in April 2013 found that the right to basic education applies to all children whether in public or independent schools. This means that the independent school sector as a whole is fulfilling the right to education of half a million learners.

Independent schools also enable parents to exercise their democratic right to choose the education they want for their child, such as faith-based schooling, which is not within the state’s mandate to provide.

Myth: Independent schools are a distraction from the challenge of improving public schooling.

The national and provincial departments of education are devoting considerable effort to improving the public school system, as are the private sector and many non-governmental organisations. In the meantime, independent schools not only offer parents choice, but contribute to the education system by:

• Saving the state money, thus releasing more funds for public schools. If the 500,000 learners in all independent schools had to be accommodated in public schools, it would cost the state some R6 billion a year in operating costs alone, never mind the capital costs of building and equipping all the extra public schools that would be needed.

• Experimenting with innovative and cost-effective educational models, which if successful, can be adopted by the public system and benefit all children.

Myth: State subsidies to independent schools deprive the public system of funding.

• None of the for-profit or high-fee independent schools qualify for state subsidy.

• Less than 1 per cent of provincial education budgets is spent on subsidised independent schools (except 1.45 per cent in Gauteng with nearly half of all independent schools).

• Even subsidised independent schools save the state considerable money: R1.85 billion in 2013 in operating costs alone. The Constitutional Court agrees that subsidised independent school “constitute a saving on the public purse” resulting in more funding being available for public schools.

Change and Growth

In the last 15 years there has been substantial growth in the South African independent school sector at all fee levels. The official figures show that between 2000 and 2013 enrolments at independent schools doubled from a quarter to half a million learners.28

With this growth the profile of the independent school sector has changed dramatically. What used to be a predominantly white, high-fee school sector, now has a majority of schools which serve learners from middle-to low-income families and nearly 80 per cent of the learners are black.29 The gender profile is favourable for girls: in 2014 they made up 51 per cent of the learners in independent schools and this increased to 53 per cent in Grades 10 to 12.30

The growth in the independent sector has been greatest in Gauteng, where independent schools and learner enrolments have grown faster than those in the public school sector.31 Gauteng has the highest number of independent schools in the country: in 2014 there were 651 independent schools catering for about a quarter million learners (246,898).32 They constitute 24 per cent of all schools and 11 per cent of all learners in the
province and, according to the Gauteng Department of Education, are ‘making a meaningful contribution to providing access to education for all Gauteng citizens’.33

How can the growth of independent schools be explained?

Internationally, two main demand factors have been identified as responsible for the growth of private education: unmet (excess) demand for education above what the state can provide, and differentiated demand for a better quality of education or alternative types of education than the state can provide.34 In South Africa unmet demand comes from all population groups and socio-economic levels. New high- and mid-fee independent schools are typically established in the rapidly expanding suburban areas where government provision lags behind population growth, whereas low-fee schools are established in inner cities, townships, informal settlements and rural areas.

Similarly dissatisfaction with the quality of public schooling fuels much of the growth of the independent school sector in all communities. Parents’ desire for a type of education that the public system cannot provide is also a strong factor, with many wanting a faith-based education or, say, a Montessori or Waldorf school.

Since 2011, however, a new development has significantly accelerated the growth of independent schools. Many more companies, edupreneurs and organisations have entered the field to establish chains of schools. This development and its implications for low-fee schools is discussed fully in a later section of this report.

**Low-Fee Independent Schools**

There is no universal definition of what constitutes a low-fee school, because what is regarded as ‘low-fee’ differs from country to country. CDE has defined low-fee independent schools in South Africa as those that charge fees of less than R12,000 per year. In broad terms R12,000 equates to the 2014 provincial average estimate (of expenditure) per learner (PAEPL) in an ordinary public school, against which the subsidy amount that independent schools may receive is calculated.35

Independent school subsidies are awarded on a sliding scale depending on a school’s fee-level and the PAEPL. In the **National Norms and Standards for School Funding** of 2006,36 not-for-profit, qualifying independent schools serving poor communities and charging fees less than half of the PAEPL (some R6,000 a year) can obtain a 60 per cent state subsidy. Those schools that charge between R6,000 and R12,000 a year can obtain a 40 per cent subsidy. Thus 60 and 40 per cent subsidised schools are low-fee schools in CDE’s definition.

Schools that charge fees higher than 2.5 times the PAEPL can obtain either a 25 or 15 per cent subsidy depending on their fee-level relative to the PAEPL. CDE regards the schools obtaining a 25 per cent subsidy (fees less than some R18,000) or 15 per cent subsidy (less than about R30,000) as mid-fee ones.

When an independent school’s fees are higher than 2.5 times the PAEPL (above some R30,000 in 2013 depending on the province), it is regarded as a high-fee school and cannot obtain a subsidy.
How do low-fee independent schools begin?

Poor communities’ needs typically give rise to low-fee schools. Often working parents encourage the owner of a small informal day-care centre to expand into a pre-school, and ultimately the initial grades of a primary school. Over time such schools add more grades and classes as the demand increases.

Low-fee schools are also set up and funded by NGOs, or altruistic teachers who want to give disadvantaged children a better chance in life. A few have begun as outreach programmes of high-fee independent schools, and many are linked to Christian churches or other religions. Some low-fee schools have been expanded into chains to meet increasing demand and in recent years this has become a significant development. (See later in the report, and Appendix C.)

Low-fee schools can be found almost anywhere: in a warehouse, an inner city office block, a house in a township or a suburb near a taxi route, an old bank building, a Putco bus depot, an old farm house, a vacant government building, and in part of a public school.

In inner cities, low-fee schools are established to cater for learners desperate to obtain a National Senior Certificate, especially over-age repeaters, who are not allowed to re-enter public schools if they have failed more than once. Many immigrant children are catered for in inner city schools. Parents often choose these schools and those near taxi ranks because they feel their children will be safer in them than in townships.

What about the quality of education in low-fee independent schools?

Considerable research in other developing countries has found that, on average, pupils in low-fee independent schools, whether registered or unregistered, score higher in the tests administered than those in nearby public schools.37 CDE found the same in the six poor areas of South Africa that it surveyed in 2008 and 2009.38

The quality of low-fee schools is controlled through extensive and strict regulatory requirements for registration, accreditation and subsidisation.39 These are actively implemented and schools face severe sanctions if they fail to meet them: closure as illegal schools if not registered, or if registered, they can be de-registered by the province; the refusal or removal of their accreditation by Umalusi; or the loss of their subsidy.

These controls and sanctions work to protect poor parents and learners from bad education. But there are always some exploitative ‘fly-by-night’ schools, typically unregistered, that give the independent sector a bad name, and the provinces are responsible for closing them down.

More is required of independent schools than public schools. Many public schools, especially those in poor communities, would be unable to meet the standard of provision required for registration and no public school has to be quality assured for accreditation.

The quality of learner outcomes in subsidised independent schools is closely regulated: their learner achievement has to be at least equal to the provincial average in the Annual National Assessments (ANAs) and the National Senior Certificate (NSC) examinations to qualify for subsidy the following year.

Even if a school is not subsidised, its pass rates are closely monitored by the PEDs because these influence the provincial results – typically positively, but not always. For example, in Gauteng 23 registered independent schools were among the worst performing schools in the 2012 NSC examination. However, a closer analysis of these schools revealed that they are set up for ‘repeaters’ who have failed Grades 10, 11 or the NSC, and so
offer them another chance of passing. They are ‘top-heavy’ high schools with very few learners below Grade 10. In one or two years it is very difficult for these schools to remediate the learning gaps of the repeaters and so they lose their subsidy.  

Unfortunately, a direct comparison of the results of public and independent schools serving communities of the same socio-economic status is not possible as long as the state does not publish separately the results of public and independent schools in the ANAs and NSC. This is long overdue.

How many learners are in low-fee independent schools?

The PEDs do not provide disaggregated data on registered independent schools according to fee-level. However, CDE has developed an indicator based on the subsidy levels to estimate the learner enrolment of registered low-fee independent schools.

As explained above, CDE defines low-fee schools as those whose annual fees qualify for a 60 or 40 per cent subsidy, and mid-fee schools as those obtaining either a 25 or 15 per cent subsidy. To pay out the per learner subsidy every year the PEDs have to record the number of learners in each school according to these four subsidy categories. Thus the total learner enrolment in the schools in the 60 and 40 per cent subsidy categories provides the most readily available indicator of the total enrolment in low-fee schools.

It does not capture the learner enrolments in for-profit low-fee schools that cannot qualify for a subsidy, but the vast majority of low-fee schools in the country are not-for-profit and apply for a state subsidy, so this indicator enables CDE to identify most registered low-fee schools. Using the low-fee subsidised school indicator CDE has been able to illuminate the contribution that low-fee schools make to schooling provision in South Africa at the provincial and national levels.

Low-fee school enrolments in Gauteng

In Gauteng low-fee schools’ contribution is significant and rising annually. In 2014 some 73,000 learners in Gauteng were educated in low-fee, not-for-profit independent schools serving poor communities (see Appendix B). If they did not exist, the Gauteng Department of Education (GDE) would need to build another 73 or so schools, each with 1,000 learners. The department is already hard-pressed to build enough schools to overcome the school backlog (2,850 in 2012) and accommodate the annual growth in learner numbers in the province. In fact, if all 246,898 learners in all independent schools (high-, mid- and low-fee) had to be accommodated in public schools, Gauteng would need another 240 public schools. The growth rate in learner enrolment in low-fee subsidised schools in Gauteng is outstripping that of public school enrolment. Between 2013 and 2014 the learner enrolment in subsidised low-fee schools grew by nearly 5 per cent (although from a low base) as opposed to 2.4 per cent in public schools.
Low-fee school enrolments in three provinces
CDE was able to obtain the 2014 learner enrolments in subsidised independent schools from three provinces – Gauteng, Western Cape and Free State – with good independent school databases (see Appendix B). From this information the following picture emerged:

- Some 94,000 learners were in subsidised low-fee schools in the three provinces.
- These constituted 30 per cent of the learners (311,523) in all 934 independent schools in the three provinces.
- Far more learners were in low-fee schools than in mid-fee schools in the three provinces. In Gauteng they constituted 75 per cent of subsidised learners, in the Western Cape 60 per cent, and in the Free State 80 per cent. This shows how the socio-economic profile of the sector has changed since 1994.

National low-fee school enrolments
From the three provinces’ figures, research undertaken by Cornerstone Economic Research (CER) in 2013 and DBE statistics, CDE was able to estimate the 2014 learner enrolment in low-fee independent schools in South Africa:

- CER found that in 2012, there were 182,757 learners in low-fee subsidised independent schools in eight provinces (excluding the Northern Cape because it has so few schools).
- Learner enrolment in all independent schools grew by 14 per cent between 2012 and 2014. If this growth rate is applied to low-fee learner enrolments then the number of low-fee school learners in the country increases to 208,342 in 2014. But this is too low a figure because it does not include the unsubsidised for-profit low-fee independent schools (or the unregistered schools), and we know that the official DBE statistics are an undercount.
- A realistic estimate is that in 2014 a quarter of a million learners were being educated in low-fee independent schools in South Africa.

This shows that low-fee independent schools are not a minor phenomenon at the fringes of the sector and they are multiplying year on year, although still off a small base.

What do subsidised independent schools cost the state?
Gauteng, with by far the most independent schools, spends some 1.45 per cent of its education budget on subsidies to qualifying not-for-profit schools. In all other provinces the subsidies amount to less than 1 per cent of their education budgets.

Even subsidised independent schools save the provinces money. In Gauteng, for instance, independent schools have reduced pressure on the public schools at an estimated saving of more than half a billion rand (R518,589,918) in 2012/13. In 2012/13 if all subsidised independent schools in the country had become public schools, it would have cost government R1.85 billion in recurrent costs (excluding the capital costs of buildings, furniture, equipment and learning and teaching materials). Of course this figure does not factor in the amount that unsubsidised independent schools save the state.
The fact that subsidised independent schools ‘constitute a saving on the public purse’ resulting in more funding being available for public schools was pointed out in the Constitutional Court judgment of April 2013. Judge Froneman held that: ‘There is no rational basis that I can discern how … reducing the subsidies to independent schools – can rationally advance or contribute to the end – the advancement of the right to a basic education – if it will effectively raise the cost of public basic education.’

The state will have been saved considerably more money by the recent emergence and continuing expansion of chains of independent schools.

Chains of Independent Schools

Although the independent school sector is predominantly not-for-profit, in the last few years, more for-profit independent schools have been established, and especially branded chains. The new chains have advertised themselves as ‘affordable’ and even ‘low-fee’ independent schools. However, according to CDE’s definition they are mid-fee rather than low-fee. See Appendix C for more detail about all the chains that CDE was able to identify by April 2015. A summary is provided below.

The chains can be grouped into three main categories.

• **Publicly listed companies on the Johannesburg Stock Exchange:** The main players are AdvTech and Curro. AdvTech is expanding in the high-fee market but at the end of 2014 announced that it intends to push into the ‘lower fee’ category of independent schools. Curro began in 2011 and has expanded rapidly to 36,021 learners in 42 schools. With fees ranging between R24,000 and R50,000 per annum, the Curro schools are intended as affordable schools for the middle class. However, its Meridian schools brand charges lower fees.

• **For-profit chains of independent schools:** In 2000 the first Reddam House School began and by 2015 the high-fee chain has expanded to six schools. Two new for-profit chains have emerged in the last few years. The SPARK Schools under the eAdvance company launched in 2013, grew to four schools by 2015, and in 2016 will open four more schools. In 2015 its fees are R15,750 per annum. Prestige College in Hammanskraal is expanding into a new chain of schools and in 2015 Thornview Prestige College was opened as a mid-fee school.

Recently Kagiso Trust announced that it intends investing in low-fee schools in townships through its investment arm, Kagiso Capital.

• **Not-for-profit chains of independent schools:** There are numerous smaller not-for-profit chains of which CDE was able to identify 11. Most are low-fee chains with the exception of two mid-fee ones, Pioneer Academies and the schools of the Royals Management Company.

Four older low-fee school chains include Vuleka, the Get Ahead Project, BASA Educational Institute Trust and LEAP. The 2 Oceans Education Foundation, the Love Trust and the African School of Excellence are newer additions to the sector.
Investment in the chains has come from individual investors and large entities such as Pearson through PALF. The Old Mutual Investment Group of South Africa (OMIGSA) and the Government Employees Pension Fund have invested in many chains through the Schools and Education Investment Impact Fund of South Africa.

Some important points emerge from this scan of independent school chains:

• The biggest chains are those of the publicly-listed companies.
• Most for-profit chains are mid-fee and therefore affordable for the lower to middle class, and some, which are high-fee, are aimed at the upper middle class.
• Typically the not-for-profit chains are low-fee schools.
• All the new players and the expansion of chains have had a considerable impact on the growth of the sector. For example in 2013 and 2014 Gauteng, the Western Cape and the Free State together received 307 applications for registration from new independent schools, as Appendix B shows.51
• Very few of the chains charge, or plan to charge, fees below R6,000 per annum, and yet only fees lower than that would make independent schools affordable to very low-income earners where some of the greatest need for quality schooling exists, and where government has not yet been able to provide any public schools.

As CDE has emphasised, low-fee schools’ fees can drop if government increases their subsidies and decreases their high compliance costs. Less onerous and more appropriate regulations are needed that will create a level playing field between public and independent schools, yet protect the public, and ensure the proper use of public funds.

Concluding Remarks

Access to quality schooling and high learning achievement are essential to prepare learners adequately for life and work in the 21st century. Given the extent of South Africa’s education crisis, the independent school sector has an important role to play.

The false dichotomy about public vs private provision is not helpful. What South Africa needs is to find the right combination of public and private schooling which ensures that growing numbers of children receive a good education as quickly as possible.

The contribution of the independent schools to South African education should not be undervalued.52 They advance the right to basic education among other fundamental democratic rights, relieve the pressure of access faced by the public sector, save the government money, offer parents choice and access to quality education, and provide an environment for innovation that can inform all schools. Most importantly, by enabling an estimated 250,000 learners in disadvantaged communities to obtain a good education, low-fee independent schools are significantly enhancing their life chances.
Endnotes

3. There is no internationally accepted term for low-fee schools: in some countries they are called low-cost private schools (LCPS), and in others, budget schools.
8. In 2006, the High-Level Group on Education for All proposed that governments should spend between 4 and 6 per cent of gross national product on education and that, within government budgets, between 15 and 20 per cent should be earmarked for education, with a focus on basic education. EFA Global Monitoring Report, Education for All 2000-2015: Achievements and challenges (Paris: UNESCO, 2015), 241.
11. Federation of Indian Chambers of Commerce and Industry, Ernst & Young, Private Sector’s Contribution to K-12 Education in India: Current impact, challenges and way forward (Kolkata: Ernst & Young, 2014).
12. Federation of Indian Chambers of Commerce and Industry, Ernst & Young.
16. In 2014, according to National Treasury figures, the average spent by government on a public school learner across the provinces was some R12,000 per annum. In the case of the private costs of public schooling, the Norms and Standards for School Funding stipulate that public schools in the lowest three quintiles (those which serve children from the poorest communities) are no-fee schools. This means that parents may not be charged school fees, although they still have to pay for school uniforms, transport,
some books and stationery, which puts a severe strain on a poor household’s budget. While public schools in the top two quintiles are allowed to charge fees, those fees are negotiated annually between the school governing body and the parent community. The fees charged differ according to the socio-economic status of the communities the schools serve: they range from a few hundred rand a year (quintile 4 schools), to as much as R30,000 a year (for quintile 5 schools).

17. More information about BRAC is available at www.brac.net/.


19. By international standards, South Africa’s low-fee schools are expensive. In India, ‘budget’ private schools charge annual fees as low as R2,000 and less. In Kenya, the chain of Bridge schools charges R360 a year. The main reason for the higher fees of South African low-fee schools is the high standards required for registration and accreditation as an independent school. These involve substantial start-up costs and ongoing significant compliance and quality assurance costs of time, skills and money.


21. KwaZulu-Natal Joint Liaison Committee v Member of the Executive Council, Department of Education, KwaZulu-Natal and Others (CCT 60/12 [2013] ZACC 10). The Court found that the right to basic education applies to all learners whether in public or independent schools. The KwaZulu-Natal Provincial Education Department was ordered to pay the schools the shortfall in the first tranche of the 2009 subsidy because it had retrospectively reduced it by 30 per cent. By so doing it had threatened the learners’ right to basic education.


27. CDE (2010).

28. In the same period public school learners grew by 2.3 per cent. DBE (2014).


30. DBE (2014).

31. F. Maringe, M. Prew, eds, Twenty Years of Education Transformation in Gauteng 1994 to 2014: An independent review (Johannesburg: Gauteng Department of Education, 2014). Between 1995 and 2013, the independent school sector in Gauteng increased by 228 schools (from 365 to 593 schools), compared to 229 additional public schools. Learner enrolment in public ordinary schools grew from
1.3 million to close to 1.9 million between 1995 and 2013 – an increase of 44.9 per cent. Over the same period, enrolment in independent ordinary schools grew nearly three-fold, from 70,856 to 208,286 – an increase of 294 per cent.

32. In 2014 in Gauteng there were 2,056 public schools with 2,191,475 learners. DBE (2014).

33. Maringe and Prew, eds, 266.

34. E. James, Private Finance and Management of Education in Developing Countries: Major policy and research issues (Paris: UNESCO/IIEP, 1991).

35. R12,000 is the average national amount spent by provinces on a public school learner, but in reality the PAEPL varies from province to province depending on its education budget allocation. For subsidy purposes there are also separate PAEPLs for primary and secondary schools. As the PAEPL changes annually, the annual amount per learner that a subsidised school obtains changes, but the school's subsidy category remains fixed until the next re-categorisation of independent schools. In the past this occurred every five or so years.


37. McLoughlin.

38. CDE (2010).

39. Registration requirements include submitting extensive documentation; meeting building requirements; complying with health, safety and fire regulations; registration of all teachers with the South African Council for Educators; and inspection of the premises by departmental officials. All independent schools must be accredited by Umalusi to quality assure their institutional capacity to deliver the curriculum at a high standard. This involves an onerous, lengthy process of monitoring reports, portfolios of evidence and on-site inspections. To obtain a state subsidy, an independent school has to meet another set of management and financial requirements, submit annual audited financial statements and undergo unannounced departmental inspections, as well as audits from time to time.


41. Hofmeyr, 7.

42. Figures provided by the Gauteng Department of Education to CDE.


46. An alternative way of estimating the number of learners in low-fee independent schools is to apply the 30 per cent enrolment in these schools from the 2014 data for Gauteng, the Western Cape and the Free State to the national learner enrolment in independent schools. This means that in 2014 an estimated 180,000 of the 538,000 learners in all independent schools were likely to be in low-fee ones. This number is lower than the 208,000 learners estimated by the 14 per cent growth means, but it is roughly in the
same ballpark. Moreover in the six other provinces with lower average incomes there are likely to be proportionately more learners in low-fee schools than higher fee ones.

47. Carter and Abdoll.

49. KwaZulu-Natal Joint Liaison Committee v Member of the Executive Council, Department of Education, KwaZulu-Natal and Others (CCT 60/12 [2013] ZACC 10), 19-20.

50. KwaZulu-Natal Joint Liaison Committee v Member of the Executive Council, Department of Education, KwaZulu-Natal and Others. (CCT 60/12 [2013] ZACC 10), 44.

51. The overwhelming majority of applications (261) were in Gauteng, followed by Western Cape (41). Both of them are relatively wealthy provinces that in addition to natural population growth experience considerable annual pressure for school places from the influx of new families and learners from other provinces and/or other African countries. However, in the Free State, a rural province with a more stable population, the growth was very low – only five new registration applications in the two years.

52. In March 2015 CDE was invited by the National Education Collaboration Trust (NECT) to make a presentation to the Education Dialogue Group on low-fee independent schools, in terms of the contribution they can make in improving the quality of education in the country, especially in poor communities.
Appendix A: CDE’S Research on Low-fee Independent Schools

Much of what is known about low-fee independent schools is the result of CDE’s research since 2008. The first CDE report, *Hidden Assets: South Africa’s low-fee independent schools (2010)*, was based on a school survey, conducted in 2008 and 2009 in six areas across South Africa where on average 50 per cent of the population lives in poverty. The research found that more than 30 per cent of the schools in these areas were independent, far more than South Africa’s official national estimate in 2008 (4.3 per cent of all schools). Furthermore, in the 15-year-period between 1994 and 2009, more independent schools had been established in these areas than public schools, and there were strong indications that private schools were expanding at an accelerating rate.

In June 2012, CDE released *Promoting School Choice for the Poor: Practical ideas from international experience*. Building on experience in other developing countries, the report made practical suggestions on how to support low-fee independent schools in poor communities.

CDE’s 2013 publication, *Affordable Private Schools in South Africa*, provided an overview of the scope, structure, accelerating growth and challenges of the low-fee schooling sector.

These reports are available on the CDE website: www.cde.org.za.

A new CDE report which models the financial viability of low-fee independent schools will be published in 2015, and two current CDE research projects are investigating the compliance costs of independent schools and an appropriate assessment instrument for low-fee independent schools to appraise their quality and financial viability.
### Appendix B: Growth of Independent Schools in Three Provinces – Gauteng, Western Cape And Free State

#### Table 1: Number of learners in low-fee and mid-fee independent schools in Gauteng, Western Cape and Free State (2014)

<table>
<thead>
<tr>
<th>Subsidy category</th>
<th>Gauteng</th>
<th>Western Cape</th>
<th>Free State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-fee independent schools</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (60%)</td>
<td>26,914</td>
<td>7,292</td>
<td>3,852</td>
</tr>
<tr>
<td>2 (40%)</td>
<td>46,538</td>
<td>3,087</td>
<td>5,937</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>73,452</td>
<td>16,379</td>
<td>9,789</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>75%</td>
<td>60%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Mid-fee independent schools</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 (25%)</td>
<td>15,015</td>
<td>3,947</td>
<td>546</td>
</tr>
<tr>
<td>4 (15%)</td>
<td>9,039</td>
<td>2,937</td>
<td>1,871</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,054</td>
<td>6,884</td>
<td>2,417</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>75%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>97,506</td>
<td>17,263</td>
<td>12,206</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
This table indicates that:

- Gauteng receives the most annual applications for registration, followed by the Western Cape – both relatively wealthy provinces that experience considerable annual pressure for school places from the natural population increase, and the influx of new families and learners from other provinces and other African countries. However, in the Free State, a rural province with a more stable population, the growth is very low.

- In 2014 the Gauteng Department of Education (GDE) registered a far smaller proportion of the applicants than in 2013. Whereas in 2013 Gauteng approved 104 of the 146 applications, in 2014 38 of the 115 applications were granted registration. The GDE has told CDE that it decided to tighten up its registration requirements, given the large number of annual applications. Effectively this has made the GDE the most demanding of all the PEDs with regard to its registration requirements and this will make it increasingly difficult for low-fee schools with limited resources to obtain registration.

- Between 2013 and 2014 there was a decline in applications in the three provinces. The very latest figures from the GDE suggest that this is a trend because fewer than 80 new independent schools have applied for registration in 2015. However, given the many new players in the sector and their expansion plans, this trend may well reverse.
Appendix C: Chains of Independent Schools

CDE's research showed that in April 2015 the following chains of schools were operating or planned to launch in 2016. We do not claim that this is an exhaustive list and there may well be other developments that we have not included.

The chains can be grouped into three main categories:

Publicly listed companies on the Johannesburg Stock Exchange

- **AdvTech** has owned the for-profit CrawfordSchools\textsuperscript{TM} for many years and then acquired the Trinityhouse Schools. In late 2014 AdvTech bought two chains of schools, the Centurus Colleges and the Maravest Group. Most schools in both chains charge fees of R60,000 to R90,000 per annum and thus are classified as high-fee schools. The fees are slightly lower than the highest fee independent schools, such as St John's College in Johannesburg with tuition fees in 2015 of R115,067 (R194,231 with boarding), or Hilton where tuition and boarding fees are R219,500 for 2015.

  However, at the end of 2014 the new CEO, Leslie Maasdorp, announced that the bulk of AdvTech's R3 billion capital expenditure for the next ten years would be earmarked for a push into the 'lower fee' independent school market with fee levels of R24,000 to R36,000 per annum. This would make them mid-fee schools according to CDE's yardstick, at the same price point of many former Model C public schools. However, Maasdorp left AdvTech in March 2015, so there is some uncertainty around this decision.

- **Curro** listed on the Johannesburg Stock Exchange in 2011 and since then has expanded rapidly. As most of the Curro schools charge fees between R24,000 and R50,000 per year, they are intended as affordable schools for the middle class. Owing to the high demand for its schools, Curro has increased its target number of schools to 80 with 100,000 learners by 2020. There is strong investor appetite for its shares and its results show a good and growing return despite the adverse publicity the chain received based on allegations of racism at its Roodeplaat Independent School in February 2015.

  By 2015 Curro had expanded to 36,021 learners in 42 schools and its market capitalisation in April 2015 was R12 billion. Curro has invested in a less expensive brand, the Meridian schools, which charge fees in 2015 ranging from about R11,000 to R18,000 a year from Grades 00 to 12.

  Curro owns 65 per cent of the Meridian schools established by Campus and Property Management Company (Pty) Ltd (Capmac). Curro manages the schools. Capmac has the mandate to develop another three Meridian school properties. This process has begun and a new campus for Meridian in Pretoria and the expansion of the Cosmo City campus are planned for 2015.

  What is noteworthy is the investment in these schools by the Schools and Education Investment Impact Fund. This is funded by the South Africa Government Employees Pension Fund through its asset manager, the Public Investment Corporation (PIC), and the Old Mutual Investment Group of South Africa (OMIGSA). The Schools Fund, as it is known, has the mandate of ‘… bringing additional education opportunities closer to communities without compromising on quality’. It has invested R440 million in development of the Meridian schools to accommodate approximately 20,000 learners.
LOW-FEE PRIVATE SCHOOLS: International experience and South African realities

For-profit chains of independent schools

- **The Reddam House Group** was launched in 2000 by the founder of Crawford Colleges and the chain now comprises six schools in South Africa and two each in Australia and the United Kingdom. School fees range from over R40,000 to R80,000 per annum, making them high-fee schools.

Three new chains have recently emerged.

- **The SPARK Schools** under the eAdvance company began with one school in 2013, followed by one more in 2014 and two more in 2015. It now has 1,100 children enrolled and aims to expand its innovative model into a network of 60 low-fee schools in the next 10 years. Its 2015 fees are R15,750 per annum. **eAdvance** has attracted numerous individual investors and in 2014 Pearson through its Affordable Learning Fund (PALF) invested R28 million in the chain. In 2016 four new SPARK schools will open, three in Gauteng and one in the Western Cape.

- **Prestige College**, a very successful low- to mid-fee school in Hammanskraal, is being expanded into a new chain of schools. In 2014 the Schools Investment Fund invested R97 million in a partnership between Barnstone Education Management Company and Prestige College. In 2015 the first of their schools, Thornview Prestige College, was opened and there are plans to procure two schools and build two more by 2017. Thornview's annual school fees are R17,080 and it serves the rapidly growing Soshanguve township. A new block of the township has been developed with an additional 30,000 houses. However, no public schools have been built close to these houses. The public schools in other parts of Soshanguve are full and some 20 km away from the new development. The fact that Thornview opened with 900 children from Grades 000 to 10 shows the extent of the unmet demand in that area.

- **The Kagiso Trust** announced plans in 2015 to enter the low-fee private school sector through its newly formed investment company, Kagiso Capital. It has indicated a specific focus on township schools and that it is in talks with provincial governments to lease empty schools in order to take private and affordable education into the townships. Kagiso has declared that it will either go it alone or buy into existing players in the sector and more details are expected before the end of 2015.

Not-for-profit chains of independent schools

There are numerous smaller not-for-profit chains, of which CDE was able to identify ten: most are low-fee chains with the exception of two mid-fee ones.

Three older low-fee school chains include Vuleka, the Get Ahead Project and BASA Educational Institute Trust.

- **The Vuleka** schools which launched in 1989 constitute one of the oldest not-for-profit chains which has been expanding over the years. It has three primary schools, three early learning centres and in 2013 formed a partnership with a high school, Sekolo sa Borokgo (consisting of a middle school and matric centre), which it manages. The schools are mostly situated on Anglican Church grounds in Johannesburg. In 2015 there are a total of 942 learners at the various campuses. The school fees range from R10,340 to R14,080 for the primary schools to R21,560 for the high school.

- **The Get Ahead Project** began with one school in 1992 and has grown to a small chain of four schools in Queenstown and Whittlesea in the Eastern Cape. The fees for the primary schools are between R6,070 and R9,400 per year, and for the high school around R10,000 a year.
BASA Educational Institute Trust schools were established in 1993. In 2013 both OMIGSA, through its Schools Fund, and PIC invested in them to finance the renovation and expansion of schools. It has expanded to six schools around the Johannesburg area with fees ranging between R7,000 and R12,000 across their primary and high schools. Together the schools educate more than 5,000 learners.

Summit Education South Africa opened two schools in Cape Town in 2015, Hout Bay Independent High School and Gardens Independent High School. Their fees are between R44,400 and R47,640 per annum. The Commonwealth Education Trust, founded in 1886, is a UK-based charity whose purpose is to advance education throughout the Commonwealth. Its subsidiary, 1886 Investments Ltd, undertakes investments and projects in the education sector. It established Summit Education in South Africa in 2012.

Summit is also committed to establishing and supporting the Nova Schools – a cluster of lower-fee independent schools functioning and operating within previously disadvantaged communities.

LEAP schools began in 2004 and now six LEAP schools serve township children around the country. The chain is heavily dependent on donor support and learners do not pay school fees. LEAP receives R420 per year from parents and volunteers as social contribution fees.

Newer low-fee chains include the 2 Oceans Education Foundation, the Love Trust and the African School of Excellence.

The 2 Oceans Education Foundation with the vision of providing free and low-fee independent schooling to learners from poor backgrounds launched its Leadership College Initiative in 2007. In the last few years it has established three no-fee schools (known as Leadership Colleges) in areas of Cape Town (Manenburg, Kwanothema and Delft), one in Ennerdale in Gauteng, and a low-fee independent school, The Leadership College: Hyde Park in Mitchells Plain. Three are primary schools and two are high schools with low pupil numbers because the schools are so young. Another school is planned for Gauteng. The foundation depends on funding from donors and benefactors and the 60 per cent state subsidy to survive.

The Love Trust established its first school, Nokuphila, in 2009 as a social responsibility project by people linked to Christchurch School in Midrand. It includes a teacher training college and a primary school with 257 learners, both located in Tembisa. The annual school fees are R1,650. In 2013, it opened the Hillbrow Independent School with Grades R and 1. Its fees are R6,600 per year. At capacity both schools will serve 700 learners.

The African School of Excellence was established in 2013 outside Johannesburg as the beginning of a low-fee chain. It pursues innovative approaches to learning methods, staffing and the use of learning space. Its annual fees range from R2,400 to R8,400. It plans to open another school near the central business district of Johannesburg in 2016 and three more are planned for 2017.

Streetlight Schools plans to open its first low-fee school in 2016 in Gauteng.

The mid-fee chains are Pioneer Academies and the Royals schools.

Pioneer Academies launched its first school in the south of Johannesburg in January 2015. It offers Grades 000 to 12 and its annual fees are between R24,000 for the primary school and R33,250 for the high school. It has attracted private investors and its plan is to develop 100 schools across Africa in 10 years, 50 of these in South Africa.
• **Royals Management Company** is an organisation that provides low-fee schooling to disadvantaged communities. In April 2014 the Schools Fund partnered with it to launch two high schools in the inner city of Pretoria, charging fees between R12,000 and R17,000 per year. The R80 million deal with the Schools Fund will expand their offering to four schools reaching 4,100 learners.
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