

# LOW COST PRIVATE SCHOOLS AS PART OF THE SOLUTION FOR EDUCATION FOR ALL

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## Abstract

Empirical research in Asia, Africa and Latin America strongly suggests that low cost private schools are part of the solution and definitely not part of the problem in global efforts to provide quality education for all. Education bureaucrats may be right to point out that there are still problems with access and equity, as well as the quality of provision. Yet, compared to public sector schools, low cost private schools seem to address the needs of the poor more effectively and exceed in performance by almost every measure. Even though the problems associated with low-cost private schools are real they are not insurmountable. This article discusses various policy instruments that helped to increase the incentives of low-cost private schools to improve teaching quality, student performance, responsiveness to local needs and reputation in the private sector and academia.

## Introduction

An education revolution is sweeping the developing world. In the slums and shanty towns of Asia and Africa poor people are abandoning public (government) schools. They're appalled by their low standards. Instead, they're sending their children to low cost private schools. The existence of these schools is becoming increasingly recognized. However, this development is not greeted with universal enthusiasm by development agencies and governments. For instance, the latest "Education for All" (EFA) Global Monitoring Report 2009 (UNESCO 2008) has a special section on low cost private schools. But rather than seeing the growth of the schools as recognition of the way the poor can respond to challenges, the stress is on their rise as a "symptom of state failure" [1]. The report does acknowledge the ubiquity of these low cost private schools: 'Even a cursory observation of education provision in slums from Hyderabad to Nairobi demonstrates that private provision in some developing countries is no longer the sole preserve of the rich. Private primary schools charging modest fees and operating as small businesses, often with neither

regulation nor support from government, are changing the education landscape ... a growing marketplace in education provision is appearing by default" [2]. However, "Unplanned growth in private schooling for the poor in some parts of the world is symptomatic of an underlying malaise: underperformance, or outright failure, of public providers" [3].

Why is the emergence of these low cost private schools - set up and run by entrepreneurs from the poor communities themselves - seen as second-rate to the more desirable option of having "a publicly financed and operated education system that offers the option of good-quality, free education to all citizens"? [4] There are two main reasons given in the report:

First, quality: the report agrees that much of the research shows that "children enrolled in low-fee private schools perform better, on average, than those in government schools, once adjustments are made for socio-economic status and other variables" [5]. However, they note that some government schools might do better than private schools, and, most significantly, 'The only reason the private schools look so good is that the poorly performing public schools are so disastrous' [6]. In other words, the private schools may be better than the government schools, but they are still of very low quality. Moreover, many of the poor don't have access to government schools at all - so to speak of their *choice* of private school is a misplaced description of what is actually the case. In Kenya, for instance, there are no government schools in the slums. There may be government schools on the periphery of the slums, but these require official residency titles for enrolment. Most slum dwellers lack "legal property status", so "their children are excluded." [7]. And household surveys reveal parents complaining about the quality of the low cost private schools, "with staff shortages, congested classrooms and lack of teaching materials identified as common problems" [8].

The second major objection concerns access and equity. While it is acknowledged that the fees charged in the low-

cost private schools are very low, once other costs of schooling, such as uniform, books and transport, are added, then the cost becomes quite prohibitive for many of the poor. For instance, one study from rural Uttar Pradesh, India, “puts the total cost of educating four children (the average family size) in a low-fee school at half the mean annual salary for households in the lowest two income quintiles” [9]. Moreover, this means that some families have to make choices about use of scarce resources, and so, the report says, tend to choose their male children to go to private schools, leading to increased gender inequity.

These two issues, concerning low quality and difficulties with access and equity, are serious problems. But is the only solution to view the low cost private schools as an irrelevancy to the solution of education for all, or is there a possibility of incorporating the private schools into the solution? We’ll discuss this possibility below. But first, while the existence of the low cost private sector is being more widely recognized, it still may be unfamiliar to some readers. The next section gives some colour by outlining findings of the research that me and my teams have been conducting over the last few years.

### 1. The phenomenon of low-fee private schools

My recent research, funded by the John Templeton Foundation, investigated selected, officially designated ‘poor’ areas of Nigeria, Ghana, Kenya, India and China. Research teams explored informal settlements – slums and shanty towns – in metropolitan cities in these countries, and poor areas in the rural hinterlands surrounding these cities (“peri-urban”). They researched remote villages in impoverished north-west China, and rural communities in south India. The teams combed these poor areas, going down every alleyway in the slums, visiting every settlement in the rural areas, asking people on market stalls and in the streets, to find where the poor were being educated. They found large numbers of schools – 918 in the ‘notified’ slums of three zones of Hyderabad, India, for instance. And when they found schools, public or private, they interviewed school managers, and visited, unannounced, primary classrooms to assess the activity of the teacher, and to look for selected school inputs. The researchers tested around 24,000 children, taken from a stratified random sample of schools within these poor communities. Children were tested in key curriculum sub-

jects, and questionnaires given to children, their parents, teachers and school managers, and IQ tests to children and their teachers, to elicit data to control for a wide range of background variables, including peer-group variables.

What the research teams found points to an educational revolution that is taking place. In the poor urban and peri-urban areas surveyed, the vast *majority* of school children were found to be in ‘budget’ private schools. For instance, in the poor urban and peri-urban areas of Lagos State, Nigeria, 75 percent of schoolchildren were in private schools. In the peri-urban district of Ga, Ghana, the figure was 64 percent, while in the slums of Hyderabad, India, 65 percent of schoolchildren were in private unaided schools. These budget private schools are usually established by entrepreneurs from within the poor communities themselves, employing teachers from those communities – unlike in government schools, where teachers are often brought in from outside. The private schools charge very low fees. For example, in Hyderabad, mean monthly fees at 4<sup>th</sup> grade were Rs. 78.17 (\$1.74) in unrecognized and Rs. 102.55 (\$2.28) in recognized private schools in the slums – about 4.2 percent and 5.5 percent respectively of the monthly wage for a breadwinner on a typical minimum wage of about Rs. 78/- per day.

Private schools for the poor are not just an urban or peri-urban phenomenon, either. In the deprived district of Mahbubnagar, rural Andhra Pradesh, India, roughly half of all schoolchildren were in private unaided schools. In the remote villages of rural Gansu, China, official figures showed no private schools at all; but we found 586, serving 59,958 children. [10]

What of the quality of the provision vis-a-vis government schools? In every setting, teacher absenteeism was lower and teacher commitment – the proportion of teachers actually teaching when our researchers called unannounced – higher, in the private schools for the poor than in government schools. Only on *one* input – the provision of playgrounds – were government schools superior to private schools across the range of studies. *On all other inputs*, such as provision of drinking water, toilets, desks, chairs, electric fans and lighting, tape recorders for learning purposes and libraries, private schools for the poor were superior to government schools.

Importantly, the research showed that the private schools everywhere were outperforming the government schools in the key curriculum subjects – even after controlling for

background variables. In Lagos State, for instance, the mean math score advantage over government schools was about 14 and 19 percentage points respectively in private registered and unregistered schools, while in English it was 22 and 29 percentage points. And after controlling for background variables, and, given that students were not randomly assigned to the different school management types, the school choice process, we found these differences, although reduced, were still largely in favor of private education. In Lagos State, Nigeria, the predicted score in mathematics was 45.1 percent for an average sample child in government school, 53.5 percent for the same average child in an unregistered and 57.6 percent in a registered private school. For English the predicted score for an average sample child in government school was also 45.1 percent, while there was no significant difference between attainment in both types of private school – predicted score for the same child was 64.4 percent.

Significantly, private schools were found to be outperforming government schools for a fraction of the teacher costs – likely to be the largest part of recurrent expenditure in schools. Even when the per pupil teacher cost was computed (to take into account the fact that class sizes were largest in government schools), private schools came out less expensive: In the government schools in Lagos State, for instance, per pupil teacher costs were nearly two and a half times higher in government than in private schools.

## 2 Further developments – accepting the challenges

The research summarized in the previous section might suggest a rather optimistic view of the role that the low cost private sector could play in education for all. But the first section suggested this wasn't the position taken in the major UNESCO report. In my view, for what it's worth, the criticisms raised there are worth taking seriously. But instead of pointing to the need to look beyond the low cost private schools, I believe they signal the possibility of incorporating the low cost private education sector as part of the strategy to bring "education for all".

First, what about the issues of access and equity? Are these irrevocable problems for a solution involving the low cost private sector? The Education for All report itself seems to deny this by observing increased funding of

scholarships or vouchers in order to facilitate better access to low cost private schools. Curiously, rather than seeing this as a possible solution, however, the report notes that this represents a 'questionable public-private partnership', at least given their examples from Pakistan. Here there are two policy innovations: an 'education voucher programme for selected slums', where 'parents can use state funding for entry to low-fee private schools'[11], and the "Foundation Assisted Schools programme", which "provides a per-child subsidy for children enrolled directly in private schools in selected high-priority areas" [12]. So what is the problem with these ways of extending access to schools which the report agrees are in general of higher quality than the government schools which parents are permitted to leave? The report notes that "While there is some initial evidence of positive influence on enrolment and learning outcomes, serious problems have been identified". These problems are three-fold. First, that there is "inequality of financing" [13], particularly with regard to some provinces which are better able to raise the necessary external funds. This hardly seems to be a particularly large problem: if some provinces are finding it harder to raise funding, then a way forward would be to assist those provinces. The second problem is "*Financial sustainability*": "Public-private partnership models have been an important component of education-sector World Bank loans in Punjab and Sindh. Their continuation and expansion is contingent on sustained donor support, as the Ministry of Education has so far not decided to mainstream the models. That support cannot be taken for granted" [14]. Again, this hardly seems a reason to damn the model. Instead, if it seemed like a worthwhile way forward, we could seek to enhance the support.

Finally, the problem is "*Limited scope*": "Notwithstanding the international attention Pakistan's public-private partnership programme is receiving as a potential model for other countries to follow, the school voucher programme reaches only 10,000 students and the Foundation Assisted Schools programme only 50,000." These are only drops in the ocean compared to the numbers of children (2.7 million boys and 4.1 million girls) out of school [15]. But again, if this is the problem, why not seek to extend the programmes? Perhaps finding the finance to do so would be a problem? I don't think this is true. I once suggested elsewhere that, with reasonable assumptions about the overheads required for such a scheme, and focusing on Ghana as an example, 'the education aid budget for Ghana from Dfid [Department for International Develop-



ment, the British government aid agency] alone would provide all the funds for targeted vouchers for those currently out of school to attend [low cost] private schools' [16]. This is possible of course because of the low fees charged by these private schools. So I indicated 'Add in the education aid budgets for Ghana from the US Agency for International Development, Oxfam, the Nordic countries, Germany, the Netherlands, and so forth, and it soon becomes clear that children currently in government schools could also attend private school' [17]. Similar calculations could be made for Pakistan too. And of course, if access for girls is a particular problem, (which our surveys in India suggested it may be, although in Africa it was not) then the solution could lie in targeted vouchers for girls.

Instead of embracing an alternative that could lead to children attending higher quality schools than the government ones currently on offer, the Education for All report (UNESCO 2008) is oddly putting forward objections which don't seem substantial at all. On the contrary, it would seem that the problem of access and equity could be addressed within a low cost private school system, if there was political will to do so.

But perhaps the access and equity objections are not the most substantial ones, and the issue of low quality is the motivation for not seeing the low cost private schools as part of the solution? Let's turn to this quality issue. At the moment, the Education for All report – and I would concur – seems to suggest that poor parents are currently faced with three options: They can send their children to a (free) government school, a low cost private school, or not to school at all. The discussion above suggests that perhaps with targeted vouchers, these three options could become one, the second option. However, the Education for All report suggests that it's not particularly desirable because

while the quality might be better than in government schools, it's still very low. I think there's something in this. What I want to see is parents having a fourth, better option – to send their children to a *higher-quality*, low-cost private school. This turns out to coincide with the desire of many entrepreneurs who run low cost private schools, and with parents too, as indicated in the comments above from parents in Kenya who were not satisfied with the quality of the available private schools.

I've been working on precisely this challenge. Three years ago, with the publication of the IFC/FT prize-winning essay 'Educating Amarech' [18]. I started advocating two major ways forward: creating loan schemes to help low cost private schools improve; and creating brand-name chains of low cost private schools. It's perhaps obvious why the first can help schools improve quality: access to capital is difficult for low cost private schools, many of which lack proper property rights or are in areas 'black-listed' by banks. But my earlier pilot schemes with "Educare" in India and Nigeria had shown a hunger by school entrepreneurs for loans to improve infrastructure, by building toilets, computer labs or libraries, or extending classrooms, and a willingness to pay back these loans over a reasonable time period. With this evidence to hand, I had in-depth meetings with Opportunity International, USAID and Gray Matters Capital, and each of these bodies has as a consequence set up loan schemes for low cost private schools. [19]

The second way forward might not seem so obvious. Why would a brand-name chain of low cost private schools help with improvements to quality? There are at least four sets of reasons:

- ⇒ The information problem – parents are faced with a genuine information problem in the current situation. How can they judge if one school is better than another? How do they know that their current school is genuinely serving their children's needs? A brand name will help parents make judgements in an informed way. Children, too, will prefer a brand-name school, benefiting from improved curriculum, pedagogy, technology and teacher training, and the networks from the larger organisation. As the brand becomes well-known, employers and higher education institutions will trust where children have been educated, giving the pupils an edge for the future.
- ⇒ Teacher issues – currently in low-cost private schools, teacher retention is an enormous problem. Low quality



of teachers is also perceived as a problem, with many teachers themselves not having qualifications higher than school-leaving examinations. School proprietors, however, may be reluctant to engage in teacher training, having experienced trained teachers leaving for more lucrative employment. Within a brand-name chain of schools, it is assumed that loyalty to the brand, together with the possibility of new career paths through the chain (e.g., as teacher, mentor, trainer, quality inspector, etc.) will encourage teacher retention and hence make viable extensive teacher training.

- ⇒ Investment in quality improvements and innovation – parents, students and entrepreneurs alike, as well as budget school critics, all agree that quality improvements are desired in the schools, in terms of teacher and management training, curriculum, technology and administration. It is also the case that there may be technological solutions to current educational problems – such as the low level of teacher quality, poor quality of curriculum materials – that could become available if there was R&D in these innovative methods. The required investment in these improvements and innovations could only, or best, arise from the economies of scale inherent in a chain of schools.
- ⇒ Other economy of scale advantages – improvements in quality offered could also be enhanced in a large scale chain of schools through economies of scale as purchasers of goods and services. For instance, curriculum materials, desks and chairs, hygiene and safety features, and technology could all be purchased much more cheaply within a large scale chain than by stand-alone schools, enhancing the quality of the educational opportunities presented to the children.

Three years ago, I began advocating that investors and entrepreneurs should set up chains of low cost private schools. Jay Kimmelman came to visit me and my team in Newcastle and then went to Kenya to set up NewGlobe Schools, a low cost chain of schools with finance from Deutsche Bank and Kellogg Foundation. [20] While President of the Education Fund for Orient Global, I helped set up Rumi Schools of Excellence in Hyderabad, India. [21] I've also been involved in the creation of two embryonic chains of schools elsewhere, Sunshine Fortune in China [22] and Omega Schools Franchise Ltd in Ghana [23].

Each of the companies I'm involved in is taking the problems of improving quality very seriously. We're conducting

intensive teacher training to help raise teacher quality and developing teacher mentoring programmes. We're devising curriculum materials that can help improve the quality of what is learnt, and we're exploring ways of using and funding computer labs in the schools. It's going to be a very long process, but already we're seeing positive results in terms of learning standards. And something rather interesting is happening: some of the innovations we're trying out in the schools are being imitated in other schools – just as one would predict in markets. [24] Take a very simple innovation (and this has implications for the access section above too, if it highlights one of the reasons why parents can't afford to send their children to private schools): a major problem is the ability of parents to save the amount required for their monthly (India) or termly (Africa) fees. If cash is in the house, it can often be used for other immediate things, rather than be kept for school fees. And that's only half the problem: parents have also got to save for school uniform, books, etc. And all this leads to some students dropping out of private schools. So in Omega Schools in Ghana, we instituted a *daily* fee, which included all the funds required for tuition costs, as well as uniform, books, exercise books, as well as transport, food and insurance. This is clearly hugely popular with parents, who no longer have to save but can simply find the funds each day to send with their children. This popularity is seen by other schools, and in the neighbourhood of one of our low cost private schools the innovation has been taken on by 4 other private schools already.

But this brings me to a major reason why I believe going with the low cost private sector might be a better way forward than trying to improve the public sector. The incentives for improvement are in the right direction. When agencies try to improve government provision, there may be success when the agencies are directly involved. However, when they pack up and leave, schools and teachers tend to revert to their preferred methods once the aid missions have moved on. [25] Such projects do not manage to harness any *incentives* for poor people to continue with, or invest in, the intervention. However, in the intensely competitive markets of private education, the incentives lacking in traditional aid interventions are everywhere, and paramount. School proprietors are hungry for innovation. Why? First, simply because, whatever the critics of private schools for the poor may claim, many care about children's education. On its own, this might be enough for some to invest in new innovations. But, the power of the market means that it's coupled with another major incentive: pro-

prietors know that they are in an increasingly competitive market. They need parents to know that their school is special, to maintain or increase market share. If a method of learning seems to have demonstrably better outcomes, they'll want it for their schools. If a method of payment leads to an easier life for parents, as it seems to in the example of Ghana above, again they'll want it in their schools. These incentives are completely lacking in the government system.

### Conclusions

Private education is becoming increasingly widely acknowledged as providing higher quality education for the poor than the government alternative. Critics, however, claim that it isn't part of any solution for 'education for all' because there are problems with access and equity, and the quality of provision (while better than government schools in general) is far too low to be of value. I contend that neither of these problems are insurmountable. With targeted vouchers or scholarships, access for the poorest of the poor, and to girls, can be made available. And quality improvements can be brought about in the low cost private school sector, and several bodies are exploring ways of doing exactly this. Importantly, because of the power of the market in education, once ways are found that do bring about improvements, you can be sure that other entrepreneurs will quickly imitate the successful solutions.

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