

E.G. West Centre EFA Working Paper  
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# Self Help and Sustainability in Education in Developing Countries

James Stanfield, August 2010



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**ABSTRACT:** The last two decades have witnessed a rapid growth of fee paying private schools serving low income communities across the developing world. Not only have these schools emerged without any government help or assistance but they also continue to grow and develop in sometimes hostile regulatory environments. Furthermore, they also appear to outperform their public counterparts at a fraction of the cost. These developments therefore present international donors with a number of new opportunities and challenges concerning how best to encourage the spirit of self help in education and support the growth of private schools without undermining their independence or sustainability. These developments will be discussed in relation to the work of Elinor Ostrom and C.K. Prahalad.

**KEY WORDS:** self help, sustainability, low cost private schools, Elinor Ostrom, C.K. Prahalad, polycentric, bottom of the pyramid, education for all.

The ideas presented in this paper are the authors' and do not represent the official position of the E.G. West Centre, School of Education, Communication and Language Sciences, Newcastle University.

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In accordance with the mission of Newcastle University the E.G. West Centre strives to carry out world class research to develop more and better knowledge and understanding of the role of market solutions in achieving 'Education for All'. To this end the Centre researches and analyses private education serving low income communities in developing countries. Advice is provided to governments and international agencies on the development of private education and how to develop conducive regulatory and investment environments. The Centre was established in March 2002 and it remains the UK's only university research centre solely dedicated to understanding the role of choice, competition and entrepreneurship in the delivery of "Education for All".

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## 1. Introduction

The spirit of self-help is the root of all genuine growth in the individual and, exhibited in the lives of many it constitutes the true source of national vigour and strength. Help from without is often enfeebling in its effects, but help from within invariably invigorates. Whatever is done for men or classes, to a certain extent takes away the stimulus and necessity of doing for themselves; and where men are subjected to over-guidance and over-government, the inevitable tendency is to render them comparatively helpless. Samuel Smiles, *Self Help*, 1859.

In the ongoing search for education for all, international agencies, global charities and national governments have previously focused most of their attention on increasing international aid to help finance the expansion and improve the quality of government schools across the developing world. However, a number of factors are now challenging this consensus including: the inability of developing country governments to meet the increasing demand for schooling; an increasing awareness of the poor quality of education being provided by many existing government schools and finally the rapid growth of fee paying private schools serving low income communities, as documented by James Tooley in *The Beautiful Tree* (2009).

Whilst recognising the importance of improving the quality of education being provided by government schools, the purpose of this paper is to develop a better understanding of the barriers and restrictions which currently prevent private schools from achieving their full potential. It will also consider how national governments, international agencies and philanthropic organisations can encourage the spirit of self help and support the growth of private schools, without at the same time undermining their independence or sustainability. As previously noted by Samuel Smiles, over-government, even when well intended, has an inevitable tendency to do more harm than good.

This paper will discuss the rapid growth of low cost private schools in relation to the work of Elinor Ostrom, winner of the Nobel Prize in Economics in 2009 and the late C.K Prahalad (1944-2010), author of *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (2004). While these two scholars have not previously applied their work to the problem of guaranteeing education for all in developing countries, they have both blazed new trails in their respective disciplines. It is hoped that the thorough and in depth analysis provided by Ostrom and the corporate strategy approach provided by Prahalad will help to shed new light on the future potential of private schools to serve low income families across the developing world.

## 2. A notable education revolution

### 2.1 The growth of low cost private schools

Over recent years developing countries have experienced a rapid growth in the number of private schools serving low income communities. For example in India, the Probe Team (1999) examined villages in four north Indian states and found that ‘even among poor families and disadvantaged communities, one finds parents who make great sacrifices to send some or all of their children to private schools, so disillusioned are they with government schools’<sup>1</sup>. In the following year, the Oxfam Education Report (2000) confirmed that ‘the notion that private schools are servicing the needs of a small minority of wealthy parents is misplaced . . . a lower cost private sector has emerged to meet the demands of poor households’<sup>2</sup>. Research carried out by Aggarwal (2000) in Haryana, India, also concluded that private schools were now operating practically ‘in every locality of the urban centres as well as in rural areas’<sup>3</sup> and reporting on evidence from Haryana, Uttar Pradesh and Rajasthan, De et al. (2002) found that ‘private schools have been expanding rapidly in recent years’ and that these ‘now include a large number of primary schools which charge low fees’<sup>4</sup>. In Kolkata, Nambissan (2003) also found that there had been a ‘mushrooming of privately managed unregulated . . . primary schools serving low income families’<sup>5</sup>.

Tooley and Dixon (2007) have carried out more detailed research in Hyderabad, Andhra Pradesh, and of the 918 schools they found located in low-income areas, 320 (34.9%) were government, 49 (5.3%) were private aided, and 549 (59.8%) were private unaided. Of these, the largest number are unrecognized (335 schools, or 36.5% of the total), while 214 private unaided schools were recognized (23.3% of the total). The total number of children in all 918 schools was 262,075 and 65% of school children attended private unaided schools. Therefore, a large majority of the children in the low-income areas of Hyderabad are reported to be attending private unaided schools.

Tooley and Dixon also carried out extensive testing on children in both private and government schools in Hyderabad and found that mean scores in mathematics were about 22% and 25% higher in private unrecognized schools and recognized schools than in government schools, and that this advantage was even more pronounced in English. While the majority of parents with children attending private schools in Hyderabad paid school fees, approximately 18% of children in Hyderabad were

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<sup>1</sup> *The Public Report on Basic Education in India*, Oxford University Press, 1999, p.103.

<sup>2</sup> Watkins, K., *Oxfam Education Report*, 2000, pp. 229–30.

<sup>3</sup> Aggarwal, Y., *Public and Private Partnership in Primary Education in India*. New Delhi: National Institute of Educational Planning and Administration, 2000, p.20.

<sup>4</sup> De, A., Majumdar, M., Samson, M. and Noronha, C., ‘Private schools and universal elementary education’, in R. Govinda (ed.), *India Education Report. A Profile of Basic Education*. New Delhi: Oxford University Press, 2002, p. 138.

<sup>5</sup> Nambissan, G.B., *Educational Deprivation and Primary School Provision*. IDS Working Paper 187, Institute of Development Studies, Sussex. 2003, p.52.

provided with a free school place. Salaries in government schools were also nearly four times the reported salaries in private schools. Further research carried out by Tooley and Dixon (2005) in China, Nigeria, Ghana and Kenya also documented similar findings.

Based upon their research in Asia and Africa, Tooley and Dixon (2005) make the following conclusions:

- First, the majority of children in the poor areas which they studied were attending private unaided schools.
- Second, this meant that the official number of school enrolments was widely underestimated.
- Third, children were getting better results in private unaided schools and, finally, the teacher costs in private unaided schools were significantly less than government schools.<sup>6</sup>

More recent studies in India have also reinforced these early findings. For example, the India's Annual Status of Education Report (2009) shows that private school enrollment increased from 16.3% in 2005 to 22.6% in 2008, an increase of approximately 40%. The report also shows that private school students have a 41% advantage in English as compared to government school students even when adjusted for socio-economic and other factors. In rural areas, such as Maharashtra, the number of children enrolled in private schools has also increased from 18.3% in 2006 to 28.2% in 2009.

In Pakistan the share of the private sector in education has also increased from approximately 3% in the early 1980s to approximately 25% today. As a result one in every four schools in Pakistan now belongs to the non-religious private sector and according to Salman (2009) the fastest growth segment for private schools is the rural poor, with a typical private school in Punjab charging Rs.60 – Rs.70 per month in fees<sup>7</sup>.

The most extensive research carried out to date in a single location is the Learning and Educational Achievement in Punjab Schools (LEAPS) survey which examined all the public and private primary schools in 112 villages in the Punjab province of Pakistan. The survey also included the test results for 12,000 children in Class III in Urdu, English and Mathematics. The key findings included the following:

- Half the population of rural Punjab live in villages where parents have 7-8 schools to choose from, creating an active educational marketplace with multiple schools competing for students and parents actively making educational decisions;

<sup>6</sup> Tooley and Dixon, *Private Education is Good for the Poor: A Study of Private Schools Serving the Poor in Low-Income Countries*, Cato Institute, 2005.

<sup>7</sup> Salman A., *Liberate to Learn: A study of the education voucher scheme in Lahore*, Alternative Solutions Institute, 2009.

- Between 2000 and 2005 the number of private schools had increased from 32,000 to 47,000. Since 1995, one-half of all new private schools have set up in rural areas and they are increasingly located in villages with worse socioeconomic indicators. By 2005, one out of every three enrolled child was studying in a private school;
- The average rural private school was affordable, with 18% of the poorest third sending their children to private schools in villages where they existed;
- Due to high teacher salaries, educating a child in a public school costs twice as much as in a private school;
- Children studying in private schools also achieved higher test-scores in all subjects, perhaps because their teachers exerted greater effort. The differences between public and private schools was so large that it would take government school students between 1.5 to 2.5 years of additional schooling to catch up to where private school students were in Class 3. The public-private learning gap was also found to be much larger than that across children from different socioeconomic backgrounds;
- Concerning the quality-adjusted cost of private schools, education in public schools was three times more expensive than in private schools. For every Rs.1 that a private school spends on an extra percent correct on a test, the public system spends Rs.3;
- In addition to higher test-scores, parental satisfaction with private schools was also found to be higher.

The research team therefore concluded that '[w]hether we look at test scores, costs or parental satisfaction, private schools look a whole lot better'.<sup>8</sup> Commenting on these and related developments in June 2010, Sir Michael Barber (Co-chair, Pakistan Education Task Force) stated that '[t]he extraordinary growth of the low-cost private sector in the last decade reveals incontrovertibly that as soon as parents in Pakistan have the marginal extra income to afford these low-fee schools, that is what they choose to do'.<sup>9</sup>

Finally, the EFA Global Monitoring Report (2009), confirms that private provision in some developing countries is no longer the sole preserve of the rich and that '[p]rivate primary schools charging modest fees and operating as small businesses, often with neither regulation nor support from government, are changing the education landscape'.<sup>10</sup>

Research carried out over the previous decade has also highlighted the following:

<sup>8</sup> Andrabi T., Das, J., Khwaja, A.I., Vishwanath, T., and Zajonc, T., Pakistan, Learning and Educational Achievements in Punjab Schools (LEAPS), Feb, 2007, p.x.

<sup>9</sup> Barber, M., "Reform In Pakistan: This Time It's Going To Be Different", Pakistan Education Task Force, June 2010.

<sup>10</sup> EFA Global Monitoring Report, UNESCO, 2009, p.162

- The reasons for the growth of private schools has depended on a number of local factors including: the extent and quality of existing public provision; the nature and level of the demand for education within each local community; the willingness and ability of parents to pay for education and finally the nature of the regulatory environment. As a result the growth of private schools has not been universal and it differs from location to location, although they do tend to be more concentrated in highly populated urban and slum areas.
- While national figures show that government schools continue to enrol the majority of children, these figures hide the fact that in many low income or slum areas (the areas of primary concern for international donors), the majority of school children are now attending either registered or unregistered private schools. In many locations the rate of increase in the number of private schools has been higher than the rate of increase in the number of government schools.
- The official figures used by national governments and international agencies underestimate the number of children currently in school as they fail to take into account those children currently enrolled in non-registered private schools. There also appears to be little incentive for national governments to include these children in their national statistics as this may result in a corresponding decrease in international aid.
- The per-pupil expenditure in low cost private schools are much lower in private schools than in government schools, because the qualified teachers in government schools are paid significantly more than the less qualified teachers working in private schools. For example research carried out by Tooley and Dixon (2005) in India, Ghana and Nigeria found that salaries in government schools were more than three times higher than in private schools<sup>11</sup>. As labour costs in schools in developing countries account for a large percentage of the total costs, then this helps to explain the significant difference in costs.
- With reference to the quality of education being provided then the majority of research to date shows that in the specific locations studied the children attending private schools outperformed their counterparts attending government schools. Some studies have also shown little or no difference between the two. Parents may also prefer private schools for a variety of other reasons, including: close location, flexible payment options, smaller class sizes and less overcrowded, more responsive and accountable

<sup>11</sup> See Tooley and Dixon, *Private Education is Good for the Poor: A Study of Private Schools Serving the Poor in Low-Income Countries*, Cato Institute, 2005.

teachers and a more attractive and relevant curriculum. Due to the low quality of service being provided by many government schools it is also fair to suggest that if public funds were directed to parents who were then free to choose their preferred school, then we would expect the demand for local private schools to increase significantly and the demand for government schools to decrease.<sup>12</sup>

It is important to note that the research carried out to date has focused only on low income and slum areas and so these findings cannot be used to generalise about the growth of private schools serving middle and higher income communities. Finally, while the research to date has focused on fee paying private schools located in what are commonly referred to as low income or slum areas, it remains unclear how these schools can be expected to cater for large numbers of families who have no income. While some private schools are known to offer free or subsidised places to children from the local community this is certainly not universal and it remains unclear if this will be sufficient to capture all of those children who do need a helping hand.

Despite the many questions and queries which remain outstanding, the growth of these schools represents a remarkable example of entrepreneurship and self help in some of the poorest communities in the world. These developments also show that education and schooling in developing countries is not necessarily dependent on national governments and international aid.

## 2.2 The restriction of low cost private schools

While the growth of these schools is now widely recognised, opinion differs on the future role of these schools in helping to guarantee universal access to education. However, to understand the full potential of this emerging private sector it will be important to take into account the fact that many of these developments have taken place in hostile regulatory environments. First, the way in which public funds are distributed in education creates an unlevel playing field where the fee paying private schools are forced to compete with free government schools<sup>13</sup>. Second, despite the fact that the vast majority of low cost private schools will not receive any public subsidies they will still be forced to comply with unrealistic government regulations, which government schools themselves may often find difficult to comply with. Furthermore, when a government school fails to meet specific government

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<sup>12</sup> For further discussions on these issues see: *Private Schooling in Less Economically Developed Countries: Asian and African Perspectives* edited by Prachi Srivastava and Geoffrey Walford, Symposium Books (2007), *Low cost private education: impacts on achieving universal primary education*, edited by Bob Phillipson, Commonwealth Secretariat (2008), *Non-state provision of education: Evidence from Africa and Asia*, Compare, (2009), *The private education sector: towards a reconceptualisation*, Compare, (2006).

<sup>13</sup> The history of government intervention in education in the West has shown that when governments choose to subsidise education by directing public funds to government schools instead of to parents, then this will often crowd out the majority of private schools over a period of time, resulting in a government monopoly. This will occur even if the original intention was simply to fill in the gaps in an already flourishing private sector, as was the case in the UK. For a detailed account of how this occurred in the UK see *Education and the State* (1965) by E.G. West.

regulations then there is often a call for an increase in government funding or a plea for more international aid. However, if a private school fails to meet specific government regulations then they can be fined or forced to close until the school can raise enough funds itself to make the necessary changes.

An indication of the extent of the hostility which exists towards private schools in some countries is reflected in the ongoing attempts by some national governments to force the closure of private schools for not meeting specific government regulations. For example in Malawi in 2009, 841 private schools were forced to close after failing a government inspection<sup>14</sup>, which examined the level of school fees being charged, the availability of staff and their qualifications, teachers' salaries, school management and its structures, quality of classrooms, availability of laboratory facilities, subjects being offered, availability of teaching and learning materials, availability of reference materials and school records, surrounding environment and space for extra curricula activities like health and safety facilities. The fact that these private schools were sustainable and may have been outperforming the government's own schools at a fraction of the cost will not have been taken into account.

By February 2010, 270 of these schools were reported to be operating illegally<sup>15</sup>, which prompted the Ministry of Education to threaten these schools with legal action and demand that the public report any closed schools which had since re-opened. At the same time the Ministry was also in the process of prosecuting some of its own employees for accepting bribes from some private schools which were hoping to avoid re-inspection. The chairman of the private school association was heavily critical of the government and claimed that the association had attempted to advise the government but had been ignored. Finally, even though many of the closed private schools had now met the government requirements and were ready for re-inspection, they remained closed due to the lack of government inspectors.

In Nigeria in December 2009, the national government ordered 124 private schools to close down due to their failure to upgrade their facilities in line with the standards set by the government. The minister stressed that 'schools operating illegally and those in shanties or uncompleted buildings that pose threats to the future of children and the nation's development, will be shut'.<sup>16</sup> No doubt if similar criteria were applied to all government schools, then many of these schools would also be forced to close. Finally, in May 2010 the Ministry of Education in Uganda shut down 95 private schools for defying a ban against holiday teaching, which had been introduced in 2007 to give teachers and students "time to rest"! According to the education minister Huzafa Mutazindwa "We are going to pull out a hammer. They can no longer go against the ministry policy with impunity."<sup>17</sup>

<sup>14</sup> For closed private schools govt should... Cydric Damala and Fletcher Simwaka, *Malawi Sunday Times*, 20<sup>th</sup> December 2009.

<sup>15</sup> Over 250 private schools operate illegally, *Malawi News*, 7<sup>th</sup> February 2010.

<sup>16</sup> Nasir Imam, FCTA to Stop 124 Unaccredited Private Schools, *Daily Trust*, Nigeria, 29 December 2009.

<sup>17</sup> 37 Schools to Lose Licences Over Holiday Studies, Patience Ahimbisibwe *The Monitor*, Uganda, 3 June 2010.

While the above may be isolated examples, little is known about the nature and extent of the specific regulations concerning the treatment of private schools in each developing country, how these regulations are implemented in practice and to what extent they restrict the ability of private schools to expand and develop. However, these examples do help to shed light on the difficult and often hostile regulatory environments in which some private schools serving low income communities are often struggling to operate in and they raise a number of questions:

- If education is deemed to be so important and if there is a lack of education in these countries then why isn't the government doing everything possible to support these schools?
- How many more private schools would exist in developing countries if governments introduced an enabling regulatory environment and encouraged the private sector to grow and flourish?

As previously noted by Patrinos et al (2009), it is clear that many national governments still refuse to accept the private sector as a legitimate partner in education, which is often reflected in the nature and extent of the regulation which governs each education sector. This is confirmed by previous research carried out by Fielden and LaRocque (2008) who found that the regulatory and funding frameworks in many countries did little to promote growth in private education. Instead they were likely to reduce both the quality and the sustainability of the sector. Examples of regulatory barriers identified by Fielden and LaRocque (2008) included:

- confused or unclear national policies concerning the role of the private sector in the education system;
- cumbersome and complex school registration processes;
- imposition of unclear and subjective criteria and standards to qualify for registration;
- inconsistent application of existing rules leaving significant scope for arbitrary intervention;
- limits on the ability of private schools to set tuition fees at market rates and their ability to operate as for-profit entities.<sup>18</sup>

It is therefore important to note that national governments not only continue to finance and manage the majority of schools across the developing world, but they also control and strictly regulate the growth and development of their education sectors as a whole. Education therefore remains one of the most protected and regulated sectors in many developing country economies. For example, it is difficult to find any other sector in a developing country economy where it remains illegal for

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<sup>18</sup> Fielden, J and LaRocque, N., *The Evolving Regulatory Context for Private Education in Developing Countries*, IFC Discussion Paper, 2008. p.4-5.

private for-profit companies to operate. While it will be impossible to identify the full costs of such regulations, it is fair to suggest that if they were applied to other sectors of the economy (such as food), then they would have a significant impact on levels of investment and they would severely restrict the supply and distribution of such products and services.

The potential size of the impact which these regulations can have was highlighted in 2002 when the Chinese government introduced a new law permitting private for-profit companies to enter its higher and tertiary education market. As a result enrolments in this sector increased from 14.7 million in 2002 to 23 million students by 2006.<sup>19</sup>

This example raises further interesting questions, including:

- What would happen if similar reforms were introduced in the primary and secondary education sectors in countries such as China and India, where for-profit schools remain illegal?
- Furthermore, to what extent is the failure to guarantee education for all in developing countries due to the reluctance of developing country governments to deregulate their education sectors and fully embrace the private sector as a legitimate partner?

### 2.3 Ignored and neglected by international donors

As well as having to operate under difficult national government regulations, private schools serving low income communities have also been neglected by the majority of international agencies, global charities and NGOs. It is well known that institutions such as UNESCO have previously been reluctant to encourage private sector development in education, an approach which is still shared by many global charities and NGOs. For example, an Action Aid and Educational International report published in 2007 states that '[p]ublic education, *even where under resourced*, remains the most effective means to guarantee quality education for all' (italics added); it is warned that 'private education in multiple forms is on the rise everywhere, undermining the capacity for education to be an equalising force in society'.<sup>20</sup> The report therefore recommends a number of actions to ensure that the rise of private education is actively checked and reversed, including: an end to all government and international donor subsidies to private schools; taxes on any profit-making institutions and a demand that all teachers in private schools are governed by the same rules, regulations and salary scales as government teachers.

The international community's hostile attitude towards the private sector in education will also have influenced the attitude and approach of many national governments towards their private education sectors. If international aid programmes have

<sup>19</sup> Uttara Dukkupati, Higher Education in India: Sustaining Long-Term Growth? *South Asia Monitor*, No 141, May 01, 2010

<sup>20</sup> Building strategic partnerships between teachers' unions and NGOs, Actionaid and Education International (2007), p.18.

previously have completely neglected private schools, then it is hardly surprising that national governments have been happy to follow their example.

After taking the above factors into account, the fact that so many low cost private schools have not only survived but continue to expand in size and number is a remarkable achievement in itself. If nothing else it helps to highlight the strength of the demand for education in these low income communities; the willingness of some parents to pay and the sacrifices they are prepared to make; and also the entrepreneurial spirit and talent which exists within these communities.

To help place these developments in some kind of perspective within the wider development debate and to hopefully draw inspiration from innovations taking place in other development sectors, this paper will now briefly discuss the growth of low costs private schools in relation to the work of Elinor Ostrom<sup>21</sup> and C.K Prahalad<sup>22</sup>. Based on this discussion general conclusions and comments for development agencies such as the British Department for International Development (DfID) will then be made.

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<sup>21</sup> Professor of Political Science and Co-Director of the Workshop in Political Theory and Policy Analysis at Indiana University in Bloomington, as well as Research Professor and the Founding Director of the Center for the Study of Institutional Diversity at Arizona State University in Tempe.

<sup>22</sup> C.K Prahalad was the Professor of Corporate Strategy at the Stephen M. Ross School of Business in the University of Michigan and a consultant to many of the world's leading companies.

### 3. Elinor Ostrom, aid, incentives and sustainability

#### 3.1 The polycentric approach

The research carried out to date on the growth and development of low cost private schools in developing countries has some similarities to the research previously carried out by Elinor Ostrom, the 2009 winner of the Nobel Memorial Prize in Economic Science. While many political economists have previously focused their attention on studying the politics and economics of government institutions and regulations, Ostrom's research has also focused on developing a better understanding of how people and local communities develop their own institutions to help solve their own common problems. Her work has also highlighted the importance of institutions and incentives and how international aid can often create perverse incentives which undermine the sustainability of both local organisations and the aid projects themselves.

Ostrom's empirical research has discovered numerous different institutional arrangements and local systems of self governance which have demonstrated that people even in the most difficult circumstances do have the capacity to help themselves if given the autonomy and an enabling environment. The solutions to many local problems can therefore be found in the arrangements worked out by people themselves and not in a central government department or an international agency. The practical experience of everyday life therefore appears to contradict the textbook theories which often suggest that low income communities are not be capable of self organisation and would instead always be dependent on government intervention and international aid.

According to Ostrom, the complex nature of both people and society has made simple formulas or panaceas redundant. Therefore, instead of a simple state or market solution, Ostrom favours a polycentric approach which she defines as 'enabling both market and governments at multiple scales to interact with community organization so that we have a complex nested system'.<sup>23</sup> This approach advocates complex and multi-level systems to tackle what are often very complex and multi-level problems. Therefore, instead of the government being the key stakeholder and decision maker, the emphasis shifts towards individuals and their local communities, which have multiple centres of power and decision making which are often independent but still overlap in competition and cooperation. No one organisation or institutional arrangement can be defined as being optimal and a variety of different organisations will be possible within the same institutional framework. While the polycentric approach can often appear to be messy and chaotic, Ostrom again reinforces the point that as both people and society are complex then the idea of having simple solutions to complex problems is unrealistic.

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<sup>23</sup> Big Think interview with Eleanor Ostrom, [www.bigthink.com](http://www.bigthink.com), November 14<sup>th</sup> 2009.

Of particular relevance to this report are Ostrom's findings concerning the previous attempts by central government and international agencies to increase agricultural productivity by building and managing irrigation systems. Ostrom refers to a number of externally funded projects to construct irrigation systems in Nepal in areas where local irrigation systems already existed. Unfortunately, the project planners failed to consult the farmers and so these local systems were not recognized and taken into account. As a result, these efforts to improve agricultural productivity resulted in a smaller service area being served, unreliable water deliveries and the severe weakening and sometimes destruction of existing local organizations. According to Ostrom, these findings were not unusual and she concluded that '[s]omething was wrong when efforts to improve agricultural productivity by investing in physical infrastructure have the opposite result'.<sup>24</sup> The lessons for international agencies were therefore clear. Before intervening in specific geographical areas, understanding and working with what already exists was critical if the project was to succeed.

However, this still left the puzzling question of why the "primitive" irrigation systems which were built and governed by local farmers were often better maintained and more productive than those built and managed by central government or those which had been improved and modernised by external donors. Ostrom's research found that while government and international aid had tended to focus on investing and building new physical structures, these investments had often proved to be unsustainable in the long run and had failed to take into account the impact that they have on the institutions which already existed. While Ostrom found that many factors affected how different institutions perform, she concluded that many of these factors related to the diverse incentives faced by those involved in the financing and management of the various institutions.

For example, when the farmers were paying their own officials to manage an irrigation system then the incentives faced by the officials were closely aligned with the incentives of the farmers. However, in many centralised government systems, no such linkage was found to exist and when the officials were no longer dependent on the farmers for their income then large government-managed systems could not be expected to perform very well. Furthermore, when the revenue received by an irrigation agency was not linked to the amount of water taken and when the fees paid by farmers was not an important source of revenue then performance of the irrigation system would also be expected to decline. Major problems with corruption could also be expected. Ostrom also warns that when externally funded projects appear to the farmers as if they were "free" then this can also prove to be very disruptive because it reduces the incentive for the irrigation agency to continuously meet the changing needs and demands of farmers:

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<sup>24</sup> Ostrom, E. Social capital: a fad or a fundamental concept, p.198, in Dasgupta P, Seraeldin I, editors. *Social Capital: A Multifaceted Perspective*. Washington D.C: The World Bank, 1999.

By denying the farmers an opportunity to invest in the improvement of infrastructure, external assistance may also deny those who are most disadvantaged from being able to assert and defend rights to the flow of benefits.<sup>25</sup>

Therefore, by having the opportunity to invest in irrigation provides the mechanism through which farmers can assert and defend their rights to the flow of benefits. Unfortunately, the way in which different external interventions affect the incentives of the key participants is rarely explored and instead project evaluations often consider any reductions in the labour needed to maintain a system as a project benefit. And as Ostrom concludes ‘the possibility that reducing the need for resources to maintain a system would substantially alter the bargaining power of farmers is not usually considered’.<sup>26</sup>

It was therefore not simply about recognising the importance of local organisations but also about recognising the fact that different institutional frameworks and incentives will often dictate how people and organisations perform. Furthermore, the existence of perverse incentives would encourage non-productive behaviour which would often make projects funded by international aid unsustainable in the long run.

Following Ostrom’s extensive work in the field and her focus on the important role of institutions and incentives in a variety of different sectors, the Swedish International Development Agency (SIDA) commissioned Ostrom in 2000 to investigate how the incentives that arise in the system of international aid could lead well intended individuals to produce results that were both unintended and counterproductive. Conscious of the disappointing results of its previous aid programmes and their failure to achieve long term sustainable benefits, SIDA had already suggested that a key factor was likely to be the perverse incentives generated by the aid programmes themselves. A two year study therefore posed the following questions:

- Why is it so difficult to design international aid programs that avoid perverse incentives and are sustainable over time?
- Why are perverse incentives more pervasive in recipient countries than in donor countries?

According to Ostrom when international aid first started in the 1950s “missing money” was perceived to be the problem. Transferring money and helping to build roads, schools and hospitals, would therefore help to kick start the development process. However ‘[a]fter decades of trying to understand the problems of development, it is now widely accepted that the core problem is “missing institutions”’.<sup>27</sup>

<sup>25</sup> Ibid p.195.

<sup>26</sup> Ostrom, E. Social capital – a fad or a fundamental concept?, in Dasgupta P, Seraeldin I, editors. *Social Capital: A Multifaceted Perspective*. Washington D.C: The World Bank, 1999. p.198

<sup>27</sup> Ostrom, E., Gibson, C., Shivakumar, S. & Andersson, K., Sida, *Aid, Incentives, and Sustainability: An Institutional Analysis of Development Cooperation, Studies in Evaluation* 02/01, 2002. p.10.

Ostrom defines institutions as the rules of the game that structure incentives and coordinate human interaction. Incentives are the rewards and punishments that are related to individual actions, including the payments which people receive and the prices they pay, which act as external stimuli encouraging some kinds of behaviour and discourage others. When incentives are defined as perverse then they will 'lead individuals to avoid in engaging in mutually productive outcomes or to take actions that are generally harmful to others'<sup>28</sup>. As noted by Ostrom, different institutions will alter the incentives of individuals and so different institutions can either help or hinder the efforts of individuals to be optimally productive. Different institutions and incentives can therefore either promote or undermine the sustainability of projects funded by international aid.

Collective action or incentive problems are said to exist when individuals are guaranteed a benefit regardless of whether they make the required contribution to realise the benefit and it can also refer to the tendency of people who are imperfectly monitored to engage in undesirable behaviour. Therefore to be effective and sustainable a donor intervention cannot simply involve a temporary infusion of funds but it must also help to solve the underlying incentive problems. Sustainable interventions must therefore focus on the beneficiaries themselves and they must understand the problems they face at the operational level. The proposed solutions must therefore incorporate local knowledge about the needs, preferences and problems of the beneficiaries concerned which only they themselves will know.

This suggests that simply creating a public bureaucracy will not necessarily solve the initial problem and may even create new problems. Instead Ostrom suggests that individuals and communities are often capable of creating their own solutions to their own diverse problems but this will often require a variety of different institutional arrangements in both the public and private sector. Critically, in developing countries where the institutional environment is less able to overcome incentive problems then there is a much greater need for institutions which match contributions with rewards.

Confirming SIDA's initial finding, Ostrom concluded that perverse incentives were at the heart of the difficulty in achieving sustainable development assistance programmes. It was therefore critical for international donors to consider how their interventions are going to affect the incentives facing people on the ground, which in turn will affect the sustainability of the aid project in question.

### 3.2 A polycentric approach to education for all

The current approach to EFA can best be described as monocentric and one that favours a "one size fits all" optimal solution. This involves expanding the state controlled and bureaucratic model of education to ensure that all children have

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<sup>28</sup> Ostrom, E. Social capital: a fad or a fundamental concept, in Dasgupta P, Seraeldin I, editors. *Social Capital: A Multifaceted Perspective*. Washington D.C: The World Bank, 1999. , p.198

access to a free government school. This represents a typical top down approach promoting one form of institutional design where the key decisions are made by those at the top in central government with people and local communities at the bottom playing very little if any role in the decision making process. The EFA project also adds another level of decision making above national governments as many of the key decisions have been made by a select group of development experts working for a number of international agencies.

A polycentric approach to education for all challenges this existing consensus which assumes that free government schooling is the optimal solution to deliver the best educational opportunities to all poor and low income families living across the developing world. The growth of fee paying private schools serving such families contradicts many development theories which predict that low income communities are not capable of organising their own education and will therefore always be dependent on state and international aid. Instead research has now shown that when given the autonomy and an enabling environment, low income communities are capable of financing and delivering their own educational opportunities and these opportunities do and will emerge even in the least favourable circumstances. This suggests that there is now a significant gap between existing development theories and the practice on the ground.

Due to the highly complex nature of educating an individual child and the numerous different people and factors which will influence this process, simple formulas or panaceas to guaranteeing education for all children across the developing world quickly become redundant. Therefore a polycentric approach does not recommend any particular institutional regime as a panacea for solving all education problems. This is because while one institution might reduce the costs involved in coping with one problem (such as access), it may also create incentives that increase other types of problems (concerning quality). As previously noted by Davis and Ostrom (1991):

As different institutional arrangements cope more effectively with some problems and less effectively with others, policies relying exclusively on any particular institutional panacea will fail in some ways that citizens and officials feel are important.<sup>29</sup>

Instead a polycentric approach will promote a variety of different institutional regimes which will encourage a continuous process of experimentation and learning. This approach will therefore promote a level playing field and an enabling regulatory environment which encourages a variety of different schools to grow and flourish. A polycentric approach also places much more trust in the parents themselves to solve their own problems by using their local knowledge and experience instead of

<sup>29</sup> Davis, G & Ostrom E., A Public Economy Approach to Education: Choice and Co-production, *International Political Science Review*, Vol.12, No.4, 1999, p.317.

depending on development experts who are often completely removed from their daily lives.

A polycentric approach to education for all also recognises that governance in education does not necessarily need to be provided by a central government. Instead grassroots organisations such as private school associations will be much better placed to help maintain an attractive regulatory environment. Finally, a polycentric approach to education for all is likely to be messy. Due to the complex nature of education itself this cannot be avoided.

In the polycentric approach, the public versus private debate becomes irrelevant as neither national governments nor international agencies are qualified to decide what is best for each individual child living in a variety of different circumstances across the developing world. Instead there is a clear recognition that only parents have access to this very detailed personal and local knowledge which is required to make an informed decision concerning which school their children should attend. The role of government and international donors will be to guarantee that parents have at their disposal the greatest possible number of educational opportunities of all descriptions and so establishing a regulatory framework that will encourage a variety of different schools to grow and flourish will be of paramount importance. Any external donor interventions must also focus on the needs and preferences of the beneficiaries themselves and how any intervention is going to affect the incentives facing people on the ground.

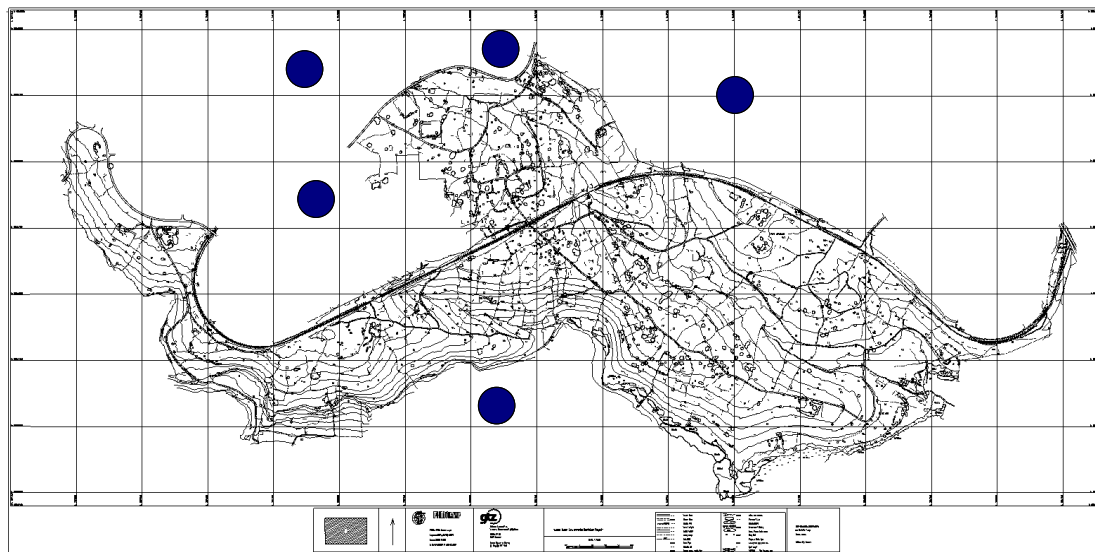
### 3.3 Institutional analysis and the introduction of FPE in Kibera

Ostrom's use of institutional analysis and its focus on the role of institutions and incentives also helps to shed new light on the hidden costs and unintended consequences associated with recent attempts by international donors to increase access to education in Kenya. In December 2003, the new government of Kenya announced the introduction of free primary education (FPE) with immediate effect. All school fees charged by government schools were therefore abolished and replaced by an annual grant which the schools would now receive from central government. The logic behind this reform (which was strongly supported by all international donors), was almost too simple to be true. Because school fees were restricting some poor families from sending their children to school, then the best way to solve this problem was simply to abolish all school fees, even for those families who were previously willing to pay.

Twelve months after the introduction of FPE, it was reported that enrolments in government primary schools had increased by 1.2 million and the example of Kenya was being praised by the UK government as a successful example of how international aid is helping to make poverty history across Africa. Map 1 provides a bird's eye view of Kibera, Nairobi – one of the largest slums in East Africa – in

January 2004, with the large blue spots representing government schools serving children from the local area.

MAP 1: PUBLIC SCHOOLS FOR THE POOR IN KIBERA, NAIROBI, JANUARY 2004.



As noted above, many government schools witnessed an increase in enrolments following the introduction of FPE and this was certainly the case with the five schools located on the outskirts of Kibera, which experienced an increase in enrolments of 3296. As shown in Table 1, each school witnessed a large increase in enrolments, with School C almost doubling its intake overnight.

TABLE 1 KIBERA: NET INCREASE IN GOVERNMENT SCHOOL ENROLMENT

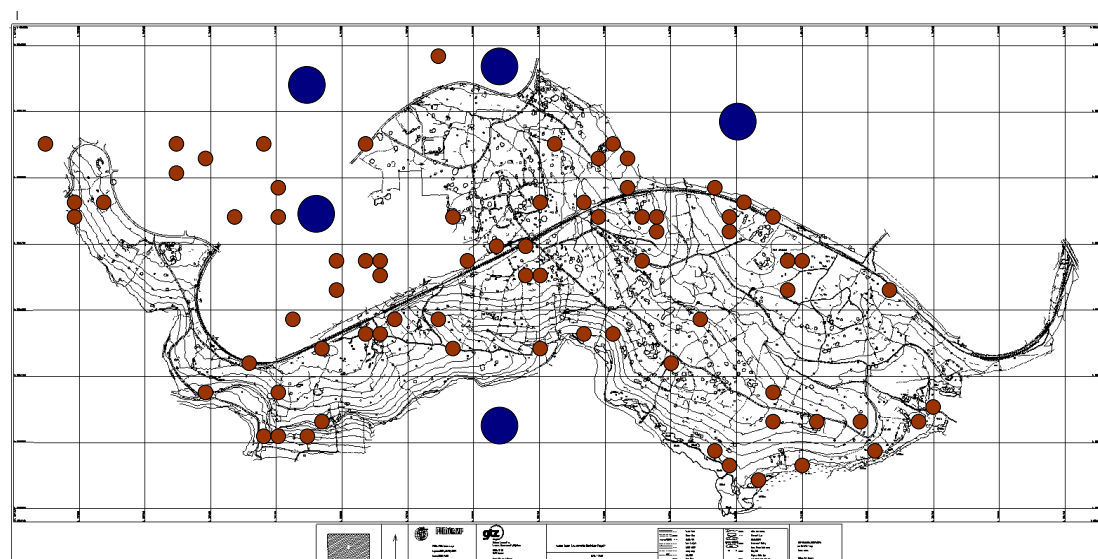
Government Primary Schools	Before FPE (school year 2002)	After FPE (enrol Oct 2003)	Net increase	% increase
A	1300	2039	739	57%
B	1710	2247	537	31%
C	1020	1905	885	87%
D	600	1116	516	86%
E	1200	1819	619	52%
Totals	5830	9126	3296	57%

Placing to one side the hidden costs on the quality of education being provided as a result of these large enrolment increases, the above findings appear to confirm the success of this initiative. Schools fees had been abolished, enrolments had

increased dramatically and Kenya would now move a step closer to meeting its Millennium Development Goals concerning education for all.

However, research carried out in 2004 found that there were also 76 private primary schools located within the Kibera slums (see Map 2), which the national government and international donors had failed to recognise, acknowledge or take into account.<sup>30</sup>

MAP 2: PUBLIC AND PRIVATE SCHOOLS FOR THE POOR IN KIBERA, NAIROBI, JAN 2004.



The number of children reported to be attending the 76 private schools was 12,132, but as Table 2 shows the total decrease in enrolments at these schools due to the introduction of FPE was reported to be 6571.

TABLE 2 - KIBERA NET INCREASE/DECREASE IN REMAINING PRIVATE SCHOOLS

Category	Increase/decrease in enrolment
Straight decline in enrolment (41 schools)	-6010
Initial decline then increase (7 schools)	-939
No change in enrolment	0
Private – increase in enrolment (8 schools)	+378
<b>Total increase/decrease</b>	<b>-6571</b>

<sup>30</sup> For a more detailed account of this research see The Impact of Free Education in Kenya: A case study in private schools in Kibera, Tooley, J., Dixon, P., and Stanfield, J. (2008) *Educational Management, Administration and Leadership*, Volume 36, No 4, pp. 449-469 and Chapter 6 of *The Beautiful Tree* by James Tooley (2009).

Therefore while government schools had witnessed an increase in enrolments of 3296, private schools had seen a decrease in enrolments of almost twice the size. However this does not reflect the full impact of FPE on private school enrolment because a total of 25 schools were also reported by school managers to have closed specifically because of FPE, displacing another 4600 students. Table 3 therefore gives an estimate of the net decrease in the number of students enrolled from Kibera as a result of the introduction of FPE. In private unregistered schools as a whole, enrolments declined by 11,171. Set against the increase in government schools of 3,296, this would result in a net *decrease* in primary school enrolments since the introduction of FPE of 7,875.

TABLE 3- SUMMARY OF NET INCREASE/DECREASE IN ENROLMENT IN KIBERA SINCE FPE

Category	Increase/decrease in enrolment
Subtotal – net increase/decrease in private schools	-11171
Government – increase in enrolment	+3296
<b>Total net increase/decrease</b>	<b>-7875</b>

If the original purpose of abolishing school fees was to increase access to primary education to children living in Kibera then this provides a good example of how a well intended government intervention funded by international donors can often have the exact opposite effect. As previously noted by Ostrom, when an external intervention creates the opposite result of its original intention then something is definitely wrong. Furthermore, not only had the total number of enrolments decreased but the quality of education in the now overcrowded government schools had also declined and a number of local private schools had been forced to close. What was being reported by international donors was therefore completely at odds with the reality on the ground. The international donors and the beneficiaries on the ground appeared to be living in two separate worlds.

This intervention also highlights another problem with the current monocentric approach which tends to ignore any educational activities which are not officially recognised and funded by the government. Therefore, by focusing their resources on increasing access to government schools, international donors also end up undermining the ability of private schools to remain sustainable in the long run.

The above findings also appear to confirm the crowding out hypothesis, which suggests that certain types of government intervention in education will not increase the total number of enrolments but will simply result in a transfer of enrolments from private to government schools. If the government schools are then found to be less effective than the private schools then those children who have made the transfer will

now be worse off. In Kibera however, the crowding out process was found to be more fluid than originally expected with many parents returning their children to private school after it became clear that the quality of teaching in the government school was unacceptable. For these parents, government schooling was certainly not free as there were large costs involved in their children not learning.

Discussions with these parents which had switched their children between private and government schools therefore helped to shed new light on some important differences between the two. For example it was found that when parents paid fees then they found that teachers would pay more attention to their children and make more of an effort. Also when parents did not pay any school fees then they felt that they were now less able to complain and when they did the teachers were more likely to ignore them. The following statement is a typical comment from a parent who had experienced both types of schooling:

Before the free education programme was introduced, the teachers were busy with the pupils; now, they know there is no money coming in, so they are not really concerned. Here, the teacher is busy with the children from morning to evening and there, you find that the teachers do not teach the way they used to.<sup>31</sup>

One parent also summarised what he perceived had happened when free education was introduced by way of analogy:

If you go to a market and are offered free fruit and vegetables, they will be rotten. If you want fresh fruit and vegetables, you have to pay for them.<sup>32</sup>

Such comments help to reinforce Ostrom's earlier findings concerning the perverse impact of external aid on the incentives of those working in the institutions being supported. For example, when parents pay teachers to teach their children then the incentives faced by the teachers are closely aligned with the incentives of the parents. However, in the free government school, no such linkage exists and the bargaining power of parents is dramatically reduced.

Paying school fees therefore provides a mechanism through which parents can assert and defend their rights to the benefits that education brings. The payment of school fees is therefore an important safeguard which guarantees a particular quality of service. When parents are denied the opportunity to invest in their children's education, then this denies parents their ability to assert and defend their right to education.

Unfortunately, the way in which international aid affects the incentives of both teachers and parents has not been taken into account and instead project evaluations have considered the abolition of schools fees as a project benefit even if

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<sup>31</sup> Tooley, Dixon & Stanfield, *Impact of Free Primary Education in Kenya: A Case Study of Private Schools in Kibera, Educational Management, Administration and Leadership*, Volume 36, No 4, p.462

<sup>32</sup> *Ibid.*

parents were previously willing to pay. The possibility that reducing the need to pay for education will substantially reduce the bargaining power of parents and the accountability of teachers has simply been ignored.

Also, there has been no serious analysis of the hidden costs of abolishing school fees for those parents who were previously capable of paying, and willing to pay. The assumption is that because these parents no longer have to pay school fees then they will now be better off. The abolition of school fees is not expected to alter the relationship between the parent and the teacher and the fact that teachers and schools now get all of their funding from central government is not expected to have any impact on the way teachers perform. All of these reforms therefore appear to be based upon the assumption that the way in which teachers are funded will have no significant impact on the incentives they face and how they perform.

However, the lack of teacher motivation and attendance, the high dropout rates and the extraordinary levels of corruption throughout the government system are not normal developments which would be expected to occur in organisations which provide such an important service which people value so highly. For example, in the private sector these developments are simply not allowed to develop and take hold. If teachers lack motivation and fail to turn up at a private school, then they will be sacked. If a private school begins to experience high and increasing dropout rates then it must either transform the service which it provides or the school will be forced to close. And as the majority of the revenue which private schools receive is simply transferred from parents to the school, then the opportunity for corruption is dramatically reduced. Of course problems will still persist in the private sector but these will be due to local circumstances and the failure to manage people and resources effectively. They will not be the result of incentive problems which are inbuilt into the institutional framework which affect the sector as a whole.

Many of the problems which currently plague government schools in developing countries are therefore a direct result of the way in which national governments and international donors have previously intervened in education and how these interventions have significantly changed the incentives of all those who work in the sector. These interventions have also significantly reduced the ability of parents to hold teachers and schools to account.

These findings therefore help to reinforce Ostrom's previous finding that in countries where the institutional environment is less able to overcome incentive problems then there is a much greater need for institutions which match contributions with rewards. This applies in particular to schooling where the payment of school fees is clearly the best way to match teachers' contributions with their rewards and to ensure that parents get value for money and receive a quality service.

### 3.4 Scholarships for Kids and KISA – A new approach

In contrast to the above failed attempts by the government and international donors to increase access to education for children living in the slums of Kenya, including Kibera, an alternative approach is now having much more success. Scholarships for Kids (SFK) is a charity which is dedicated to fighting poverty within the world's poorest nations and it therefore shares many of the aims and aspirations of organisations such as DfID, Oxfam and ActionAid. Like these organisations, SFK has also identified education as being a key factor in the fight against global poverty and it believes that '[e]very child, no matter where they are born, should be afforded the opportunities an education can offer'.<sup>33</sup> However, while international donors and philanthropists have previously identified free government schooling as the optimal solution to achieving education for all, SFK has adopted an alternative approach by launching the first scholarship program which is dedicated to helping children living in the poorest areas gain access to a fee paying private school located in their local community.

#### *The SFK Model*

SFK have designed a model which addresses many of the issues which continue to undermine donor confidence in development projects, including the lack of transparency, the misappropriation of funds and money failing to reach those most in need. The model is based on the following seven factors:

- Only a child recommended to the scheme by their teachers or school as having aptitude and drive, but whose future education and prospects are threatened by a lack of funding, will be considered.
- The school must be prepared for the administrative responsibilities that come with the scholarship funds. Scholarship money is to be used, quite specifically, for the school fees, uniforms and books for the boy or girl, and each school must periodically produce proof as to how and when this money is spent.
- All children who receive scholarships must continuously prove their dedication by achieving an excellent attendance record and passing their annual exams. All of this information will also be passed to SFK by the schools. Any child who fails to meet these basic standards will have their funding reviewed.
- Schools must not only meet, but also maintain, certain standards of care in order for their students, administration and academic achievement to be accepted, and then to retain their place, on the scheme. These standards are checked on a regular basis by local representatives.

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<sup>33</sup> Scholarships for Kids website ([www.scholarshipsforkids.org](http://www.scholarshipsforkids.org)).

- SFK has a zero tolerance policy when it comes to the misappropriation of funds.

While these first five factors may be common in other scholarship schemes, the following two factors help to make the SFK scheme unique:

- In order to encourage participating schools to be self sufficient, SFK has a policy that permits no more than 15% of school places to be funded by scholarships.
- This model is dependent on SFK having a professional partnership with a local grassroots organisation which is known and trusted in the local communities in which they operate<sup>34</sup>.

The fact that no more than 15% of children in any one school are allowed to receive an SFK scholarship, is critical as this helps to protect the long term sustainability of each private school. Therefore, as schools do not become dependent on scholarship funds for survival, they will still be able to function if the scholarships are no longer available. Furthermore, it also means that because the vast majority of the schools income will still come from fee paying parents, the school will still be expected to be competitive with other schools and provide a quality service and value for money or risk losing its fee paying parents to other schools. It is this self reinforcing mechanism which will now guarantee that those children who receive a scholarship will receive a worthwhile educational experience.

SFK has also developed a professional partnership with the Kenya Independent School Association (KISA) which now represents over 1,000 schools which follow the national curriculum and charge between 200-1400 Kenyan shillings per month<sup>35</sup>. The aims and objectives of KISA are identified as follows:

- To create an enabling environment and platform for institutions serving the educational needs of children from low income households to discuss debate and pool synergy in providing this education;
- To lobby the government and other stakeholders for equitable treatment in the distribution of opportunities and resources in education with respect to children from poor households;
- To provide alternative non public quality education to children from low income households and therefore help the country meet the second millennium development goal on UPE by 2015.

By utilising the local knowledge and trust which between KISA and its schools, SFK is now in a position to provide potential donors with a cost effective and accountable service, which:

<sup>34</sup> Scholarships for Kids website ([www.scholarshipsforkids.org](http://www.scholarshipsforkids.org))

<sup>35</sup> Musani Y., Study of the Kenya Independent Schools Association (KISA), Grey Matters Capital, June 2008.

- guarantees that the resources will be used to fund the education of those children most in need;
- provides details of every child and every school;
- dramatically reduces the opportunities for corruption as funds bypass both central and local government;
- works with what already exists and does not undermine the sustainability of each private school in question.

After developing a successful model in Kenya which is now supporting 1000 children in 20 schools, Scholarships for Kids is now looking to expand this model across Kenya and then further afield.

When comparing the above programme with existing opportunities to support children's education in a developing country, then significant differences soon begin to appear. For example, ActionAid asks donors to contribute £15 per month to 'sponsor a child' which is then put to use in the community where the sponsored child lives. According to ActionAid 'this makes sure that your money directly benefits your sponsored child without signalling them out for preferential treatment'.<sup>36</sup> Under World Vision's 'Child Sponsorship Scheme', donations are said to give 'World Vision the means to work towards improving the lives of the entire community', and again it is suggested that 'it's more effective to use the money on projects that will benefit your sponsored child's community as a whole, at the same time improving the wellbeing of the child you sponsor'.<sup>37</sup> A UK organization called Plan also encourages donors to 'Sponsor a Child' and again donations are 'pooled with other sponsorship contributions and goes towards projects that benefit the country in which your sponsored child lives'. According to Plan '[t]his allows for efficient management of the funds'.<sup>38</sup>

While such programmes may have proved to be an effective method of raising donations for the charities concerned, there is a clear lack of transparency and accountability relating to the direct impact that individual donations will have on the education of individual children. For those funds which are spent on education it also remains unclear what kind of schools the children will be attending and the quality of the education which they are receiving. This is in contrast to the SFK programme where a £75 donation will fund a scholarship enabling one child to attend a local private school for one year. Each £75 donation can therefore be linked to an individual child and to the school which they attend. The funds which are not directly used to provide the scholarship are used to administer the programme and ensure that the private schools involved maintain particular quality standards.

<sup>36</sup> ActionAid website ([www.actionaid.org.uk](http://www.actionaid.org.uk)).

<sup>37</sup> World Vision website ([www.worldvision.org.uk/server.php?show=nav.2627](http://www.worldvision.org.uk/server.php?show=nav.2627)).

<sup>38</sup> Plan website ([www.plan-uk.org/about/work/learning/](http://www.plan-uk.org/about/work/learning/)).

#### 4. C.K. Prahalad and the fortune at the bottom of the pyramid

The growth and development of low cost private schools in developing countries has coincided with a more widespread increase in interest in the role of the for-profit private sector in helping to serve the basic needs of the poor across the developing world. The growth and success of the microfinance industry in developing countries and the more recent dramatic increase in the use of mobile phone technology across Africa and Asia has helped to challenge a number of pre-conceived ideas in the West. For example, it is now clear that private companies can successfully serve low income communities in developing countries and still generate a profit; it is also clear that those living in these low income communities are willing to pay for particular products and services as long as they are affordable and specially designed to meet their specific needs and circumstances.

##### 4.1 The BOP approach

The suggestion that for-profit companies must now play a much greater role in serving low income communities in developing countries was brought to the world's attention by the late C.K Prahalad, the Indian born Professor of Corporate Strategy at the Ross School of Business, USA. His 2004 publication *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* has helped to challenge two forms of intellectual laziness 'that of corporate titans who were ignoring the bulk of humanity and that of humanitarians who regarded profit as a dirty word'<sup>39</sup>. Prahalad rejected the traditional approach to international aid which often assumed that the poor were helpless victims in desperate need of humanitarian assistance and charity. A new approach was therefore required which recognised that the estimated 4 billion people who live at the bottom of the pyramid (BOP) on less than \$2 a day were not simply beneficiaries of charitable handouts but instead were resilient entrepreneurs and value-conscious consumers.

Prahalad was also critical of those businesses which have previously neglected low income communities in developing countries and suggested that they could now gain competitive advantage and sustained profitability by targeting this sector with new products and services at affordable prices. The strength of this new approach was that it tended to create opportunities for the poor by offering them choices and encouraging self-esteem. Therefore, when the poor are converted into consumers, they get better access to products and services and they 'acquire the dignity of attention and choices from the private sector that were previously reserved for the middle class and rich'<sup>40</sup>. For-profit companies could therefore help to raise the living standards of those at the bottom of the pyramid, whilst also generating a profit - a genuine win-win situation.

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<sup>39</sup>Prahalad, C.K, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, 2004, p.20

<sup>40</sup> Ibid.

The remarkable growth in the use of mobile phones in developing countries over the previous decade has helped to reinforce Prahalad's message that the profit motive can be harnessed to do good and that there is a market for world-class goods and services amongst the poor if they can be made available at affordable prices. Across the developing world mobile phones are now being used to pay bills, transfer money, combat AIDS and allow farmers to access prices and offers from traders. They are also being used to allow millions of users who don't have access to traditional banks to open saving accounts, earn interest on their money and access credit and insurance products. Safaricom's M-Pesa in Kenya is the most famous example which has attracted 9.4 million Kenyans in three years. While in 2000 there were approximately 15,000 mobile phone handsets in Kenya, this has since increased to over 20 million, representing half of the population. As a result Safaricom is now East Africa's most profitable company, with profits of \$370m in 2009, which commentators suggest is partly due to Safaricom's strategy of targeting low-income users. Taking this into account it is hardly surprising that research is now showing that increasing the number of mobile phone users in a country can help to increase the rate of economic growth. As noted by Dr Mohammad Yunus: "when you get a phone it is almost like having a card to get out of poverty in a couple of years".<sup>41</sup> Finally, it is important to note that the size and nature of the mobile phone market has been influenced to a certain extent by the regulatory environment which exists in each developing country.<sup>42</sup> In countries that have liberalised their telecoms' markets and broken up state monopolies then there is a much higher rate of mobile phone use, compared to those countries which restrict foreign investment and other providers from entering the market.

In order to transform low income communities into consumer markets, Prahalad highlights the importance of creating the capacity to consume. First, Prahalad is critical of the traditional approach of providing products and services free of charge as this often has the feel of philanthropy; while charity may feel good, 'it rarely solves the problem in a scalable and sustainable fashion'<sup>43</sup>. Second, for those businesses that wish to participate in these markets, he suggests that traditional products, services and management processes will not work. Instead companies must learn to innovate and take into account their customers low and irregular cash flows. To highlight the importance of introducing new and more flexible payment methods, Prahalad refers to the example of the Singer sewing machine which was initially too expensive for the vast majority of the American population. However, in 1856 the Singer Company introduced an instalment plan which allowed buyers to pay in instalments over a period of time. As a result sales tripled in the first year and Singer would go on to become the first U.S. global company.

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<sup>41</sup> Mobile phone revolution, Matthew Bishops, ([www.developments.org](http://www.developments.org)).

<sup>42</sup> Africa: The Impact of Mobile Phones, *The Vodafone Policy Paper Series*, Number 3, March 2005.

<sup>43</sup> Prahalad, C.K, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, 2004, p.40.

This simple innovation to encourage consumption is today being replicated across BOP markets by companies who are adopting a pay per use business model which allows customers to pay low costs for each use of a product or service. A single-serve revolution is also spreading across BOP markets, which is helping to increase access and choice to an increasing number of consumer products. For example, companies that usually sell branded shampoo in plastic bottles are now selling single sachets at very low prices. This is now dramatically increasing the usage of such branded products across BOP markets. Creating the capacity to consume in these new markets will also involve increasing collaboration between the private sector and civil society. It will increase customers' access to information relating to the nature and quality of the new products and services on offer and finally increase access to credit across the sector.

According to Prahalad, instead of assuming that the poor cannot afford certain products and services and so don't represent a viable market, the emphasis should now shift towards recognising their willingness to pay and thinking about how to bring the benefits of global standards at affordable prices. The problem with focusing solely on levels of income is that it tends to hide the important changes which are now taking place in peoples spending habits with people now making choices which we would not normally associate with those living at the bottom of the period. Prahalad therefore recommends that life style measures (LSM) should now be used in order to better understand BOP consumer life styles, what they aspire to and what they are prepared to invest in. Prahalad also warns that there is no single definition of a BOP customer and instead that they represent extreme variety. Prahalad concludes by suggesting that all of the key stakeholders in this debate need to have a change in mindset as the dominant logic of each group continues to restrict our ability to see the opportunities which now exist in BOP markets:

We have to change our long held beliefs about the BOP – our genetic code if you will. The barrier that each group has to cross is different, but difficult nonetheless. However, once we cross the international barrier, the opportunities become obvious<sup>44</sup>.

Perhaps one of Prahalad's greatest achievements was his ability to communicate his message to a global audience and in particular to those working within international agencies such as the United Nations Development Programme (UNDP). In July 2003, the UNDP launched the Commission on the Private Sector and Development which reflected the increasing recognition of the need to engage with and encourage the private sector to assist in helping to meet the Millennium Development Goals. As noted by UN Secretary-General Kofi Annan "We cannot reach these goals without support from the private sector".<sup>45</sup> The Commission was tasked with answering the following questions:

<sup>44</sup> Prahalad C.K., *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, 2004, p.10.

<sup>45</sup> UN Press Release, Annan launches new UN-private sector alliance to fight poverty, AIDS, illiteracy, 25 July 2003.

- How can the potential of the private sector and entrepreneurship be unleashed in developing countries?
- And how can the existing private sector be engaged in meeting that challenge?

In March 2004 the Commission published a report titled '*Unleashing Entrepreneurship: Making Business Work for the Poor*', which found that the private sector was already meeting the needs of the poor in difficult to reach and remote places:

Put simply, an innovative private sector can find ways to deliver low-cost (even sophisticated) goods and services to demanding consumers across all income ranges. It can sell to the urban distressed area as well as the poor rural village or town.<sup>46</sup>

However, it was also clear that entrepreneurs in developing countries often faced significantly higher regulatory and licensing hurdles which created a much greater incentive to remain in the informal sector, where productivity was much lower. Perhaps the most important recommendation concerns the reform of the regulatory environment:

Developing country governments have to make a strong and unambiguous policy commitment to sustainable private sector development—and combine that with a genuine commitment to reform the regulatory environment by eliminating artificial and policy induced constraints to strong economic growth<sup>47</sup>.

The report concludes by calling for fresh thinking about international development which is “unconstrained by ideology, unhinged from tired debate.”<sup>48</sup> When launching the report, UNDP’s Executive Director Nissim Ezekiel, also referred to previous counterproductive debates within the development community which were usually about the public sector versus the private sector. Instead, the Commission focused on finding ways in which these sectors could maintain their traditional identity and roles, but also work together towards common goals. According to Ezekiel, the reports core message was both simple and powerful - we will not achieve the Millennium Development Goals without engaging the private sector and unleashing the power of entrepreneurship<sup>49</sup>.

The increasing interest in the role of the private sector in development is also reflected in the World Bank’s Global Monitoring Report (2009). While previous editions have focused on strengthening the role of government to help meet the

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<sup>46</sup> Unleashing Entrepreneurship: Making Business Work for the Poor, UNDP, 2004, p.8.

<sup>47</sup> Ibid, p.38.

<sup>48</sup> Ibid, p.6.

<sup>49</sup> Recommended reading in this area includes: Creating Value for All: Strategies for Doing Business with the Poor, UNDP, 2008. The Next Billions: Unleashing Business Potential in Untapped Markets, January 2009, Emerging Markets – Emerging Models, Monitor, March 2009.

MDG's, the 2009 edition examines what governments can do to leverage or enhance the contribution of the private sector, which can help to increase funding, competition and innovation in education<sup>50</sup>. This approach is based on the following principles:

- First, there must be a focus on outcomes;
- Second, everyone must be pragmatic and not ideological, and so strategies that improve outcomes are desirable, regardless of which sector is carrying them out;
- Finally, available evidence should be used to support policy recommendations and further research should be carried out.

Whilst recognising that the mix between public and private differs considerably (depending on the level of education, geographical location and government policies), the report confirms that 'privately financed and delivered services now make up a significant part of all services that address the different MDGs, including those services being used by the poor'.<sup>51</sup>

When adopting this pragmatic approach, governments must first address a number of questions including whether they should now focus more on policy, finance and regulation and less on service delivery. Disregarding the potential of the private sector to contribute to EFA is described as short sighted and wasteful and the report concludes that '[l]everaging the private sector role to achieve human development MDG's is increasingly in the mainstream and this trend is likely to continue'.<sup>52</sup>

#### 4.2 The BOP approach to education for all

In his 2004 publication, Prahalad identified education as one of a number of BOP markets which were now emerging as a major opportunity. Two years later this was reinforced when Tooley's essay "*Educating Amaretech: Private Schools for the Poor and the New Frontier for Investors*" won the first prize in the IFC and Financial Times' first annual essay competition 'Business and Development: Private Path to Prosperity'. Tooley recommended that the development community could assist the poor by extending access to private schools through targeted scholarships and vouchers and private investors could also contribute through 'microfinance-type loans, dedicated education investment funds and joint ventures with educational entrepreneurs, including the development of brands of budget private schools to help solve the information problem facing poor parents'<sup>53</sup>. Acting as one of the judges, Prahalad announced the prize with the following comment:

<sup>50</sup> See chapter 3 "Leveraging the private sector role in human development", Global Monitoring Report, World Bank, 2009.

<sup>51</sup> Global Monitoring Report, World Bank, 2009, p.88.

<sup>52</sup> Global Monitoring Report, World Bank, 2009, p.112.

<sup>53</sup> Tooley, J., *Educating Amaretech: Private Schools for the Poor and the New Frontier for Investors*, 2006.

Getting education right is a universal aspiration. Mothers around the world, both poor and rich, aspire for their children to get a good education. The poor want choice and they are willing to pay for good service<sup>54</sup>.

Together with an extract from Tooley's essay, the *Financial Times* also published the following editorial which highlights the increasing frustration with the prevailing consensus and the need for fresh thinking:

Without literacy and numeracy, people are doomed to a life of poverty. Development experts know that. So, too, do parents. Disgusted by corrupt and incompetent public sector provision, many of the world's poorest people are turning to private sector alternatives. This is a fascinating development, on which the world should now build. . . . Almost everybody knows that governments cannot run factories, farms or shops. But many people still expect them to do a first-rate job of delivering education. They are deluded. Poor parents have realised this already. They have also done something about it. . . . Education is not, as has long been believed, too important to be left to the private sector. It is, instead, too important to be left to failing public monopolies. The private-sector revolution empowers the one group of people that cares about the education of children: their parents. Outsiders – both official and private – must build on the initiative the poor have shown<sup>55</sup>.

While such statements will sit uncomfortably with many development experts, they are now helping to attract increasing interest from a variety of different private organisations from around the world, which are now looking at how to apply the BOP approach to help increase access to education to some of the poorest people on the planet.

Perhaps one of the more surprising aspects of the current education for all debate is the fact that a global solution was agreed and implementation attempted by the international community without any involvement of what many would describe as the most important players, the key stakeholders and those who are primary responsible for the education of children – their parents. While development experts often have strong opinions on how they believe other people's children in developing countries should be educated, it is remarkable that those who are ultimately responsible for children's education play no role in the key decision making processes. Not only is very little if anything known about the nature and kind of education that individual parents want their children to receive, but there also appears to be very little interest in giving parents a much more prominent role. It is simply assumed and taken for granted that all parents across the developing world are in desperate need of a government school, compared to a variety of different alternatives.

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<sup>54</sup> IFC Press Release, *New Ideas in Business Can Lead to Faster Innovations in Development*, October 4th 2006.

<sup>55</sup> *Educating the Poorest*, *Financial Times*, 17<sup>th</sup> February 2007

However, according to a report published in 2009 by the Monitor Group, '[t]he most common mistake among unsuccessful market-based solutions involves confusing what low-income customers or suppliers need with what they want. People living at the base of the economic pyramid should be seen as customers and not beneficiaries'.<sup>56</sup> This will apply in particular to education: if the BOP approach is to be applied to the ongoing search for "education for all" then this process must start by respecting parents as customers and not simply as beneficiaries of charitable donations. Placing parents at the centre of their children's education and giving them the dignity and respect which they deserve will therefore be of paramount importance.

Furthermore, the BOP approach to education for all must also reject the idea that the only option for developing countries is to follow in the footsteps of developed countries in terms of educational development. For the previous half century, international agencies have been promoting, championing and ultimately exporting the nineteenth century Western model of free and compulsory government schooling across the developing world. However, very few development experts have been prepared to stop and ask whether this is a sustainable method of funding education in developing countries and also if this is what parents in developing countries actually want. This approach is also based upon the assumption that a government monopoly in education is the optimal solution, which developing countries also deserve to benefit from. The implication is that there are very few if any important lessons to be learnt from how developed countries have guaranteed education for all in the past.

However, it is interesting to speculate what would happen if governments in developed countries were given a blank sheet of paper and asked to redesign their education systems from scratch. How many governments would simply reintroduce the same bureaucratic "one size fits all" government monopoly? Or how many would take advantage of the opportunity and choose to redirect public funds to parents and encourage a competitive education sector with a variety of different providers? The fact that many developed countries are now looking to dismantle their nationalised systems of education, also highlights the fallacy of encouraging developing countries to follow in the same earlier footsteps and therefore make exactly the same mistakes.

Just as it makes little sense to try and sell to BOP markets products and services designed for affluent markets in the West, exactly the same principle applies to education. Instead, developing countries must now look to leapfrog and innovate. An example of best practice is the mobile phone sector, where developing countries have simply leapfrogged the use of land line telephones and gone direct to the widespread use of mobile phones which are more effective, efficient and affordable. The task now facing those in education is to apply the same level of innovation,

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<sup>56</sup> Emerging Markets, Emerging Models, Monitor Group, 2009, p.5.

ecosystem development and a focus on affordability to education which was previously applied to telecommunications.

According to the prevailing consensus those who live at the bottom of the pyramid have very little income and simply cannot afford to pay school fees. As a result this problem can only be resolved by abolishing all school fees irrespective of many parents' willingness to pay. This attitude is rejected by the BOP approach which instead focuses much more attention on creating the capacity to consume and transforming how education is designed and delivered in order to make it much more affordable.

Two important developments in the application of the BOP approach to education for all include the extension of microfinance services into private education markets and the appearance of a small number of chains of budget private schools. Both of these developments are now helping to increase access to private schools and make them more affordable.

#### 4.3 Microfinance in education

As previously noted by Tooley in *Educating Amaretech* (2006), a creative new frontier for investors has now emerged to meet the increasing demand for microfinance services within this low cost private education sector. Inspired by this essay, in 2008, one of the world's largest microfinance companies Opportunity International introduced its Microschools of Opportunity programme, which provides loans to education entrepreneurs or "edupreneurs" to help expand and set up new private schools serving low-income communities. Critically to help these schools become sustainable, Opportunity International also provide business advice on record keeping, finance and accounting methods, and compiling legal documentation. Microschools are now operating in fifty locations in Ghana and nine in Malawi and they intend to expand into several other countries across Africa and Asia. Opportunity International's Banking on Education initiative also offers school fee loans to parents which enables them to pay school fees over a period of time which is more compatible with their cash flow. School savings accounts for children are also being developed which will hopefully encourage families to save money for their children's education. Both of these initiatives will help to make education more affordable for children in the developing world. Opportunity International is seeking to raise an additional \$10 million to help finance the expansion of its Banking on Education initiative and hopes to provide increased educational opportunities to over 250,000 poor children by 2012.

EduLeap is another new microfinance organization which hopes to help edupreneurs lift their communities out of poverty. As well as providing microfinance services, they will look to provide business and teacher training and curriculum tools to help improve the quality of education being provided. EduLeap hopes to raise \$20 million

to finance the education of 1 million impoverished children over the next seven years and an additional 3 million children over the following five years. According to their website its efforts 'are predicated on the fundamental notion that the poor are already finding ingenious ways to help themselves'<sup>57</sup>.

These private sector developments have followed in the footsteps of projects such as the IFC's Africa Schools Program which has been providing debt and risk sharing investments to banks in a number of African countries. The International Finance Corporation (IFC) is the world's largest multilateral investor in private education sectors in developing countries and they have also been providing advisory services to its banking partners to help strengthen their capacity to lend to the education sector and also to private school borrowers to improve their creditworthiness. By reducing risks the IFC is hoping to encourage banks to increase their lending to private schools across the continent. Commenting on the developments in Africa over the previous decade, IFC's Guy Ellena suggests that there has been a considerable increase in the recognition of the significant contribution that private education can bring:

For example, in Ghana, Kenya, Nigeria, Senegal, and Uganda private school enrolment is up from 15 percent to over 40 percent. Many governments are actively encouraging private sector growth while remaining aware of the need to ensure that such provision meets appropriate standards and quality benchmarks. Entrepreneurs and philanthropists are bringing new perspectives and innovative approaches to the sector<sup>58</sup>.

To encourage financial institutions to lend to creditworthy but underserved borrowers in developing countries, USAID uses the Development Credit Authority (DCA), which offers financial institutions a variety of guarantee agreements which are designed to encourage lenders to expand their lending to new sectors and regions, or to improve loan terms. The DCA therefore provides 'a flexible tool for opening sustainable sources of financing that support the development objectives of the U.S. government'<sup>59</sup>. Critically, experience shows that when a USAID guarantee expires, the financial institutions involved often continue to lend to the same borrowers that they had previously perceived as unqualified. Furthermore, competing financial institutions often enter the same market, increasing competition and improving terms for the borrowers. The intervention therefore helps to change attitudes and so it becomes sustainable in the long run.

Since DCA was established in 1999, more than 234 partial credit guarantees have facilitated over \$1.9 billion of private capital debt financing in more than 70 countries and through the DCA guarantee mechanism, USAID has been able to leverage an average of \$30 in private sector funds for every dollar spent by the U.S. Government.

<sup>57</sup> EduLeap website ([http://eduleap.org/What\\_We\\_Do.html](http://eduleap.org/What_We_Do.html)).

<sup>58</sup> Attracting private investment in African education, 12 May 2009 By Nelly Nyagah, *TradeInvestAfrica.com*.

<sup>59</sup> Credit Guarantees Promoting Private Investment in Development - Year in Review 2009, p.4

While the majority of these credit guarantees have been used to strengthen agriculture, finance water and infrastructure, support microfinance and improve food security, some have been used in education. Two recent USAID collaborations are worth noting. First, in October 2009 USAID and Grameen Foundation announced a new agreement that will make \$162.5 million in local currency financing available to microfinance institutions across the developing world. This will enable these institutions to continue making loans to small businesses and entrepreneurs at a time when credit market are tightening. According to USAID's Acting Administrator Alonzo Fulgham 'increasing access to finance enables the world's poor to improve their own lives, and this partnership will enable millions more to lift themselves out of poverty'<sup>60</sup>. Second, in March 2010 a memorandum of understanding was signed between USAID and the Swedish International Development Agency (SIDA) which formalizes an agreement by the two agencies to enter into joint guarantees to support financing to entrepreneurs throughout the developing world. As noted by Dr Rajiv Shah from USAID 'one key advantage of credit guarantees is that they promote sustainable lending that capitalizes not on donor resources, but on resources that already exist in developing countries'<sup>61</sup>. Again, the focus is on promoting self help and sustainability.

In May 2010 Gurcharan Das, former Managing Director of Procter & Gamble and a well known author and commentator in India announced that he would now lead the education arm of SKS, a leading microfinance institution<sup>62</sup>. Disappointed with badly performing government schools and the impact that this has on the poor, Das suggests that budget private schools now provide a viable alternative. SKS are therefore looking to develop a system of SKS schools that only charge 175-200 rupees and cater for more than a million poor children from the same families who take loans from SKS. The example of a microfinance institution creating its own chain of budget private schools also raises the interesting question of which other private institutions or large multinational corporations might also follow suite in the near future?

As there are now estimated to be over 60 million microfinance clients around the world, this approach of encouraging these clients to invest in their children's education appears to have great potential. Such schemes have also been recommended by Khumawala (2009), who suggests that a scholarship fund can be created for the clients children; when the loans are being repaid a percentage of each payment is placed in the fund which is then matched by a payment from the microfinance company<sup>63</sup>.

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<sup>60</sup> USAID Press Release, October 21<sup>st</sup> 2009.

<sup>61</sup> *The Huffington Post*, Helping people to help themselves, March 26<sup>th</sup> 2010.

<sup>62</sup> Gurcharan Das supports education through Microfinance, *Microfinance Focus*, May 24<sup>th</sup> 2010.

<sup>63</sup> A Model of Microfinance-Supported Education Programs, Saleha Khumawala, University Houston, Decision Line, January 2009. Further reading: 'Educate Every Child: Microfinance and Universal Primary Education' by Katy Glenn.

#### 4.4 Emerging chains of budget private schools

In September 2008 a joint venture between the Deutsche Bank Americas Foundation, NewGlobe Schools, Gray Ghost Ventures and the Kellogg Foundation announced an \$8 million commitment to finance affordable private schools across Kenya and India. Gary Hattem, President of the Deutsche Bank Americas Foundation, stated that '[w]e recognize the important role that low-cost private schools play in educating poor children in the developing world and are excited to be a part of those initiatives, which strive to achieve scalable models for high quality low cost schools'. The project aims to develop scalable systems that will use new capital to strengthen local expertise to extend the reach of low-cost private schools to poor children in India and Kenya. This commitment is expected to help develop the capacity of teachers, principals and school leaders; improve the management of resources; and work towards creating a standardized, high-quality delivery model. According to Steve Hardgrave, Managing Director at Gray Ghost Ventures, the aim will be to build upon the success of the use of microfinance in other sectors of the economy to help 'dramatically expand access to quality education for poor children in the developing world, and this will have a game-changing effect on poverty alleviation'<sup>64</sup>.

Following twelve months of research and development a new for-profit company (Bridge International Academies) has been set up with a mission to revolutionize access to affordable, high-quality primary education for poor families across Africa. By July 2010 twelve schools had already been opened in the slums of Nairobi and they now plan to rapidly scale the company and expand across Sub-Saharan Africa, establishing 1800 schools serving more than 1 million families across Africa by 2015. To enable an expansion of this size to take place Bridge International Academies' have introduced a unique "School in Box" model, which they describe as "an extensive system and set of tools for its School Managers that allows someone the company hires from the local community to easily and successfully manage the operations of a school".<sup>65</sup> This includes a School Manager Manual which provides a detailed step-by-step set of processes that cover all financial, operation, instructional and human resource management issues. Due to the standardization of its activities this approach is compared to that of other large scale chains of service businesses, such as McDonalds.<sup>66</sup> Some of the key features of this model include the following:

- the time from conception to door-opening for all schools is 5 months
- school buildings are constructed for less than \$2,000 per classroom
- parents are charged 295 Kenyan Shillings (\$4) per month which is estimated to be less than the unofficial fees charged at local free government schools

<sup>64</sup> Deutsche Bank Press Release, Deutsche Bank Americas Foundation to finance private schools in Kenya and India, September 24<sup>th</sup> 2008.

<sup>65</sup> Nextbillion website ([www.nextbillion.net/jobs/view/386](http://www.nextbillion.net/jobs/view/386)).

<sup>66</sup> Nextbillion website ([www.nextbillion.net/jobs/view/386](http://www.nextbillion.net/jobs/view/386)).

- each school will be expected to enrol up to 1000 children and to become profitable within one year of opening
- both school managers and teachers are employed from the local community and while their base salaries are low they receive bonuses for increasing enrolments and the on-time payment of school fees
- lesson plans are developed at the head office and a particular emphasis is placed on ensuring that children have a good understanding of English.<sup>67</sup>

In order to support the expansion of its school network, the number of full time employees increased from 8 to 58 during 2009, with 36 based in schools and 22 based at headquarters working on land acquisition, construction, instruction & curriculum and research & marketing. By the end of 2009 the company was in a position to announce the following:

When we launched Bridge International Academies, most people thought it would be impossible to run high quality schools on a profitable basis while charging less than \$4 per month. Bridge International's first school that launched last January ended its first 12 months of operations virtually breakeven (showing a loss of \$400 for the year), proving the model behind Bridge International Academies!<sup>68</sup>

An important initiative introduced by Bridge Academies concerns the use of a custom-built automated computerized student payment system which allows parents to pay school fees using mobile phone. This technology is also used to manage the majority of each school's financial transactions helping to create what they describe as "a cashless school system". The head office therefore distributes school budgets and teacher salaries by mobile money transfers and parents are also expected to pay school fees in the same way. As no money is handled within each school, teachers are restricted from demanding extra payments and parents are also asked to report any demands for such payments to the head office. This use of mobile phone technology is therefore helping to address many of the problems relating to the mismanagement of financial resources experienced at many government schools.<sup>69</sup> In fact it is fair to suggest that these schools have been specially designed to "addresses the critical problems facing education systems in many countries in the region: the lack of accountability and absence of incentives for improving performance and educational outcomes".<sup>70</sup>

In December 2009 Bridge International Academies received a \$1.8 million investment from Omidyar Network to help fund its future expansion. According to Matt Bannick,

<sup>67</sup> Kenya: A Commercial Approach to Slum Education, *Ratio Magazine*, 04 May 2010.

<sup>68</sup> Bridge International Academies, 2009 Q4 Update.

<sup>69</sup> It is interesting to note that mobile phones are also being used to pay school fees in Uganda where the mobile phone company Zain launched its Zap school fees service in May 2010. More than 350 schools are already taking part and to help promote its launch Zain awarded 300 students free schooling and distributed sh50 million in educational grants to the 20 schools with the highest number of school fees transactions. Zap targets school fees, *AllAfrica.com*, 23<sup>rd</sup> May 2010.

<sup>70</sup> Social Edge website ([www.socialedge.org](http://www.socialedge.org)).

Managing Partner of Omidyar Network, Bridge International provides a compelling example of high-impact entrepreneurship, which is “not only extending access to education, but also serving as a model of how others can ignite social change through for-profit innovation”<sup>71</sup>. The Omidyar Network is a philanthropic investment firm established by eBay founder Pierre Omidyar which has a mission to ‘create opportunity for people to improve their lives by investing in market based efforts that catalyze economic, social and political change’<sup>72</sup>. Similar to other philanthropic investors, the network rejects the idea that people are helpless and in desperate need of charity and instead believes that “no matter what their economic, social, or political starting point, people everywhere can be empowered to improve their own lives and the lives of those around them”.<sup>73</sup> The following statement made by The Omidyar Network helps to explain why they invested in Bridge International; it also reinforces the increasing importance of the profit motive and sustainability within this emerging sector:

Bridge International extends access to primary education in Africa, demonstrating the power of for-profit innovation to transform lives. By employing key characteristics of successful franchises, Bridge International provides a complete 'school in a box' that allows local operators to run schools on a low-cost, but profitable basis. Bridge International's model provides a sustainable approach to education in Africa.<sup>74</sup>

Bridge International Academies have also benefited from being a member of the Clinton Global Initiative which builds upon President Clinton's belief that governments must collaborate more with the private sector to help address important global issues. One of four action areas is titled “Strengthening Market-Based Solutions”; here it is stated that while traditional approaches to aid are not sufficient to address the great global challenges “market-based solutions show incredible promise to solve these daunting problems on a systemic and widespread level”.<sup>75</sup> By the end of 2009 Bridge International Academies had raised a total of \$4.35 million from international investors which over the coming years will be spent on helping to improve access to quality schooling in poor areas across Kenya.

Omega Schools in Ghana is another example of an emerging chain of budget private schools which is hoping to bring private investment to hundreds of schools, to help improve their financial and educational performance. Omega Schools see themselves as a private sector response to the education challenge in Ghana and they are hoping to improve the quality of and extend access to education for the poor. Their ultimate goal is to deliver quality educational services at the lowest cost on a large scale:

<sup>71</sup> Omidyar Network Press Release December 8<sup>th</sup> 2009.

<sup>72</sup> Omidyar Network website ([www.omidyar.com/](http://www.omidyar.com/))

<sup>73</sup> Omidyar Network website ([www.omidyar.com/](http://www.omidyar.com/))

<sup>74</sup> <http://omidyar.net/portfolio/bridge-international-academies>

<sup>75</sup> Clinton Global Initiative website ([www.clintonglobalinitiative.org/](http://www.clintonglobalinitiative.org/))

Our model is founded on partnership with existing low-cost schools, a strong national brand and an innovative curriculum. This combination offers school proprietors a clear and compelling value proposition that can be delivered at low cost on an unprecedented scale<sup>76</sup>.

An important innovation pioneered by Omega Schools is the introduction of the daily fee<sup>77</sup>. Recognising that many parents cannot afford to pay monthly or termly fees, a daily rate has been introduced which covers tuition costs, uniform, books, transport, food and insurance. Parents are therefore spared the inconvenience of having to save money and can simply find the funds each day to send with their children. The popularity of this approach is highlighted by the fact that it is now being imitated by a number of competing private schools in the local area. This single example helps to show how the market process operates in education. Instead of initiatives being dictated from the top (Ministry of Education) down and all schools being forced to comply, innovations are now emerging from the bottom and will become widespread only if they are successful in meeting the needs of parents.

The cashless school and the daily payment of school fees are two innovations that are already beginning to address the issues of transparency and affordability, which have plagued public education sectors in developing countries over the previous half century. The fact that the above two companies have developed and then put into practice these two innovations within a matter of months shows how entrepreneurial talent can have a positive impact on this sector within a relatively short period of time. It also raises the questions of why similar innovations have not previously been introduced in the public sector and also how long it will take for government schools to follow suit.

#### 4.5 Profile: Gray Ghost Ventures

The one organisation which has perhaps gone furthest to apply the BOP approach to education for all is an impact investment company based in Atlanta, USA, called Gray Ghost Ventures (GGV). This is one of a new generation of impact investment firms which is dedicated to providing market-based capital solutions to entrepreneurs who serve the needs of low-income communities in developing countries. As one of the earliest private investors in microfinance, they are now building on this experience “to invest collaboratively in innovative, early stage enterprises that contribute to the well-being of low-income communities in emerging markets and provide an attractive financial return”. According to GGV, impact investing attempts to combine financial return with positive societal impact and the idea that an investment is more than financial is now gaining momentum.

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<sup>76</sup> Changemakers website ([www.changemakers.com](http://www.changemakers.com))

<sup>77</sup> Low cost private schools as part of the solution for education for all. James Tooley, *African Technology Development Forum Journal* Vol 5, Issue 1-2, 2009. p.7.

**The Indian School Finance Company (ISFC):** Recognising the potential in the rapidly expanding market for affordable private schools across India, Gray Ghost Ventures identified financing as one of the key barriers to the growth within the sector. To address this need, they established the Indian School Finance Company (ISFC) to provide capital to low-cost private schools and to help thousands of entrepreneurs and school proprietors bring educational opportunities to low-income communities across India. In January 2009 ISFC began to provide medium-term loans at market rates to low-cost private schools, operating in Hyderabad, Andhra Pradesh. Loans are targeted at increasing school capacity and student learning and are combined with a management training program for school owners. The average loan has been approximately US\$24,000, and they are being used to expand school infrastructure and capacity. This allows the school to increase enrolments which increases school revenue and therefore their ability to repay loan obligations. They hope to expand their operations to four more cities across India by 2011.

**Gray Matters Capital:** Gray Matters Capital (GMC) is the charitable arm of Gray Ghost Ventures (GGV), and is committed to “strengthening the ecosystem around the emerging affordable private school sector to ensure that schools have access to affordable tools and resources that allow them to offer quality education in a sustainable manner and to establish industry standards”.<sup>78</sup> GMC therefore complements GGV’s provision of financial services by investing in a number of initiatives that look to enhance the operations of affordable private schools. Again sustainability is identified as a key part of GMC’s social philosophy and the cornerstone of each of the following initiatives.

**Affordable Private School Initiative:** The Affordable Private School Initiative seeks to expand the knowledge base and mobilise financial resources as a means of enhancing and monitoring the contribution of the private sector. Some of the questions being addressed include:

- What is the profile of private schools in the country with respect to number, institutional type, population served, geographic location and quality vis-à-vis public schools?
- How are affordable private schools organised and regulated?
- How are affordable private schools financed and what are their capital constraints?
- What public and private interventions are needed to improve their capacity to serve low income families and improve educational quality?

According to GMC their research has shown that basic education in the developing world can be a fee-for-service industry, where families are considered clients instead of beneficiaries of charity. Gray Matters Capital are initially focusing their attention on

<sup>78</sup> Gray Matters Capital website ([www.graymatterscap.com/](http://www.graymatterscap.com/))

the growing market for private schools in India and they aim to measure performance and learning outcomes in 1,000 private schools in Hyderabad by 2011. If its pilot project is successful in Hyderabad, then they will look to expand its activities across India. As part of its Affordable Private School Initiative, a business model has also been developed which identifies the following unique qualities that define an Affordable Private School (APS):

- *Locally Managed:* APS are managed by local entrepreneurs who oversee operations and instruction and ensure teachers are in the classroom.
- *Market-Based Solution:* The combined business and academic model makes these schools a sustainable, market-based solution to increasing the availability of low-cost, higher quality education for low-income populations.
- *Demand Driven:* Families of APS students are paying clients with rights to insist on quality.
- *Sustainability:* APS are sustainable enterprises, independently managed, providing a reliable source for education.
- *Competition:* Schools generate market demand and drive intense competition through school selection.
- *Performance:* Schools are social enterprises and put an emphasis on quality, efficiency and performance, justifying the modest tuition charged that allow them to become sustainable enterprises.

**A Rating and Accreditation System:** Recognising that there is a lack of information concerning the nature and quality of services which affordable private schools provide, Gray Matters Capital is currently working with Micro-Credit Ratings International Limited (M-Cril) to develop “a sustainable rating system to help stakeholders better assess schools and the quality of education they are providing”. The rating tool will look to measure six categories or indicators including: quality of teaching and the learning environment; family/community engagement with the school; management of the school; financial sustainability and infrastructure development.

The aim is to develop a system which will be simple enough so that it can be applied to any school and still provide parents, regulators, school managers and investors with a better understanding of each school and an accurate description of the services being provided. If such a rating system was to develop into an industry standard then it is hoped that this will encourage schools to continually strive to increase their rating score by continuously improving the quality of services which they provide.<sup>79</sup>

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<sup>79</sup> It will be interesting to see how this private grading system compares to the one being developed by Afroeducare for the Ugandan government, which intends to grade each of the 2000 plus private secondary schools in Uganda. See ‘Govt to grade private schools’, Issac Khisa, *The Monitor*, Uganda, 18<sup>th</sup> February 2010.

**Global Affordable Private School Symposium:** In October 2009, GMC hosted the first Affordable Private School Symposium in Hyderabad, India, which had the following objectives:

- Define APSs and why they are important
- Understand school/industry needs from the practitioner perspective
- Build framework around support for industry
- Discuss challenges facing the industry and how to best address them

The event was attended by representatives from the Dominican Republic, Ecuador, Ghana, Kenya, India, the UK and the US and a similar conference will now take place each year.

**EnterprisingSchools website:** Finally, Gray Matters Capital have also recognised the important role which the internet can play in helping to collect and communicate knowledge and experience in this emerging market. Its EnterprisingSchools website is therefore defined as follows:

EnterprisingSchools is a global online community where professionals in the affordable private school industry can connect, exchange information, share expertise and develop best practices. The community was created for schools, donors, financial institutions and education experts as a platform to discuss relevant topics, identify market opportunities and needs, and develop greater understanding of the affordable private school industry<sup>80</sup>.

While still in its embryonic stages this website will look to bridge the gaps which currently exist between academics, development experts, international agencies and the private sector. It's clear that Gray Ghost Ventures is now beginning to blaze new trails in this emerging sector and they are likely to be followed by more private companies which share similar interests and ambitions.

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<sup>80</sup> Enterprising Schools website ([www.enterprisingschools.com](http://www.enterprisingschools.com)).

## 5. Conclusions

There is a growing sense that this is a sector worth looking at. It is time to be bold and try new things. *Harry Patrinos, World Bank.*<sup>81</sup>

### 5.1 A change in mindset and approach

If development agencies are to meet their promise to embrace the private sector as a legitimate partner in the ongoing search for education for all, then a change in approach will now be required. A useful insight into what this new approach will look like is provided by the way the United Nations approaches the task of guaranteeing the right to food, and food for all. The UN's Food and Agricultural Organisation (FAO) was established in 1945 with a mandate to raise levels of nutrition and to improve agricultural productivity. Food was recognised as a basic human right in Article 25 of the 1948 Universal Declaration of Human Rights and also in Article 11 of the 1966 International Covenant on Economic, Social and Cultural Rights. At the World Food Summit in 1996 the UN reaffirmed the fundamental right of everyone to be free from hunger and the right of everyone to have access to safe and nutritious food. Member states therefore pledged themselves to achieve Food for All, with an immediate objective of halving the number of undernourished people by 2015.

While the FAO states that the primary responsibility for ensuring the right to adequate food and the fundamental right to the freedom from hunger rests with national governments, they also state that this does not mean that governments have a duty to distribute food to all their citizens. Instead, they have an obligation to respect the right to food by not interfering with individuals' efforts to provide for themselves, and should help those who do not already enjoy the right to food by creating opportunities for them to provide for themselves. Crucially, it is only after these safeguards fail to secure food for all that a government has a responsibility to provide food, but only to those unable to help themselves. However, an alternative is also recommended; governments may also issue food vouchers, which may be much more cost-effective.

According to Margret Vidar, FAO's Legal Officer, the state's obligation to fulfil the right to food comprises the obligation to facilitate and the obligation to provide:

The obligation to facilitate means that it should create and maintain an 'enabling environment' within which people are able to meet their food needs. Facilitating enjoyment of the right to food does not necessarily mean direct state intervention in all aspects of the food system. But the state can take steps to ensure that private markets are able to perform well.<sup>82</sup>

According to FAO, national governments can take a number of measures to promote private food markets without resorting to direct food assistance, including reducing barriers to obtaining trade licences, making it easier for companies to enter the

<sup>81</sup> Class Difference, *The Boston Globe*, May 9<sup>th</sup> 2010.

<sup>82</sup> FAO website ([www.fao.org/FOCUS/E/rightfood/right2.htm](http://www.fao.org/FOCUS/E/rightfood/right2.htm)).

market, reducing value-added taxes to keep food prices affordable and by introducing legislation prohibiting monopolies.

The question of how this approach will operate within the existing human rights framework has also previously been outlined by the Special Rapporteur on the Realization of Economic, Social and Cultural Rights, Danilo Türk. In a 1992 report, Türk reflects on the need for new approaches in implementing social and economic rights and under the sub-heading ‘Creating standards or creating space?’ he raised the question of whether the United Nations should perhaps focus more on the creation of space than on creating standards:

Creating political, legal, social and economic space, implying the expansion of access to space, to decision-making, to individual, family and community choices and to de facto opportunity to assert, demand and claim economic, social and cultural rights are processes at least as critical to the attainment of these rights as is the creation of new legal or quasi-legal standards<sup>83</sup>.

As Türk suggests, creating space recognizes the fact that a significant proportion of the obligations associated with economic, social and cultural rights are negative in nature, implying that government has a duty not to intervene in certain areas of people’s lives. The creation of space therefore does not require substantial government expenditure, but instead requires a government to create the conditions necessary for the eventual fulfilment of these rights, and so ‘[t]he creation of space by Governments can, in fact, lead to improvements in the livelihood of citizens by simply allowing people to create their own solutions to their own problems’.<sup>84</sup> According to Türk, this approach also recognizes the frequent inability of governments to intervene sufficiently or provide the necessary resources for these rights to be widely enjoyed. The government should allow these processes to flourish, while simultaneously acting in full accordance with any international obligations concerning these rights.

We now see how this approach should be applied to education: governments have an obligation to create and maintain an ‘enabling environment’ within which *parents are free to exercise their right to choose how their children should be educated*. This places a further obligation on governments to respect the rights and responsibilities of parents by not interfering with their efforts to help themselves. Creating space for education to develop will therefore allow parents to create their own solutions to their own problems. A critical role of government will be to ensure that private education markets are allowed to perform well by: establishing and maintaining a fair and level playing field; reducing barriers to entry and making it easier for new schools to enter the market; restricting monopolies; reducing all forms of taxation on schools; and removing all unnecessary and bureaucratic regulations. In circumstances where

<sup>83</sup> Türk, D., *The Realisation of Economic, Social and Cultural Right: Final report submitted by Mr. Danilo Türk, Special Rapporteur*, E/CN.4/Sub.2/1992/16, 3 July 1992, para 188.

<sup>84</sup> *Ibid*, para.192.

parents are unable to help themselves, then governments and international donors can address this problem through the issue of vouchers or scholarships.

## 5.2 Supporting the deregulation of private education

There is now common agreement that the Millennium Development Goals (MDGs) will not be realised until the private sector is recognised, accepted and supported as an important and legitimate partner. In June 2010 the UN Deputy Secretary General even went as far to suggest that it was now a 'moral imperative and a practical necessity' for business to play its part in helping to meet the MDGs and he hoped that the need to create a regulatory environment in which the private sector can flourish was now at the top of each government's agenda.<sup>85</sup>

In education, if the private sector is to be recognised as a legitimate partner and if private schools are to be allowed to achieve their full potential then every developing country will need to make significant changes to the way in which they regulate their private education sectors. Fieldon and LaRocque (2008) suggest that the following questions are likely to dominate this sector for the foreseeable future:

- What are the potential regulatory barriers to private sector growth from both an educational and financial sector perspective?
- What are some possible policy initiatives that would address these barriers?
- What are the key elements to be addressed in developing regulatory frameworks for private provision?
- Are there examples of good practice among existing policies?
- What are the specific regulatory issues that need to be addressed to facilitate new and innovative educational partnerships between the public, philanthropic, and private sectors?<sup>86</sup>

Therefore, instead of focusing on how to inspect, regulate and punish private schools, national governments now need to focus on creating an enabling environment which will encourage private schools to grow and flourish. However, before any changes can be introduced, more information about what currently exists will be required. The following questions will therefore need to be addressed:

- What are the current regulatory frameworks that low cost private schools currently operate under – including regulations from both local and national government?
- How do the regulations on paper reflect the regulations implemented in practice?

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<sup>85</sup> It Is 'Moral Imperative' for Business to Play Its Part in Reaching Millennium Development Goals, Deputy Secretary-General Tells Global Compact Summit, Press Release, UN Deputy Secretary General, June 24<sup>th</sup> 2010.

<sup>86</sup> Fieldon and LaRocque The Evolving Regulatory Context for Private Education in Developing Countries World Bank Discussion Paper, 2008.

- What are the costs of meeting these regulations and what role does corruption and bribery play?
- Which regulations do entrepreneurs and private schools find most difficult to comply with?
- What initiatives can governments introduce to promote and encourage the growth and development of private schools serving low income families?
- How can national and local governments encourage entrepreneurs to set up schools in their local communities?

Development agencies should therefore begin to work with national governments to help them deregulate their private education sectors. Funding research to address the above questions will be an important start.

There are also a number of governments who are now taking a lead and introducing a number of innovative proposals. For example, the Government of Punjab in Pakistan is encouraging the participation of the private sector by “giving a package of incentives in the form of land at cheaper rates along with other facilities”<sup>87</sup>. The Ministry of Education in Tanzania is also looking to embrace the role of the private sector, as suggested in the following statement:

The government role is now changing from that of a key player to that of a facilitator in the provision of education. This new role of the government provides a more conducive environment for the private sector to increase its investment in education.<sup>88</sup>

Tanzania's *Vision 2025* document also recommends encouraging private investment at the local level in order to tap peoples creative capacity; introducing cost sharing, fees and cost recovery measures; creating an enabling environment for greater participation of a diverse array of participants in the provision of education; introducing public subsidies or loans for the poor children who cannot afford school fees and finally introducing tax rebates, priority land allocation, and duty free import of school materials.<sup>89</sup>

Together with these examples in education, considerable experience in the deregulation of other sectors now exists within the international community. For example, the World Bank's Doing Business project documents and compares the regulations that enhance business activity and those that constrain it in 183 countries. Expertise and examples of best practice from other sectors should therefore be used to inform efforts to deregulate private education sectors.

<sup>87</sup> Government of Punjab website (<http://punjabgovt.nic.in/education/GovernmentPolicy.htm>).

<sup>88</sup> The United Republic of Tanzania website ([www.tanzania.go.tz/educationf.html](http://www.tanzania.go.tz/educationf.html)).

<sup>89</sup> The Tanzania Development Vision – 2025. This document also refers to the damage done in Tanzania by what is described as a defeatist developmental mindset which has resulted in an erosion of initiative and lack of ownership of the development agenda. This external dependence and the erosion of confidence, dignity and determination have ‘demobilized the ability to effectively utilize human, physical and mental capacities to take initiative and to earnestly search for creative options to solve developmental problems’.

### 5.3 Supporting private school associations, self regulation and advocacy

The deregulation of private education sectors in developing countries must be combined with a strong commitment to self regulation from within the private sector itself. According to Latham (2002), the lack of private school associations in developing countries prevents effective interaction with the government and hinders any form of self-regulation within the sector. This highlights the increasing importance of private schools associations and the need for these associations to take a lead in helping its members to meet some basic quality requirements. Development agencies should therefore support and develop the services provided by existing private school associations, and encourage the growth and development of new associations where they don't currently exist.

**The registration of private schools** – The registration process for private schools in developing countries discourages many private schools from being recognised and it also encourages government officials to engage in bribery and corruption. Due to the rapid growth of this sector and the lack of capacity within Ministries of Education, it is therefore recommended that the responsibility for registering private schools should be given to private school associations. All private schools can then become registered which will also allow for the production of much more reliable information relating to the total number of private schools and the total number of children attending these schools. Development agencies should therefore look to encourage Ministries of Education in developing countries to outsource this responsibility to private school associations.

**Quality assurance** – private school associations will have a critical role to play in helping these new private schools to regulate themselves. Development agencies should therefore help private school associations design and introduce their own quality assurance schemes. Only schools which meet the required quality standards will therefore be allowed to join the association.

**Advocacy** - In other emerging sectors of developing economies the importance of establishing trade or business associations has been well documented as they are uniquely positioned to unite the business community around a common set of issues, needs, recommendations, and policy alternatives. Associations can therefore help to identify laws and regulations that restrict growth and development within their particular sector and they can also propose reforms to remove these barriers and improve the regulatory environment in which they operate<sup>90</sup>. Development agencies should therefore begin to support private school associations by recognising them as important and legitimate partners in education and by involving them in all future policy discussions.

There is also an increasing need for private school associations to have some form of representation on the international stage as all Education for All (EFA) and

<sup>90</sup> See *How to Advocate Effectively: A Guidebook for Business Associations*, Centre for International Private Enterprise, 2007.p.1

Millennium Development Goal (MDG) discussions are currently taking place without their involvement. Development agencies should therefore provide the necessary support to help establish an international association, representing all private school associations from around the world. Such an organisation will also help associations to share success stories and the latest examples of best practice.

#### 5.4 Increasing access to microfinance

The inability of many private schools to access financial and loan facilities continues to represent a significant barrier to future growth within the sector. The lack of access to microfinance in education should therefore be viewed as a significant barrier to achieving education for all in developing countries, in particular across Sub-Saharan Africa. Development agencies should therefore build on their expertise and links with microfinance providers around the world to support the goal of increasing access to microfinance services in private education sectors across Sub-Saharan Africa. As DfID are already looking to create a microfinance capacity building facility for Sub-Saharan Africa which will help to increase the supply of microfinance services to new clients and markets, no change in policy will be required<sup>91</sup>. Instead new and emerging private education markets need to be identified as a priority target and included in all future DfID plans and feasibility studies. As the IFC and USAID<sup>92</sup> have already piloted microfinance schemes in private education markets in Africa, then DfID should also look to coordinate their activities with these organisations.

#### 5.5 Supporting scholarship programmes

A number of charities and foundations are now emerging which organise and manage scholarship programmes which are specifically aimed at increasing access to private education to children living in poor areas. These programmes therefore allow international donors to bypass Ministries of Education and their bureaucratic frameworks and deal direct with civil society and grassroots organisations which are often much more accountable to the people they serve. Development agencies should therefore begin to channel some of their funds through a variety of these civil society and grassroots organisations in order to increase access to private education to those children most in need.

For example, as has been noted above, Scholarships for Kids is a registered UK charity and a pioneer in the design and management of a scholarship program in Kenya which enables children living in slum areas to attend a community based private school. Through its partnership with Kenya Independent School Association

<sup>91</sup> See Concept Note on proposed microfinance capacity building facility for sub-saharan Africa, October 15, 2009.

<sup>92</sup> See Chandani, T., Balan, J., Smith, M., Donahue, D., Strengthening the Private Education Sector – A case for USAID support and financing through the Development Credit Authority, USAID, January 2007.

(KISA), they are currently sponsoring 1000 children in 20 schools. As KISA's members are located across Kenya, this now provides development agencies with an opportunity to develop this into a national programme over a period of time. Therefore over a five year period the programme could be rolled out to reach a total of 25,000 children costing £1.875 million (see Table 3).

TABLE 3: THE COSTS OF EXPANDING THE SFK PROGRAMME OVER A FIVE YEAR PERIOD

Year	No. of schools	No. of children	Total cost per annum (£75 per child)
1	100	5,000	£375,000
2	200	10,000	£750,000
3	300	15,000	£1,125,000
4	400	20,000	£1,500,000
5	500	25,000	£1,875,000

Such an investment would also have a further positive impact on the sector as a whole as it would provide an incentive to those private schools who are not currently KISA members, to improve the quality of services they provide in order to qualify for KISA membership and therefore gain access to the scholarship programme. If funds were available then KISA could also provide advice and assistance to those schools which are operating in the most difficult circumstances. Access to small building grants or microfinance loans would also help schools to improve their physical structures, furniture and toilet facilities. As USAID are also now looking at how to support affordable private schools in Kenya, there is clearly room for some collaboration.

The suspension of £20 million of DfID funds from the Kenya Education Sector Support Programme (KESSP) in December 2009, also provides DfID with a rare opportunity to experiment with a variety of different initiatives which will help those children who are most in need to attend a local private school. As previously noted by Ostrom, while the polycentric approach may appear to be messy, the experimentation with a variety of different approaches will help to generate much more information about alternatives and consequences than relying on one single model.

Another way to promote such scholarship programmes would be for development agencies to match all private contributions to such scholarship programmes, thereby providing them with an incentive to continuously seek out new donors.

## 5.6 Working with other international donors

As this sector is now developing with pace, development agencies should look to coordinate its activities with other agencies, especially with those who have already

gained valuable experience of working in this sector such as the World Bank, the International Finance Corporation and USAID<sup>93</sup>. For example, USAID have recently commissioned a report on how they can best support low cost private schools in Kenya and so any interventions in Kenya would need to correspond and not duplicate or come into conflict with any similar USAID interventions. As history has shown, excessive donor intervention due to a lack of cooperation within the international community can often undermine sustainable development. This will apply in particular to interventions in this emerging private education sector, where excessive levels of international aid could easily begin to crowd out existing private investment and discourage future private investment.

### 5.7 Investing in research and development

To help support the use of evidence based policies in education development agencies should support the generation and dissemination of evidence by funding research into the growth and development of low cost private education sectors in developing countries. Important areas of research include the following:

**Private school mapping:** To date there is still no reliable information relating to the number of registered and unregistered private schools operating in each developing country. There is also still no reliable information relating to the number of children who currently attend both registered and unregistered private schools in developing countries. If education for all is to be guaranteed then reliable statistics will need to be collected and communicated on a regular basis. As national governments have little incentive in collecting this information, this will be an important role for development agencies. Extensive surveys of parents' attitudes, aspirations and patterns of decision making are also recommended.

**Comparing public and private schools:** The growth of private schools now provides an opportunity to compare these two different organisations and institutional frameworks. The possibility that schools can be funded and organised in different ways and yield different patterns of performance can only be verified by empirical analysis. Further research is therefore required to find out *why* low cost private schools employing untrained teachers can outperform schools funded and supported by the government and international donors which employ fully qualified teachers. In particular we need to know much more about how schools are funded and how this influences the way in which these schools perform.

**Perverse incentives and the sustainability of aid in education:** While global policy initiatives such as the abolition of all school fees in government schools across the developing world, continue to be supported by international agencies, national

<sup>93</sup> For example, Bob Davidson at USAID is currently running a pilot program in Ghana looking at how USAID can help to enhance and promote the growth of low cost private schools. Videos of Bob Davidson discussing his work can be found at: [www.enterprisingschools.com/](http://www.enterprisingschools.com/).

governments, NGO's and global charities, it is important that such initiatives are continuously subjected to rigorous analysis. The Institutional Analysis and Development (AID) Framework developed by Ostrom should therefore be used to examine the full impact of abolishing all school fees in government schools and in particular how this intervention affects the incentives and the behaviour of the key actors on the ground.