KIPPRA Policy Brief

...nd ANALYSIS

Improving public policy making for economic growth and poverty reduction

Enhancing Private Sector Participation in the Provision of Primary and Secondary Education in Kenya

The private sector was the initiator of formal education in Kenya. The Church Missionary Society established the first formal school in Kenya in 1846, thus marking the start of formal education in Kenya. There were separate schools and curricula, and much superior resources for the Europeans, Asian and Arabs. Up to independence, there were big disparities in educational opportunities not only between races but also across regions. By the time of independence in 1963, there were concerns over not only the quality and relevance of the education system but also issues of access of education by Africans. Although the education sector in Kenya has since independence operated largely within a policy embracing both state provision and private sector participation, about 58 per cent of private schools were only established after 1991. Despite increased private sector participation, the number of schools is still not commensurate with the existing demand for schooling. There is, therefore, need for government and private sector to develop mechanisms for enhancing private sector particpation in the provision of education infrastructure in Kenya.

The growth of private education provision since the 1990s can be associated with various factors, including education policy reforms such as the introduction of cost sharing in 1988, curriculum reform from the 7-4-2-3 to 8-4-4 system of education in 1985, and commitment to Universal Primary Education (UPE) and Education for All (EFA) goals starting in 1990 and its renewed emphasis in the year 2000. The private sector providers of education comprise profit and non-profit organizations mainly financed and managed by individuals, communities, non-governmental organizations, private companies and others.

Framework for Establishment of Primary and Secondary School by Private Sector in Kenya

The Education Act, Cap 211, of the Laws of Kenya is the only legal framework that provides for the registration, development and inspection of schools, whether by the private or public sector. On average, it takes up to 7 months to register a school through the Ministry of Education where all the transactions take place. Other than the registration fee, the cost of processing a school certificate also includes the time and money spent traveling to Nairobi. As a result, some private schools do not register with the Ministry of Education, despite this being the legal institution mandated to award registration certificates to schools. Instead, they may register with other institutions that award business licenses, and some schools operate without a license.

However, the biggest challenge for a private investor when starting a new school or when expanding is to get adequate space for school facilities. According to government regulations on school land size, an investor is expected to have minimum land of five acres for either primary or secondary school. This requirement is hardly met, and many private schools are therefore established on less than five acres of land. Furthermore, open land/real estate in urban areas is expensive, particularly for the areas that would be appropriate for establishing schools. The legal requirement for land acreage is not achievable for most private school developers. In some countries such as the Gambia, the government gives free land to all public and private schools.

This policy brief is based on KIPPRA Discussion Paper No. 76 on Private Sector Investment in Primary and Secondary Education in Kenya (2007) by Nancy Nafula, Eldah Onsomu, Damiano Manda and Paul Kimalu.

It is a legal requirement for the Inspector of Education to regularly inspect public and private schools without any discrimination. Inspection looks at not only registration of the school but also the curriculum offered. Government inspection of all schools, both public and private, it not only to the interest of the government but also to that of the managers of private schools and, therefore, overall quality of education. Furthermore, the government is better placed to undertake this role. However, many private schools are not inspected as required and this is likely to affect the quality of teaching and education.

According to Sessional Paper No. 1 of 2005, private sector and individuals willing to invest in education are supposed to receive some incentives to encourage them to invest. For instance, private and community/religious-supported schools are expected to enjoy public benefits, including tax exemptions on teaching materials. This has not been actualized.

Due to unavailability of in-service training for private teachers, teachers in private schools hardly go for in-service training, despite that some private schools have employed untrained teachers. Teacher development is very important in the delivery of quality education services, and teachers are the most important resource in student instruction.

Another major challenge in the establishment of private schools in Kenya is lack of development capital. Establishment of a school requires heavy upfront capital outlays, and developers often have to put up a complete school for it to be registered and to win the confidence of parents. Moreover, the cost of bank credit is too high and very prohibitive, as manifested in high bank interest rates and high collateral security requirement (mainly buildings) that hinders private investors from accessing bank credit to finance the construction and maintenance of private schools.

In order to meet the cost of working capital and expansion costs, private schools mainly rely on school fees, proprietor's savings, and private donations from individuals. The fact that school fees constitutes the main source of finance is a major complaint considering the high poverty levels in the country, and the inability of most households to pay fees.

There is no legal framework to support private-public partnerships in promoting the development of education infrastructure in Kenya. Such framework would help complement government in the provision of education.

According to a KIPPRA study on private education, the private sector attributes the low participation in the provision of education to lack of an enabling environment for business in the education sector. For example, while all public primary schools get direct funding assistance from government, and public secondary schools receive bursary for poor students and subsidy equivalent to tuition and other operating costs for each student enrolled in a public secondary school (effective from January 2008), private schools only benefit from tax exemption on learning materials.

Different countries have developed different models of encouraging private investors in education. In some countries, this has involved an increased role for government while in others it has involved a reduced role for government. For example, some countries have successfully increased enrolment in schools by providing direct subsidy/funding, such as tax exemptions, to investment incentives. Studies from various countries also show that if the private sector is to complement government, then the government may need to get involved in helping build private financing schemes using external and local philanthropy.

Need to Enhance Private Sector Participation in Education Provision

Following renewed national commitment to education through Universal Primary Education (UPE), Education for All (EFA), Vision 2030 and competing demands for government financial resources in other sectors of the economy, it has become impossible for the government to fully meet the demand for educational infrastructure.

Adverse macroeconomic conditions and inter-sectoral competition for public funds have reduced the governments' ability to continue expanding schools. The annual budgetary allocation to secondary and primary schools accounts for about 23 per cent and 51 per cent of the education budget, respectively. About 85-94 per cent of the education budget is used to finance recurrent expenditure, mainly salaries, with less than 6 per cent left for development expenditure. It is unlikely that allocation to public education will increase further to meet the demand for education, particularly for secondary education. Furthermore, households are already meeting above 50 per cent of the cost of education in public schools and 100 per cent in private schools.

At the primary school level, education is free in all public schools. This has led to over-crowded classroms, with pupils learning under trees in some schools. The pupil teacher ratio is beyond the recommended 40:1 ratio. Moreover, nearly 40 per cent of Standard 8 graduates miss admission into secondary school due to lack of facilities. Therefore, about 80 per cent of secondary school demand is unmet due to, among other reasons, the limited absorption capacity of existing number of secondary schools.

Cross Country Analysis for Government support in Private Education

Country	Nature of assistance	Rationale	Benefit/outcome
Columbia	• Voucher	• Shortage of public secondary schools	• Increased expansion of schooling at lower cost to government
Chile	• Voucher	• Expand both primary and secondary schools	• Increased enrolment in private schools • Increased efficiency by setting high standards
Cote d'Ivoire	• Direct payment to school for each student enrolled • Tax free imports for school supplies	• Increase enrolment in secondary school • Restricted to not for profit private schools only	• Increased enrolment in secondary school at low cost
Senegal	• Scholarship • Tax free imports for school supplies	• All students in public and private schools • Restricted to not for profit private schools only	• Increased enrolment at low cost
Tanzania	• Capital and teacher training costs	• Restricted to not for profit private schools only	• Increased enrolment in secondary schools
Mozambique	• Train teachers in government institutions		• Motivate private sector to build schools
Gambia	• Subsidize teacher salaries • Per capita grant for non-recurrent and building grants • Provide free land	• All grant aided private schools • All private and public schools.	• Motivate private sector to provide school infrastructure
Zimbabwe	• Subsidize teacher salaries • Per capita grant for non-recurrent and building grants	• All aided private schools	• Motivate private sector to provide school infrastructure
Mauritania	• Tax free imports for school supplies • Fund capital and teacher training costs and provide loans	• Restricted to not for profit private schools only • To private secondary schools	• Increased infrastructure development in secondary schools
Bangladesh	• Vouchers	• Support to poor families	• Increased enrolment at low cost
Puerto Rico	• Vouchers	• Support to poor families	• Increased enrolment at low cost
Costa Rica	• Tax free imports for school supplies	• All private schools	
China	• Direct subsidy	• Secondary schools	• Increased enrolment in secondary schools at low cost
Indonesia	• Direct subsidy	• Both primary and secondary schools in rural areas	• Increased enrolment
India	• Direct subsidy	• All aided private schools	• High enrolment

To complement government efforts, it is necessary that the private sector is encouraged to build more schools. For purposes of quality control, it is important that the schools are registered by the relevant authority, in this case the Ministry of Education, and also frequently inspected. Therefore, the requirements for setting up a school must be achievable and realistic, while at the same time ensuring quality education.

Policy Recommendations

It is the responsibility of every government to create an enabling environment for private sector to favourably participate in service delivery. The participation of the private sector in the establishment of private schools can contribute to the achievement of Universal Primary Education and Education for All.

In addressing the issues raised in this brief, the government could consider the following policy recommendations:

Speed up review of the Education Act

The review of the Education Act has received inputs from various stakeholders. Part of the issues raised pertain to the need to review the section on land requirements for setting up a private school, decentralizing the registration process to district level, and provision of investment incentives such as tax holidays, duty exemptions on science equipment, building materials and learning materials. Such incentives have worked in other countries that have been successful in providing education to the people through private sector participation.

Enforce regular inspection of schools

The Ministry of Education should evaluate the number of schools against the current number of Quality Assurance Officers in order to improve efficiency in monitoring education quality. The Quality Assurance Officers should be held responsible in the event that a private school is not inspected. A desk/ office should be established at the the Ministry of Education to specifically receive inspection returns from private schools and also monitor the quality of private schools, besides addressing other issues that affect private schools.

Facilitate teacher in-service and other professional development programmes

The Ministry of Education should allow private school teachers to participate in capacity building, teacher in-service training and other professional development programmes offered by the government. Such training should be provided at a subsidized cost.

Create a revolving fund for long-term credit facilities

The government in collaboration with international financiers should consider setting up a revolving fund for long-term credit where all private schools could access loans at a lower interest rate for capital development. This would meet the financial needs of private investors especially at the time of setting up a new school and when expanding existing schools.

Develop a legal framework on private-public partnership

This would provide guidelines on how the private sector and public sector could interact in promoting education. It may take the form of private and public sharing the cost of providing and maintaining a school. The government should also consider giving vouchers equivalent to public per capita allocation to students willing to study in not-for-profit private schools.

About KIPPRA Policy Briefs

KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity of public policy makers in Kenya. KIPPRA acknowledges support from the Government of Kenya, the European Union (EU), the African Capacity Building Foundation (ACBF), and all other development partners who have supported the Institute's activities.

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