



# FROM FREE TO FEE

ARE FOR-PROFIT, FEE-CHARGING PRIVATE SCHOOLS  
THE SOLUTION FOR THE WORLD'S POOR?

**RESULTS**  
the power to end poverty

Findings and recommendations on  
how the IFC can more effectively  
end poverty through basic education

## ACKNOWLEDGEMENTS

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## RESULTS EDUCATIONAL FUND

RESULTS Educational Fund (REF) is a non-profit 501(c)(3) grassroots advocacy organization founded in 1981 that creates the public and political will to end poverty by empowering individuals to exercise their personal and political power for change. REF focuses its advocacy efforts on policies that protect and expand access to health and nutrition, create economic mobility, and provide education for all. REF's organizational strategy uses a combination of policy analysis and research, coordinated grassroots advocacy, media engagement, congressional outreach, high-level engagement, and international partnerships to achieve its goals. Its model has been replicated in eight other countries – Australia, Canada, Japan, Kenya, Mexico, South Korea, the UK, and Zambia.

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# ACRONYMS

AEF	Africa Enterprise Fund
APBET	Alternative Provision of Basic Education and Training
ASEAN	Association of Southeast Asian Nations
AU	African Union
BIA	Bridge International Academies
CAO	Compliance Advisor Ombudsman
CEDAW	Committee on the Elimination of Discrimination Against Women
CESCR	Committee on Economic, Social, and Cultural Rights
CRC	Committee on the Rights of the Child
DFID	Department for International Development
EFA	Education for All
ESRS	Environmental and Social Review Summary
EU	European Union
FTI	Fast Track Initiative
FY	Fiscal Year
GPE	Global Partnership for Education
GI-ESCR	Global Initiative on Economic, Social, and Cultural Rights
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KICD	Kenya Institute for Curriculum Development
MDG	Millennium Development Goal
MOEST	Ministry of Education, Science, and Technology
NGO	Non-Governmental Organization
OAS	Organization of American States
OHCHR	Office of the High Commissioner for Human Rights
PPP	Public-Private Partnership

SDG	Sustainable Development Goal
SFAI	School Fee Abolition Initiative
SPI	Summary of Project Information
UDHR	Universal Declaration of Human Rights
UIS	UNESCO Institute for Statistics
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNFPA	United Nations Population Fund
UNGA	United Nations General Assembly
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
USAID	United States Agency for International Development
USD	United States Dollar
WBG	World Bank Group

# FOREWORD

By *Joanne Carter, Executive Director of RESULTS and RESULTS Educational Fund*



The cost of basic health and education services has long been known to be a barrier to the poorest and most vulnerable populations. Evidence has shown that user fees lead to increased illness, suffering, and death when people delay seeking care or cannot pay for health services, and decreased school enrollments when poor families cannot afford to send their children to school.

In the late 1990s, RESULTS and other civil society partners formed a coalition to help end such user fees for critical health and education services. In a landmark move, in 2000 the U.S. Congress included language in the foreign aid appropriations bill report that required the United States to oppose any World Bank, International Monetary Fund, or other multilateral development bank loan that included user fees for basic health or education services for the poor.

In September 2001, the World Bank issued a revised user fees policy, acknowledging that the fees had prevented poor people from accessing primary schools and health clinics. After years of supporting fees as a source of extra revenue, the new policy stated that the World Bank now “opposes user fees for primary education...for poor people.”

Now, after another 15 years, we are still far from a world of free, quality education for all. The Millennium Development Goals, Education for All goals, and school fee abolition movement have helped cut the number of out-of-school children by 40 percent. But gains made in enrollment are being undermined by the poor quality of education being received — nearly a quarter of the children in primary school are not learning the basics. And many of the poorest and most vulnerable children are yet to be reached.

In this context, world leaders have doubled-down on education, adopting Sustainable Development Goals that seek to achieve not only free, equitable, and quality primary education but free secondary education as well.

With this renewed focus has come increased interest in private sector solutions to education delivery, many of which, given their business models, are for-profit and fee-charging. This raises important concerns in education — and even more pointed concerns when it comes to education for children living in the most extreme poverty.

“From Free to Fee” explores these issues and how investments in private sector actors in education can more effectively benefit the poorest and most marginalized. It is not a question of public versus private provision of education per se. Rather, it is a question of how donors can direct their investments to best increase education access and quality for the very poor.

We hope this research is a productive contribution to an otherwise contentious debate and acts as a resource for the World Bank and other donors to help advance our global efforts together towards achieving access to free, quality education for all children around the world.

A handwritten signature in black ink that reads "Joanne Carter".

Joanne Carter  
Executive Director  
RESULTS and RESULTS Educational Fund

# EXECUTIVE SUMMARY

The practice of charging school fees has been consistently shown to be an ineffective means of poverty alleviation. The international community, including governments, donors, and civil society, have worked for the last two decades to abolish school fees, and the World Bank has been a key actor in driving these policy shifts. Nevertheless, the World Bank, through the International Finance Corporation (IFC), is investing in the expansion of for-profit, fee-charging private primary and secondary schools as a means of providing basic education to the poor, raising a fundamental question: With costs of education being a known obstacle to the extreme poor and most marginalized, how do IFC investments in the expansion of for-profit, fee-charging private schools contribute to the World Bank's goal to end extreme poverty by 2030?

For these reasons, RESULTS Educational Fund set out to learn how IFC investments in basic education target the poor, reach the poor, and benefit the poor. To do this, RESULTS Educational Fund conducted a portfolio review of IFC investments in K-12 (pre-primary, primary, and secondary) education over the last 20 years and field visits in South Africa, Uganda, and Kenya. The portfolio review consisted of all approved IFC investments that included a K-12 education component between 1996 and 2015, totaling 43 projects. The field visits in South Africa, Uganda, and Kenya, in addition to other outreach, created a total of 104 interviews between October 2015 and April 2016.

## FINDINGS

**Portfolio Finding #1: IFC investments in K-12 education have significantly increased in the last five years.** Between 1996 and 2010, investments in K-12 education represented less than 15 percent of total IFC investments in education. However, K-12 investments have sharply risen over the past five years, now representing more than half of all IFC education investments. IFC investments in the private provision of K-12 education over the last five years are more than double those of the previous 15 years

combined, with USD \$162.28 million invested in private K-12 education providers from 2011 to 2015 compared to USD \$73.91 million from 1996 to 2010. The average annual investment in private K-12 provision over the last five years has been seven times that of the preceding 15 years, with USD \$32.5 million annually over 2011-2015 compared to USD \$4.9 million annually over 1996-2010. The average investment amount in private K-12 provision has likewise tripled from USD \$5 million per project over 1996-2010 to USD \$16 million over the last five years.

**Portfolio Finding #2: IFC K-12 education investments increasingly target lower and lower-middle income groups.** From 1996 to 2015, 58 percent of IFC K-12 investments were in low (14 percent) and lower-middle (44 percent) income countries. IFC investments in direct provision of private K-12 education targeting lower and lower-middle income populations has also radically increased, from previously no attention to 65 percent of the IFC's K-12 direct private provision portfolio over the last five years.

**Portfolio Finding #3: IFC investments in provision of private K-12 education are increasingly in school chains.** The surge in IFC K-12 investments in the last five years is owed to increased investment in large school chains, rather than operators of individual schools. The IFC's K-12 private education provision portfolio has flipped over the last 20 years in terms of numbers of projects with school chains and individual school owners. Over the 1996-2000 period, six out of the eight K-12 education provision projects were with individual school owners. By 2011-2015, this had more than reversed, with eight out of the ten K-12 education provision projects being with school chains. Over the last five years, IFC investments in school chains have quadrupled, from USD \$37.4 million in 2006-2010 to USD \$153.18 million in 2011-2015.

**Portfolio Finding #4: IFC K-12 investments are often operating alongside IDA/IBRD basic education projects.** Ninety percent (35 of 39) of country-specific IFC investments in K-12 education

over the last 20 years were approved alongside active IDA or IBRD investments in basic education, or within a year of one another.

**Field Finding #1: Fees are still the primary barrier to access for the poor.** Field research in South Africa, Uganda, and Kenya reinforced the significance of fees in blocking access to, or reach of, IFC-funded schools to the poor. Fees present an initial barrier to education access as well as a lever pushing students to drop out. Across interviewees there was a consensus that school fees prevented many poorer children from attending school. IFC-approved schools were seen as too expensive, not relatively affordable, and not for ordinary families, while the general expense of private schools prohibited some students from attending. Private providers and IFC-supported private schools recognized that they do not provide access for all children. The bulk of the poor cannot afford school fees, even those in schools that claim to target them. Other investors also recognized that private schools, even the lowest fee private schools in slums, could not cater to the poorest families.

**Field Finding #2: Quality is being increasingly defined by what one can afford, not as a universal right.** With the expansion of private schools making student fees more common, there is a growing notion that the definition of quality education varies by what each family can afford. For example, different notions of quality were evident in one IFC-approved school chain that operated a suite of schools that were available to families at different income levels, offering distinct versions of good quality based on the level the family could afford. The acceptability of having different benchmarks of quality, instead of one universal understanding regardless of family income level, was reinforced by another investor in IFC-approved schools who emphasized that the school provides the best quality it can, given the economic reality of their communities.

**Field Finding #3: Commercial operators are prone to put business interests over education interests.** A typology of for-profit, fee-charging private schools emerged throughout the fieldwork, with owners of individual community schools on one end and commercial operators on the other. The latter tended

to either approach education as an untapped industry for profit or moved in that direction as part of securing or repaying loans. For financial sustainability (whether for loan repayment or to meet the expansion requirements of the business model), IFC-approved commercial operators were sometimes found to put business interests over education interests, including avoiding regulations, reducing bursaries/scholarships, and employing unqualified teachers.

**Field Finding #4: Private education often struggles to complement the public system.** The capacity for private schools to complement the public system, such as through innovation transfer or expanding access, is often cited as a reason to support expansion of the private education sector. This field research however found little evidence of this. Interviewees largely struggled to provide examples of innovation transfer. While some suggested that the public sector could learn more about managing teachers, accountability, monitoring, and staff motivation, others questioned whether the government had the structure or capacity to implement such reform. Little evidence was found that private schools were expanding access to otherwise out-of-school children, and IFC-approved schools were often found operating in near proximity to other schools. Issues around regulations, registration, and funding were also found to be points of contention between some private schools, including some IFC-approved school operators, and the government. The fee-charging, for-profit natures of IFC-approved private school operators also raised questions as to whether these providers shared the same bottom line as their government counterparts, particularly in policy contexts like those of Kenya and Uganda, where primary education has been declared free by law.

**Field Finding #5: Public education is widely preferred, but quality improvements are needed.** Interviews suggested that the public system would be the preferred system for community members if certain aspects of it were to be improved. The central challenges for the public system were situated around perceived quality and availability. Real or perceived, there was a general belief that private schools were of better quality. These conclusions were largely drawn from assessment scores which were publicized

and effectively used in marketing material by private schools. This has led to some parents fleeing public schools due to quality issues and a sense in the community that if you send your child to a government school, your child is going to fail. Teacher absenteeism and time on task, overcrowding, and lack of funding were cited as issues plaguing public education systems. A need for flexibility to meet the needs of parents was also highlighted. The public system may be preferred by communities, but until the funding is present and policies are in place to improve its perceived quality, overcrowding, and more rigid structure, it will have difficulty in fulfilling its promise of education for all.

## RECOMMENDATIONS

The findings reveal increased IFC investments in the provision of K-12 education amidst considerable questions as to whether for-profit, fee-charging private schools are an effective means to reach poor children and achieve free, quality education for all. This research concludes with the following recommendations:

- **The IFC should focus its basic education investments on non-provision aspects of education as a means of supporting the development of free, public education systems rather than investing in for-profit, fee-charging private schools.**
- **The World Bank Education Global Practice Senior Director, regional leadership, and Executive Directors should ensure the presence of IDA and IBRD basic education projects in countries in which IFC basic education investments are being developed or proposed for approval so as to ensure that they complement and effectively support the provision of public education.**
- **The World Bank Education Global Practice should increase efforts to support Ministries of Education and Ministries of Finance to develop IDA and IBRD basic education projects and renew its efforts to provide financial and technical support for school fee abolition.**
- **The World Bank should seize the 2018 World Development Report as an opportunity to reaffirm its commitment to free education and opposition of school fees.**
- **The IFC should improve the quality of its publicly available data and improve the way it tracks the poverty impact of its investments.**
- **The World Bank's Compliance Advisor Ombudsman (CAO) should conduct an investigation in regards to potential violations of the IFC's Environmental and Social Performance Standards by Bridge International Academies.**
- **Other multilateral agencies, donors, and investors should examine these findings and recommendations in relation to their strategies in basic education.**

# INTRODUCTION

*The World Bank does not support user fees for primary education. Such fees are an important factor keeping the poorest children out of school in many countries, reducing momentum towards EFA [Education for All].*

— World Bank, *School Fees: A Roadblock to Education For All*, 2004

*School fees are a form of regressive taxation, which imposes a disproportionate burden on the poor.*

— World Bank and UNICEF, *Six Steps to Abolishing Primary School Fees: Operational Guide*, 2009

*Research has shown that school enrollment is more sensitive to the price of schooling for low-income households, so eliminating fees or giving a scholarship to children will produce a larger proportional increase in the schooling of children from poorer families.*

— World Bank Group, *Education Strategy 2020: Learning for All*, 2011

USD \$162,280,000

— Approved World Bank investments in the expansion of for-profit, fee-charging private primary and secondary schools from 2011 to 2015

In May 2015, 30 Kenyan and Ugandan civil society organizations issued a public statement and letter to World Bank Group. The concern — that World Bank investments in a for-profit, fee-charging multinational school company would not help meet the World Bank’s goals of ending extreme poverty in Kenya and Uganda.

The company, Bridge International Academies (BIA), charges about USD \$9 per primary school student per month in school fees, with estimates including costs of uniform, exam fees, and meals reaching as high as USD \$20 per month. While BIA advertises itself as low cost, the communities party to the statement and letter argue that it is a high price for the poor. For the poorest half of Kenyan and Ugandan households, not just the extreme poor, BIA’s school fees represent about 25 percent of their income if they were to send three of their children to these schools — and as much as 75 percent of their income if additional costs

(uniform, textbooks, meals, and exam fees) are taken into account (“Just” \$6 a month?: The World Bank will not end poverty by promoting fee-charging, for-profit schools in Kenya and Uganda, 2015). The statement and letter, which were then signed by an additional 86 organizations outside of Kenya and Uganda, raised critical questions about whether this educational model is helping the World Bank reach its twin goals of ending extreme poverty and promoting shared prosperity.

Bridge International Academies is not alone but is rather one of several transnational primary school companies that are garnering investments and establishing a reacceptance of the charging of school fees in primary education. These schools, coined “low-fee private schools,” are at the center of much debate, with questions not only about their ability to reach the poor but also about the quality of education they

provide, their compliance with national standards and regulations, and their societal impact around such issues as stratification and discrimination.

The practice of charging school fees has been consistently shown to be an ineffective means of poverty alleviation (e.g. Smith and Joshi, 2015; Srivastava, 2013). The international community, including governments, donors, and civil society, have worked for the last two decades to abolish school fees, and the World Bank has been a key actor in driving these policy shifts. Nevertheless, the World Bank, through the International Finance Corporation (IFC), is

investing in the expansion of fee-charging primary and secondary schools as a means of providing basic education to the poor, raising a fundamental question: **With costs of education being a known obstacle to the poor and marginalized, how do IFC investments in the expansion of for-profit, fee-charging private schools contribute to the World Bank's goal to end extreme poverty by 2030?**

For these reasons, RESULTS Educational Fund set out to learn how IFC investments in basic education **target the poor, reach the poor, and benefit the poor.**

## BOX 1: REALITIES IN EDUCATION

- Nearly a fifth (263 million) of the world's children and youth of primary and secondary school age are out of school.
- Worldwide, nearly 40 percent of children of primary school age either do not reach grade 4 or, if they do, fail to attain even minimum learning standards.
- Even with four years in school, 1 out of 4 young people in low and lower-middle income countries cannot read a sentence.
- In Africa, the number of out-of-school children is on the rise, and 1 out of 5 girls are not receiving a basic education (UIS, 2016).

# BACKGROUND

## THE INTERNATIONAL MOVEMENT TO ABOLISH SCHOOL FEES

Modern international commitments to free primary education date back nearly 70 years to Article 26 of the Universal Declaration of Human Rights adopted in 1948: “Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages” (UN, 1948). The right to free primary education was expanded on in 1966 in the International Covenant on Economic, Social, and Cultural Rights, with the additional provision of progressively free secondary and higher education. The government obligation to provide free primary education to all of its citizens, as well as progressively free secondary and higher education, has been agreed to in at least 15 international and regional declarations, charters, treaties, and conventions.<sup>1</sup>

In the 1960s, developing countries gaining independence widely recognized free basic education as a policy for building national capacity and facilitating more equitable participation in politics and economic growth. However, economic stagnation forced many countries to abandon policies of free education. In the 1980s, structural adjustment policies enforced by the World Bank and the International Monetary Fund (IMF) required cuts to public spending on essential social services and prompted the imposition of user fees in education and health in the poorest countries. By the late 1980s, the negative effect that user fees were having on access to education was already being seen. School

fees were impacting family budgets and influencing spending choices of the poor, leading to stagnating or declining enrollment rates and stifling the right to education particularly for the poorest and most vulnerable children (World Bank and UNICEF, 2009).

Following the Jomtien World Conference on Education for All in 1990, many countries made considerable progress towards achieving universal primary education. The focus on enrolling the remaining 10-20 percent of the school age population, who tended to be poor, drew further attention to school fees as barriers to access (World Bank, 2004a). By the mid-1990s, development agencies and non-governmental organizations (NGOs) had begun championing the elimination of user fees in primary education, and developing country governments began abolishing school fees, with Malawi and Uganda among the first. Enrollment skyrocketed overnight (World Bank and UNICEF, 2009). With such impact, the aspiration for free primary education was enshrined as one of the six Education for All (EFA) goals in 2000, and universal primary education (UPE) was established as the second Millennium Development Goal (MDG) (World Bank, 2004a).

In 2005, the World Bank and UNICEF launched the School Fee Abolition Initiative (SFAI), an initiative designed to accelerate progress towards meeting the MDGs and EFA goals by scaling up access to basic education through support to policies that removed cost barriers to education. The specific objectives of SFAI included: (1) developing a knowledge base on school fee abolition in order to inform sound and sustainable policies, strategies, and interventions; (2)

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<sup>1</sup> Universal Declaration of Human Rights, Article 26 (UN, 1948), International Covenant on Economic, Social and Cultural Rights, Articles 13 and 14 (UN, 1966), Convention on the Rights of the Child, Article 28 (UN, 1989), Convention on the Elimination of All Forms of Discrimination against Women, Article 10 (UN, 1979), Convention on the Rights of Persons with Disabilities, Article 24 (UN, 2006), UNESCO Convention against Discrimination in Education, Articles 4 (UNESCO, 1960), International Labour Organization (ILO) Convention No. 182 on Worst Forms of Child Labour, Preamble, Articles 7 and 8 (ILO, 2000), African Charter on the Rights and Welfare of the Child, Article 11 (Organization of African Unity [OAU], 1990), African Youth Charter, Articles 13 and 16 (African Union [AU], 2006), Charter of the Organization of American States, Article 49 (OAS, 1948), Additional Protocol to the American Convention on Human Rights, Protocol of San Salvador, Articles 13 (Organization of American States [OAS], 1999), Charter of Fundamental Rights of the European Union, Article 14 (European Parliament, 2000), Revised European Social Charter, Article 10 and 17 (Council of Europe, 1996), Arab Charter on Human Rights, Article 41 (The League of Arab States, 1994), The Association of Southeast Asian Nations (ASEAN) Human Rights Declaration, Article 31 (ASEAN, 2012); See Right to Education Project (2014, January).

providing technical and financial assistance in national planning processes to guide and support countries in developing and implementing school fee abolition policies; and (3) enhancing the global policy dialogue on the financial barriers to education access. SFAI grew into a broad partnership including UNESCO, the World Food Program, the Commonwealth Secretariat, research and academic institutions, and others (UNICEF, 2012). Civil society organizations, such as RESULTS Educational Fund, were also part of this initiative.

To date, the international community is clear on its position against school fees, reaffirming — and expanding on — its efforts to ensure that free, quality basic (early childhood, primary, and secondary) education is provided to every child. This has been most recently reiterated by the Incheon Declaration, Addis Ababa Action Agenda, and the Sustainable Development Goals (SDG), with the first target of the education SDG aiming to “ensure that all girls and boys complete free, equitable and quality primary and secondary education.”

## THE WORLD BANK’S POSITION ON SCHOOL FEES

The World Bank’s position on school fees, including introducing the word “abolition” to the discourse (Vavrus and Kwauk, 2013), has fluidly moved through policy stances since the late 1970s. Beginning with two investigations into and recognition of the importance of public spending for social services in 1979 (Meerman, 1979; Selowsky, 1979), the World Bank identified school fees as particularly burdening poor households. Throughout the 1980s, the World Bank used language around cost recovery and cost sharing when developing recommendations regarding primary school fees in line with structural adjustment policies.

By the late 1980s, the World Bank was explicitly encouraging governments to charge school fees in order to balance the cost of education as a public service. In addition, school fees were thought to

increase community and parent buy-in to their children’s education (Mundy and Menashy, 2012a). This was the period where the World Bank presented school fees as desirable and acceptable under certain conditions, rather than something to be avoided.

The 1990s saw a great deal of change worldwide, particularly in international institutions after the end of the Cold War.<sup>2</sup> The dialogue changed from emphasizing school fees in public institutions to building stronger private institutions. For instance, in 1995, the World Bank argued that private primary schools could take the burden off of public schools which would then be able to reach the most vulnerable. This two-tiered educational system is part of ongoing justification of World Bank investment in private schools, discussed in detail below. The late 1990s discourse around school fees centered more on the role of private providers in establishing choice in schooling options and increasing focus on public-private partnerships.

Despite evidence of the detrimental impact of school fees on the poor that began to mount in the late 1990s, the World Bank did not abandon its stance. In 2000, under mounting civil society pressure, including from RESULTS, the U.S. Congress passed legislation requiring U.S. representatives at the International Monetary Fund and the World Bank to “oppose any loan of such institutions that would require user fees or service charges on poor people for primary education or primary health care” (Kenneth M. Ludden Foreign Operations, Export Financing and Related Programs Appropriations Act of 2002; Kentucky National Forest Land Transfer Act of 2000; Rowden, 2013). A year later, the World Bank revised its policy on user fees: “The Bank does not support user fees for primary education and for basic health services for poor people” (Kattan and Burnett, 2004).

Throughout the 2000s, the World Bank continued to develop more clear positions opposing primary school fees. In 2002, the World Bank enthusiastically supported Tanzania’s end to primary school fees nationwide. The years 2004 and

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<sup>2</sup> Geopolitical pressures during the Cold War influenced the direction and purpose of international aid and programming, including at the World Bank (Goldin, Rogers, and Stern, 2002).

## BOX 2: WORLD BANK POLICIES ON SCHOOL FEES: A TIMELINE

### 1980s

The World Bank's "Edlib" era (Colclough, 2000) in which the World Bank argues for a market approach to education and promotes school fees as a means to "improve economic efficiency as well as raise revenue" while focusing on increased fees for higher levels of education as a means to redistribute more public financing towards lower levels, particularly primary education (World Bank, 1988).

### March, 1990

The World Bank co-convenes the World Conference on Education for All in Jomtien, Thailand alongside UNESCO, UNICEF, and UNDP and declares, "Basic education should be provided to all children, youth, and adults" (UNESCO, 1990).

### September, 1990

*Primary Education: A World Bank Policy Paper* describes the elimination of user fees as a means of reducing direct costs of primary education to families but does not cite such policy action as a recommendation nor a priority for the 1990s (Lockheed, 1990).

1980

1990

### September, 2000

The United Nations adopts the Millennium Declaration establishing the Millennium Development Goals, including for all children "to complete a full course of primary schooling" by 2015 (UNGA, 2000).

### November, 2000

The United States passes law requiring U.S. representatives at the International Monetary Fund and the World Bank to "oppose any loan of such institutions that would require user fees or service charges on poor people for primary education or primary health care" (Kentucky National Forest Land Transfer Act of 2000).

### 2001

The World Bank issues a policy statement announcing that it "does not support user fees for primary education and for basic health services for poor people" (Kattan and Burnett, 2004).

### 2004

In its World Development Report, the World Bank "argues against any blanket policy on user fees that encompasses all services in all country circumstances." Primary education is largely treated as a subsector in which fees should not be charged (World Bank, 2003a).

2005 ushered in several new reports and findings regarding fee abolition, especially *Six Steps to Abolishing Primary School Fees* published in partnership with UNICEF.

At no point over the past three decades has the World Bank called for an abolition of school fees for secondary or post-secondary education, including adult basic education, even in the boldest statements. While at times promoting user fees in primary education, the World Bank often referenced voucher programs, targeted scholarships, and other government subsidies for educational costs, particularly as means for reaching the most vulnerable.

However, vouchers and other exemptions have been found to be more likely used by higher income households with little impact on the poor (Carnoy, 1997; Tiongson, 2005). Chile, home of one of the longest-running and most heavily researched voucher experiments, has become notorious for having one of the most segregated educational systems in the world (Castro-Hidalgo and Gómez-Álvarez, 2016).

Based on the timeline of World Bank involvement in primary school fee policies and abolition, a multiplicitous approach can be extrapolated. The utility of fees for cost recovery, increasing options for schooling, and competition between schools is often

**1995**

In its *Priorities and Strategies for Education*, the World Bank harmonizes its strategy with recommendations from the World Conference on Education for All and advocates for a policy package consisting of “Free basic education, including cost-sharing with communities and targeted stipends for children from poor households” (World Bank, 1995).

**1999**

The 1999 World Bank *Education Sector Strategy* recommits the World Bank to the Education for All targets, including universal access to, and completion of, primary education; however, it is silent on the topic of user fees in public primary schools (World Bank, 1999).

**April, 2000**

Alongside UNESCO, UNDP, UNICEF, and UNFPA, the World Bank co-convenes the World Education Forum in Dakar, Senegal. The Dakar Framework for Action establishes the six Education for All goals, including ensuring “free and compulsory primary education of good quality” for all by 2015 and calling for “an unequivocal commitment that education be free of tuition and other fees” (UNESCO, 2000).

2000

2010

**2005**

The World Bank and UNICEF launch the School Fee Abolition Initiative (SFAI) “to eliminate school fees or provide targeted fee exemptions, subsidies, and incentives for the poor” (World Bank, 2009a).

**2011**

The World Bank issues its current education strategy *Education Strategy 2020: Learning for All* citing, “Research has shown that school enrollment is more sensitive to the price of schooling for low-income households, so eliminating fees or giving a scholarship to children will produce a larger proportional increase in the schooling of children from poorer families” (World Bank, 2011).

**2015**

The United Nations scales up ambition for free education to include secondary education. The Sustainable Development Goals are adopted including a target that all children “complete free, equitable and quality primary and secondary education” by 2030 (UNGA, 2015).

presented alongside the acceptance that the lowest income households will not be able to afford them (Tiongson, 2005). As the first UN Special Rapporteur on the Right to Education Katarina Tomasevski described, the World Bank is “both arsonist and firefighter” on school fees (2006), calling for the use of school fees to increase cost recovery in low income countries while at the same time acknowledging that such fees exclude the most marginalized.

Current World Bank policy states that it “does not support user fees for primary education,” whether through government instituted fees (which are all but abolished on paper) or private entities. However, this

policy position has been criticized as “cautiously worded and hard to summarize,” with the recommendation that an active opposition to fees would make for a clearer policy position rather than the passively worded “does not support” (Kattan and Burnett, 2004). Furthermore, the statement acknowledges that governments do levy fees, that the World Bank understands their legitimate and useful purposes, and that in such cases the World Bank believes these fees should be “carefully designed” so as to not restrict access from the poor. As critiqued by Klees (2008), it is “amazing how quickly, in just two paragraphs, ‘opposes’ can slide to ‘carefully design.’”

## THE IFC AND EDUCATION

### *What is the IFC?*

Formed in 1956, the International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group (WBG, or simply World Bank). Its stated official purpose is “to create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth” (IFC, 2014a).

Governed by the World Bank Group’s Board of Directors, which is chosen by its member countries, leadership of the IFC mirrors other parts the World Bank. Voting on the Board of Directors is based on paid-in shares. In 2015, the five largest shareholders, and therefore countries with greatest voting power, were the United States, Japan, Germany, the United Kingdom, and France.

The business model that forms the foundation of the IFC can be summarized by three principles: business principle – taking on the full risks of investments while earning a profit; honest broker – using its unique position to bring together diverse stakeholders and look at domestic and private capital; and a catalytic

role – investing in projects that presently do not have sufficient necessary capital readily available (Mundy and Menashy, 2014a). Although education is a relatively new investment avenue for the IFC, the corporation recognizes itself as the largest multilateral investor in private education in the developing world (IFC, 2014b; Mundy and Menashy, 2012b, 2014a).

### *History of IFC investment in education*

The first IFC investment in education came in 1989 (Mundy and Menashy, 2012a) with initial investments focused on elite private schools (Mundy and Menashy, 2014a; 2014b). Within the World Bank, the move by the IFC to invest in education was met with concerns about the IFC encroaching on the territory of the International Development Association (IDA, the arm of the World Bank that services the poorest countries with concessional loans and grants) and whether education was an appropriate sector for private investments (Mundy and Menashy, 2014a). In the mid to late 1990s, questions from the World Bank Board of Directors about the IFC’s capacity to invest in education led to evaluations of the private sector in select countries and the commissioning of a report of the global education industry (e.g., Tooley, 1999; Mundy and Menashy, 2012a, 2014a).

### BOX 3: SCHOOL FEE ABOLITION AND THE ORIGINS OF THE GLOBAL PARTNERSHIP FOR EDUCATION

Before relaunching as the Global Partnership for Education (GPE) in 2011, the Education for All Fast Track Initiative (FTI) began at the World Bank in 2002 as a global partnership between developing countries and donors to accelerate progress towards the goal of universal completion of quality primary education. FTI’s Catalytic Fund, a multi-donor trust fund managed by the World Bank, was, among other things, looked at as a key way to support countries working towards the elimination of school fees. This was largely in terms of temporarily offsetting revenue lost from fee abolition, providing the analysis, benchmarks, and targets required for long-term predictable financing, and coordinating donor strategies around school fee abolition (World Bank, 2004b; World Bank and UNICEF, 2009). GPE’s new 2016-2020 Strategic Plan is fully aligned to SDG4’s goal to enable “all children to complete free, equitable, inclusive and quality early childhood, primary and secondary education” and places “education as a public good, a human right and an enabler of other rights” as its first principle (GPE, 2015; 2016).

Tooley's reports (1999; 2001) on the global education industry provided justification for private investments in education and directed some of the IFC's perspectives and practice on private school provision. Although Tooley cautions that "we cannot generalize from these findings" (Tooley, 2001) and that there are multiple contingencies that must be taken into account before the "tentative policy suggestions" (Tooley, 2001) may be effective, he concludes his study by encouraging the IFC and other stakeholders to implement the policy first and then evaluate its effects. Concerned with overburdening regulation, Tooley encourages governments to remove unnecessary regulations that may deter investors or limit potential profit of for-profit schools. He argues for reaching the poor through "subsidized places and student loan schemes" (Tooley, 2001) funded through overseas investment bodies such as the IFC and government funding through per-pupil voucher schemes. Concerning school fees, Tooley recognizes that "many are inhibited from finding private education because of the level of fees charged" (Tooley, 2001). Interestingly, and in contrast to some of his recent work (e.g., Tooley, 2009; Tooley and Dixon, 2007), he does not include setting fees at a price point accessible to poor households as one potential solution in overcoming this obstacle. Instead, he argues for channeling government money to private schools and the development of company loan schemes. The latter, however, "may rule out some deprived children" when evaluating which students are vetted to receive loans and identified as "serious about [their] study" (Tooley, 2001). Nonetheless, Tooley's work and country evaluations, such as the 1997 evaluation of Kenya that concluded that investments in least developed countries were crucial in part due to the "significant impact of education on development and poverty alleviation" (Karmokolias and Maas, 1997), encouraged the IFC to continue to explore education as a sector for investment.

In 2001, education was included as part of the initial road map for IFC investment. The strategy focused on private education being complementary to public education and filling a demand for education that the government could not meet: "despite significant investment in education reform, governments struggle to extend quality services to their citizens. In these

situations, there is a significant scope for the private sector to complement or partner with the public sector in provision and financing" (IFC, 2001). The strategy laid out four avenues by which private education could alleviate poverty: (1) releasing public funds by encouraging families that can pay for private schools to exit the public system; (2) complementing the public sector by expanding access; (3) promoting quality, innovation, diversity, and efficiency; and (4) strengthening and bringing more individuals into the middle class (Mundy and Menashy, 2014a). Concurrently, the IFC established the Health and Education department (now housed in the Manufacturing, Agribusiness, and Services Department).

In 2004, the IFC identified five "strategic pillars" to guide its development work (Mundy and Menashy, 2014a). Expansion in two of the pillars was identified as areas of investment that could help the needs of the poor. These included increasing investments in sectors that directly benefit the poor, such as health and education, and a focus on frontier markets – IDA countries and poor regions in middle income countries (Mundy and Menashy, 2014a, 2014b). Inadequate government systems were again put forth as a rationale for investment in frontier markets and poor regions. Specifically, the "demand for education services is rising at a rate faster than governments can supply" and "most public schools are inadequately financed and the quality of education suffers from too many students and too few teachers per class, insufficient books and teaching supplies, poorly constructed schools, crumbling buildings, and aging infrastructure" (IFC, n.d.-a).

The pro-poor focus and belief that private education could be used as a mechanism to alleviate poverty has continued in more recent IFC road maps and annual reports. In its 2011-2013 Road Map, the IFC vowed to provide additional support for private K-12 low-fee schools to "address the needs of those at the base of the pyramid" (IFC, 2010a), and in its most recent road map, the IFC reaffirmed its support for business models "reaching low income populations in primary schooling" (IFC, 2014c). Additionally, in its 2014 Annual Report (IFC, 2014b) the IFC lists as one of its aims the expansion of "access to high-quality services for lower and middle-income people."

**BOX 4: THE IFC'S STRUGGLE TO REACH THE POOR —  
ASSESSING IFC'S POVERTY FOCUS AND RESULTS**

Previous reviews have indicated that IFC investments have little to no benefits for the poor, not just in education but across all investments. In 2011, the World Bank's Independent Evaluation Group (IEG) published *Assessing IFC's Poverty Focus and Results*, a study of the poverty focus of IFC projects over the preceding ten years (2000-2010). It found that of the IFC investments sampled, only “13 percent of projects had objectives with an explicit focus on poor people” (IEG, 2011). The report concluded that “most IFC investment projects generate satisfactory economic returns but do not provide evidence of identifiable opportunities for the poor” (IEG, 2011). Even when its investments target the poor, the IFC does not have a formal mechanism for evaluating the distributional effects of its projects so as to determine whether a target population has been reached (Mundy and Menashy, 2014a). Previous research by Mundy and Menashy concluded that “The Bank does not appear to be able to harness its own private sector arm to achieve poverty alleviation — a worrying commentary on its broader promotion of private participation” (2012a).

*Assessing IFC's Poverty Focus  
and Results**Collaboration between the IFC and other arms of the  
World Bank*

Historically operating separately, the IFC and other arms of the World Bank, including IDA, have increasingly expressed intentions to improve collaboration. In 1996, then World Bank President Wolfensohn introduced the Private Sector Development Working Group to encourage World Bank and IFC collaboration (Miller-Adams, 1999). This led to cosponsored conferences on public-private partnerships and the development of the now defunct EdInvest website in the early 2000s (Mundy, and Menashy, 2012b). Conceptually, the World Bank and IFC are often portrayed as complementary, with the World Bank ensuring that governments provide an environment conducive to private sector investment

while the IFC invests directly in private sector provision and financial support (IFC, 2001; Karmokolias and Maas, 1997). Early in the 21st century there were reports that “the IFC will increasingly team up with the Bank's soft loan arm, the IDA” with partnership especially prominent in social sectors like education where “the IFC will increasingly take the lead in expanding private provision of services, and IDA will work with governments to design subsidy and other schemes to offset the costs of private provision to low-income consumers” (Alexander, 2001). The complementary role of the IFC and IDA would offset relative weaknesses as both work towards improved development outcomes (IEG, 2013).

In education this collaboration is most apparent in the World Bank's Education Sector Strategy 2020, which attempts to deepen the relationships between the IFC and the rest of the World Bank Group, as directed by senior level management in the World Bank (Mundy and Menashy, 2012b). Published in 2011, the Education Sector Strategy 2020 acts as the current education policy for the World Bank. The strategy promotes a systems approach to education that moves beyond a focus on formal schools to increasingly incorporate non-state (i.e., private) actors (Mundy and Menashy, 2012b, 2012c). Clear in the strategy is a unified approach to education where the "World Bank and IFC will work together to improve knowledge about the private sector's role in education and to help countries create policy environment and regulatory structures that align the private sector's efforts with national education goals" (World Bank, 2011). Private education entities are identified as important providers that expand access to "even the poorest communities, especially in areas that government does not reach" (World Bank, 2011). Additionally, the IFC education strategy is laid out as a pro-poor agenda with their ability to "invest across borders and go down-market to reach poorer communities" and provide financing to small and medium enterprises that "typically target poor populations" (World Bank, 2011).

Whether the espoused collaboration has played out in practice is still an open question. A 2013 review by the Independent Evaluation Group (IEG) found that although IDA country assistance strategies that mention the IFC are increasingly common, few plans included an explicit strategy for cooperation between the World Bank and IFC (IEG, 2013). This lack of collaboration is supported by Mundy and Menashy (2014a) who, in their review of IFC education investments, concluded that "the IFC does not collaborate closely with the World Bank at the level of country investments." For instance, in a review of Project Appraisal Documents for 53 IDA and International Bank for Reconstruction and Development (IBRD) projects between 2008 and 2012, 19 percent included some support for private provision, and in only two was the IFC mentioned (Mundy and Menashy, 2014b). The lack of coordination may be due to the different mandates and project cycles of the IFC and other arms of the World

Bank (Mundy and Menashy, 2012a). Specifically, the longer four-year timeframe associated with IDA and government project partnerships does not provide the flexibility necessary to meet the market demands addressed by the IFC (IEG, 2013), indicating that "the IFC follows a logic and procedures that make its work largely incompatible with Bank operations" (Mundy and Menashy, 2012c).

In 2013 the World Bank Group, including the IFC, adopted twin goals of ending extreme poverty and promoting shared prosperity (IFC, n.d.-b). To detail how the IFC can contribute to the twin goals, it published *Two Goals: End Extreme Poverty, Boost Shared Prosperity: The Private Sector's Role*, emphasizing access to education and health care and the role of the private sector in job growth (IFC, 2014a).

To further improve collaboration, the *IFC Road Map FY15-17: Implementing the World Bank Group Strategy* incorporates the twin goals ("IFC will focus on achieving the WBG goals and the implementation of our strategy through greater selectivity and an improved delivery model") and speaks to a one World Bank approach where "IBRD and IFC investments in these sectors [health and education] will be complementary, strategically aligned, and mutually supportive of better health and education outcomes and more sustainable systems (both financially and programmatically)" (IFC, 2014c). To meet this goal, the IFC planned to create, during fiscal year 2015, a Global Partnership Vice Presidency Unit tasked with increasing cooperation between the World Bank and IFC (IEG, 2013). Additionally, the new suggested country management model encouraged staff to collaborate across parts of the World Bank by including references to cooperation in their performance reviews (IEG, 2013).

It is with this backdrop of the World Bank's role in school fee abolition, renewed commitments to end poverty, and increased IFC intentions to collaborate across the World Bank Group that RESULTS Educational Fund set out to understand how IFC investments in for-profit, fee-charging private schools contribute to the World Bank goal to end poverty and global goals to achieve free, quality education for all.

## BOX 5: ARE IFC INVESTMENTS ALIGNED WITH UN PERSPECTIVES?

Inter-governmental agreements through the UN have had a clear consensus on school fees for nearly 70 years. As far back as the Universal Declaration of Human Rights (UN, 1948), “Education shall be free, at least in the elementary and fundamental stages.” This was further explicated in the International Covenant on Economic, Social and Cultural Rights (UN, 1966), making secondary education progressively free.

However, increased privatization of education in some countries has recently led some of the most prominent UN Committees to issue warnings directly to national governments (see map at right). In July 2016, the UN Human Rights Council issued a resolution urging all States to “address any negative impacts of the commercialization of education,” in particular by putting in place regulatory frameworks to monitor and uphold international human rights obligations.

Finally, the UN Committee on the Rights of the Child released a statement in June 2016 recommending that the UK government begin “refraining from funding for-profit private schools”:

In the context of international development cooperation, the Committee is concerned about the State party’s funding of low-fee, private and informal schools run by for-profit business enterprises in recipient States. Rapid increase in the number of such schools may contribute to substandard education, less investment in free and quality public schools and deepened inequalities in the recipient countries, leaving behind children who cannot afford even low-fee schools.

The Committee recommends that the State party ensure that its international development cooperation supports the recipient States in guaranteeing the right to free compulsory primary education for all, by prioritizing free and quality primary education in public schools, refraining from funding for-profit private schools and facilitating registration and regulation of private schools. (CRC, 2016a)

It is challenging to rectify some of the IFC’s investments in for-profit, fee-charging private schools against such clear statements from the United Nations.

### Haiti

“The education sector is dominated by private schools, which are often not officially authorized and monitored by the authorities and charge high fees exacerbating existing structural discrimination in the access to education, particularly affecting children in poverty....The Committee reminds the State party its primary responsibility for guaranteeing and regulating education and urges the State party to provide for free access to primary education and to take all necessary measures to guarantee access to education for children in vulnerable situations.... It also recommends that the State party...Establish a comprehensive regulatory framework for and regularly monitor private education providers, to ensure that they comply with quality standards, regularly report on their financial operations to relevant authorities, including on school fees and salaries, and that they do not engage in for-profit education” (CRC, 2016b).

### Brazil

“Establish a clear regulatory framework, under which all private education providers are obliged to report regularly to designated public authorities on their financial operations, in line with prescriptive regulations, covering matters such as school fees and salaries, and to declare, in a fully transparent manner, that they are not engaged in for-profit education as recommended by the Special Rapporteur on the right to education” (CRC, 2015a).

### Morocco

“The Committee is concerned about the spread of private education, which could lead to a form of segregation, with good-quality education restricted to those who can pay for private, elite schooling” (CESCR, 2015a).

### Uganda

“It also expresses concern at the... [w]idening of the gap in access to quality education resulting from the increase in the provision of private education and disproportionately affecting girls and children of low-income families” (CESCR, 2015b).

### Philippines

“[T]he Committee is concerned at... [t]he low quality of education provided by those [low-cost] private schools, the top-up fees to cover the full cost of private education imposed on parents, and the lack of State regulation of those schools, which have led to segregation and discriminatory access to education, particularly for disadvantaged and marginalized children, including children living in rural areas” (CESCR, 2016b).

### Ghana

“[T]he Committee remains concerned about...the trend towards privatisation of education and the priority given to schooling of boys over girls, especially in rural areas” (CEDAW, 2014).

“Assess and address the consequences of the rapid development of private education in the State party and its impact on the full realization of children’s right to education” (CRC, 2015b).

### Kenya

“It is also concerned that inadequacies in the public schooling system have led to the proliferation of so-called ‘low-cost private schools’ which has led to segregation or discriminatory access to education particularly for disadvantaged and marginalized children” (CESCR, 2016a).

“[T]he Committee is concerned about...[l]ow quality of education and rapid increase of private and informal schools, including those funded by foreign development aids, providing sub-standard education and deepening inequalities...[T]he Committee recommends that the State party... prioritize the provision of quality, free primary education at public schools over the provision of education at private schools, including informal low-cost schools, and regulate and monitor the quality of education provided by private schools in line with the Convention” (CRC, 2016c).

# METHODOLOGY

To explore whether IFC investments in K-12 education target, reach, and benefit the poor — and most effectively contribute to the World Bank goal of ending extreme poverty — RESULTS Educational Fund conducted a portfolio review of IFC investments in K-12 (pre-primary, primary, and secondary) education and field visits in South Africa, Uganda, and Kenya. The study used content analysis of IFC investment statements, including summaries of investment information and proposed investments, and environmental documents to assemble the portfolio review. To complement the information available in public documents, RESULTS Educational Fund coordinated case studies of three IFC-approved projects in different countries.

## PORTFOLIO REVIEW

RESULTS Educational Fund conducted a portfolio review of IFC investments in K-12 education over the past 20 years. The portfolio review used the IFC's online projects database and included all approved investments that included a K-12 education component between 1996 and 2015, totaling 43 projects (see Annex A).<sup>3</sup> Approved investments rather than actual disbursements were used due to the availability of data and the nature of the research question, which seeks to explore the logic of IFC investments in basic education.<sup>4</sup> Investments were analyzed for their relevance to K-12 education and the

target population, as described in project summaries and other public information. Relevance to K-12 education was based on project descriptions (see Annex A). Target groups were identified mainly through explicit reference or, when unstated, through inference based on project location. Investments were reviewed based on World Bank country classification (FY16), investment type, and target consumer group by income level, providing further information about IFC investments trends in projects related to K-12 education.

## FIELD VISITS

RESULTS Educational Fund conducted fieldwork in South Africa, Uganda, and Kenya. Country selection was based on the IFC's target region of Sub-Saharan Africa (IFC, 2014c), then by recently approved investments that used a diversity of approaches to potentially reach the poor. Approved IFC investments reviewed during fieldwork included:

- Curro Schools in South Africa,
- Merryland High Schools in Uganda, and
- Bridge International Academies in Kenya.

For information on these school operators and their related IFC-approved investments, see Annex B.

For each IFC-approved investment, at least one IFC-approved school was selected for data collection. Once

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<sup>3</sup> K-12 is a "soft" category of IFC projects. The IFC uses an "elementary and secondary schools" sector code in its projects database, and projects are ascribed a singular code. However, projects coded as other sectors may nevertheless have significant K-12 components. For example, a 2010 IFC investment in Harmon Hall in Mexico is coded as "other training" in the projects database and as "tertiary education" in some IFC publications, yet its first-stated development impact is "expansion of access to high quality English education and primary and secondary education" (IFC SPI, 2010). Illustrating this difficulty, the IFC provided a list of 2011-2016 K-12 investments in the course of this research. The list excluded a project previously published by the IFC as a K-12 investment while including another which was previously published as not. The list of IFC projects on which this analysis is based represents the researchers' best attempt at constructing a comprehensive list of IFC approved investments that have components that aim to impact the K-12 education subsector. The complete list can be found in Annex A.

<sup>4</sup> Note that approved IFC investments can differ from actual disbursements, and the level of disbursement is not discernable in the publicly available IFC projects database. An investment may be approved and then partially disbursed or not at all. For example, the 2010 approved investment in Curro Schools in South Africa (Project #29196) was never disbursed as the company later opted for funding from local investors. It is the IFC's intention and desire for every approved investment to be disbursed, and non-disbursements are typically outside of the IFC's control and effectively represent an unnecessary cost of time and resources. For these reasons, this analysis focuses on approved investments as they more accurately reflect the IFC's strategic decisions and directions in the subsector.

the IFC-approved school was identified and confirmation for a school visit was received from a school operator, the nearest non-IFC-approved school was included in the sampling frame as a contrasting case. Working outward from identified schools, community members in nearby public places were interviewed individually, or, as in the case of Kenya, engaged in a focus group discussion.

In addition to school operators and community members, purposeful sampling was done to identify key stakeholders in education in the country and local community. Snowball sampling was used to identify more interviewees through existing contacts. Additional interviews were held before and after country visits, creating a total of 104 interviews between October 2015 and April 2016 (see Table 1).

**Table 1: Interviews by Stakeholder Group**

World Bank/IFC official	8
IFC-approved school	9
Other school (public and private)	6
Community member	51
Government official	10
Investor	3
Academic/think tank	3
Local NGO	6
Teachers' union	8
<b>Total</b>	<b>104</b>

Interviews were semi-structured and lasted roughly one hour. Aligned across the three research questions, interview protocols guided conversations with questions targeting each stakeholder group. Interviews were recorded and used to conduct thematic analysis.

To protect interviewee confidentiality and given the limited number of IFC-approved schools in the study, some categories of information and responses in this report have been aggregated, attributed at the level of stakeholder group, or referenced without country identifiers. Interviewee names have been removed and coded by stakeholder group category (see Table 1). Interviewees have also not been associated with a particular school or IFC investment given the potential for identification.

## BOX 6: VARIOUS IFC-APPROVED SCHOOLS AND COMMUNITIES THEY SERVE



Credit: Tony Baker

# PORTFOLIO FINDINGS

## PORTFOLIO FINDING #1: IFC INVESTMENTS IN K-12 EDUCATION HAVE SIGNIFICANTLY INCREASED IN THE LAST FIVE YEARS

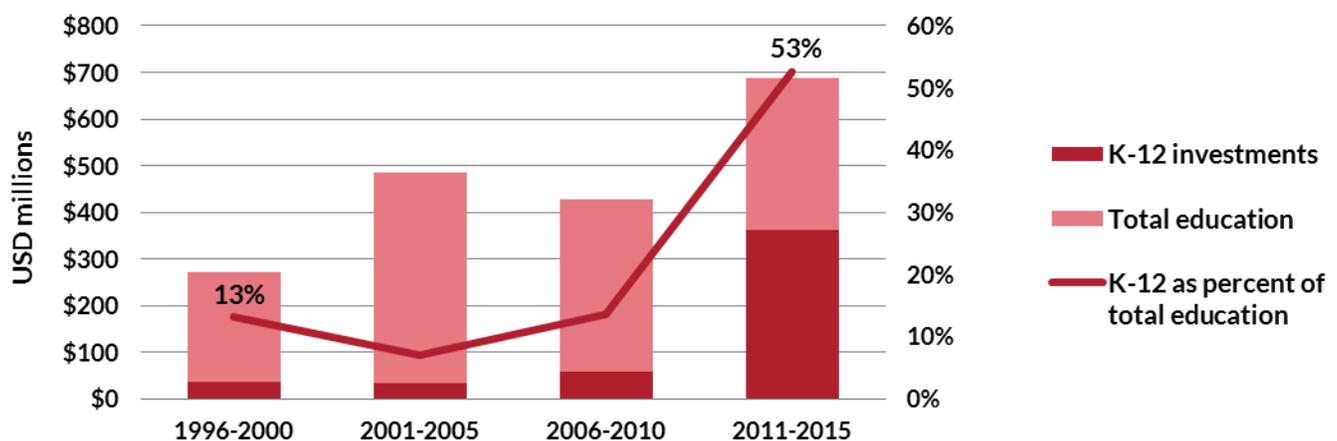
The vast majority – over 90 percent – of World Bank funding for education goes to the public sector through IDA and IBRD, but the IFC investment portfolio in the private provision of K-12 education is growing. Historically, IFC investments in education have focused on higher education, vocational education, and technology in education (Mundy and Menashy, 2014a). Between 1996 and 2010, investments in K-12 education represented less than 15 percent of total IFC investments in education. However, K-12 investments have sharply risen over the past five years, now representing more than half of all IFC education investments (see Figure 1). IFC investments in K-12 education averaged USD \$9 million annually between 1996 and 2010 and increased eight-fold to USD \$72 million annually between 2011 and 2015.

While K-12 investments have increased, other IFC investments in education appear to have stagnated. Between 2011 and 2015, the IFC invested approximately USD \$327 million in non-K-12 education (including higher education and non-K-12 technical and vocational training), lower than the USD \$452 million invested a decade earlier.

The above figures are in regards to all types of IFC K-12 education investments, which can be further divided into three broad categories:<sup>5</sup>

- **Direct provision:** In directly supporting the provision of education, IFC funds often complete or upgrade existing schools, expand schools to additional educational levels (e.g., adding a lower secondary campus to a primary school), or build new schools in other locations (i.e., replicating the school in a different geographic location). For example, Merryland High Schools in Uganda is using an IFC loan of USD \$4.1 million to increase the enrollment capacity of its original secondary

**Figure 1: IFC K-12 investments as part of total education investments**

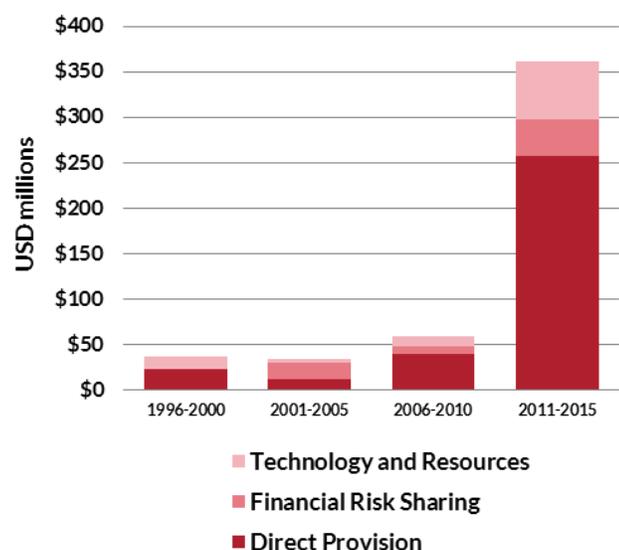


Source: Authors' calculations based on publicly available IFC SPIs and ESRs.

Note: "K-12 investments" includes all projects with a K-12 education component identified through an extended search across all departments whereas "total education" is limited to Elementary and Secondary Schools; Colleges, Universities, and Professional Schools; and Other Training sectors in the Global Industries, Manufacturing, Agribusiness, and Services Department and Global Infrastructure and Natural Resources Department. Thus, K-12 investments as a percentage of total education may be inflated, but the inflation is consistent and does not affect the trend, e.g., the sharp rise in these investments over the past five years.

<sup>5</sup> These three categories are similar to those identified by Karmokolias and Maas (1997) in their review of the Kenya private education sector.

Figure 2: IFC K-12 Investments by Type

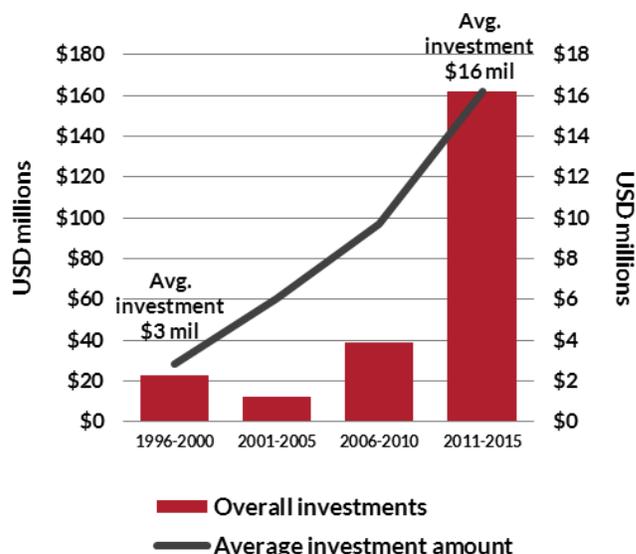


Source: Authors' calculations based on publicly available IFC SPIs and ESRs.

school to 900 students and finance the new construction of a second campus with a capacity of 1,500 students (IFC SPI, 2014).

- Financial risk sharing:** Financial risk sharing is another investment approach that the IFC uses in education, particularly to allow its model as a large-scale investor to meet the relatively small needs and investments that are appropriate for most private school operators. It is an approach in which the IFC enters into an agreement with a local financial institution or bank to cover a share of potential losses on a school loan portfolio should a private school owner default, thereby giving the bank confidence to extend its lending to such providers. Financial risk sharing, with the IFC providing financial guarantees to banks in developing countries, has increasingly become part of the IFC investment strategy beyond education as well (Bretton Woods Project, 2011).
- Technology and resources:** IFC K-12 investments in technology and resources are those going not to private school operators or financial institutions but to companies for the development of educational materials, training tools, or other resources to be used in K-12 education. This includes the IFC's USD \$14.71 million loan to Edilar in Mexico in 2012 to provide books, certified

Figure 3: IFC Investments in Private Provision of K-12 Education



educational content and teaching materials, and ongoing training to public school teachers in 27 Mexican states (IFC ESRs, 2012).

The majority of IFC investing in private K-12 education has been in direct provision, e.g., support to school construction and operation (68 percent since 1996). These investments increased dramatically over the 2011-2015 period, with K-12 education providers supported with USD \$256.9 million compared to USD \$38.9 million over the previous five years (2006-2010) (see Figure 2).

Note that the 2011-2015 direct provision figures include two investments with Russian regional governments (Chuvashia 2012 and Samara region) totaling USD \$94.62 million for school construction. When these are removed due to their focus on the public system, 2011-2015 IFC investments in the provision of private K-12 education total USD \$162.28 million.

Average K-12 investment sizes have also increased. In regards strictly to the provision of private K-12 education, the investment amount over the last five years (2011-2015) averaged USD \$16 million per project. This strongly contrasts to the preceding fifteen years (1996-2010) in which such investments averaged USD \$6 million per project (see Figure 3).

## BOX 7: FINANCIAL RISK SHARING AND EDUCATION FOR THE POOR — THE AFRICA SCHOOLS PROGRAM

Financial risk sharing is an approach in which the IFC enters into an arrangement with a local financial institution or bank to cover a portion of potential losses on a loan portfolio should a borrower default, thereby giving the bank greater confidence to extend its lending for specified purposes. Financial risk sharing in education expanded out of initial financing facilities in Ghana and Kenya where the IFC provided funding and advisory support to local banks to encourage loans to enterprises, specifically fee-charging primary schools too small to be invested in directly by the IFC (Mundy and Menashy, 2014a).

One of the most publicized financial risk sharing initiatives in education has been the IFC's Africa Schools Program, launched in 2007. The goal of the integrated investment and advisory program was to "support African governments in their efforts to increase quality education" (Seydi, 2014). The Africa Schools Program aimed to include 500 private schools and enroll over 100,000 students over three years (IFC, 2007). Loans from partner banks to schools ranged from USD \$1,000 to \$500,000, with country inclusion criteria such as high private school enrollment shares, existing IFC financial risk sharing projects, and local IFC offices (IFC, 2007). The program clearly targeted the poor — "the program increases access...for a large number of students from all income levels, including low and middle-income households" — and claimed that some schools charge as little as USD \$60 per year (IFC, n.d.-a).

In Kenya, the World Bank conducted a baseline landscape analysis (Barrera-Osorio and Zable, 2009) of 142 schools in the target area of the Africa Schools Program. It found that average school fees per term were USD \$284 for primary schools and USD \$275 for secondary schools. The inability to pay school fees was the number one reason students no longer attended school, according to head teachers of the participating schools. School fees were also identified by students as the number one reason for absenteeism, with over 40 percent of students with at least one absence over the past two weeks attributed to lack of funds for school fees.

Africa Schools Kenya closed in 2012. Despite the baseline analysis's emphasis on fees and the ability of private schools to serve low and middle-income populations, the impact findings of the final project evaluation instead focused on staff teamwork, school management, and classroom teaching and learning as reported by "school respondents" (Onoka and Domenech, 2014). No impact evaluation was conducted, and the impact of school fees was not acknowledged in the final project evaluation.

In regards to the Africa Schools Program more widely (including Ghana, Kenya, and Rwanda), an IFC appraisal of its advisory services in public-private partnerships found that the "Africa Schools Program, as currently designed, is not able to meet the needs of schools serving low-income groups." This was because, among other things, the schools reaching the poor had marginal levels of profitability — and thus low ability to pay off commercial loans — as they charged very low fees, with most of their students not paying on time, if at all (Taylor, 2010).



## PORTFOLIO FINDING #2: IFC K-12 EDUCATION INVESTMENTS INCREASINGLY TARGET LOWER AND LOWER-MIDDLE INCOME GROUPS

IFC investments in K-12 education have been increasingly focused on lower and lower-middle income groups, both in terms of country income level as well as the income group of the project’s intended target population.

From 1996 to 2015, 58 percent of IFC K-12 investments were in low (14 percent) and lower-middle (44 percent) income countries (see Figure 4). However, as the total K-12 portfolio consisted of 43 projects, the 14 percent investment in the low income category represents only five countries: The Gambia, Guinea, Mali, Uganda (x2), and Rwanda. In fact, nearly half of all IFC K-12 investments were clustered in just three countries – India, Mexico, and the Russian Federation (see Annex A).

IFC K-12 investments can be further analyzed by the income group of the population that the projects intend to target, as indicated by project documents and additional public information. For example:

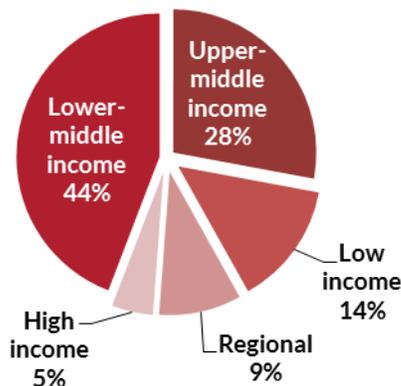
- The Summary of Project Information (SPI) for Bridge International Academies, an IFC project in Kenya approved in 2013, states that the company “aims to provide quality education to children from

families earning less than \$2 per person per day” (IFC SPI, 2013), placing the project in the low income target group category.

- The Africa Enterprise Fund (AEF) Collège Privé Les Pitchounes project in Côte D’Ivoire, approved in 1998, extended its existing primary school into a secondary school with the following justification: “The school provides direct access into the French educational system, a privilege very much sought after by middle income parents” (IFC ESRS, 1999).
- Brookhouse Schools Limited in Kenya, approved in 2006, sought to add a primary school to its existing British curriculum co-educational day and boarding campus in its “upscale, peri-urban neighborhood” location in Lang’ata, Nairobi (IFC SPI, 2006). The primary school currently charges an average annual tuition of USD \$4,680 per student, placing it in the upper-middle income and elite category. The Kenya National Bureau of Statistics (KNBS) reports Kenya’s middle class making an annual income of just short of USD \$3,000 to over USD \$23,000 (KNBS, 2010).

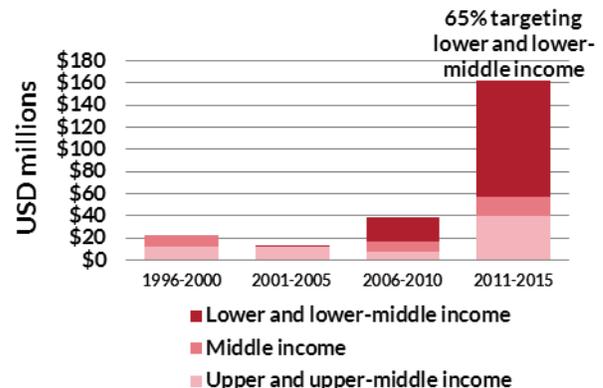
IFC investments in the direct provision of private K-12 education were found to be increasingly targeting lower and lower-middle income populations. This has shifted from previously no attention to 65 percent of the IFC’s K-12 direct private provision portfolio over 2011-2015 (see Figure 5).

Figure 4: Percent of IFC Investments in K-12 Education from 1996-2015 by Country Category



Source: Authors’ calculations based on publicly available IFC SPIs and ESRSs.

Figure 5: IFC Investments in Private Provision of K-12 Education by Target Group



## BOX 8: HOW THE IFC ATTEMPTS TO REACH THE POOR THROUGH PRIVATE EDUCATION

There are at least three ways that private school providers can ostensibly address the needs of children in poverty:

**Relieving pressure from public schools:** First, the exit of middle and upper income families from public schools could release public funding which would then be focused on poorer students. For instance, the 1995 World Bank report *Priorities and Strategies for Education* suggested that by removing rich students that had the ability to pay for private school from the public system, public resources could be redirected to poorer students. For example, the IFC-supported Promotora de Centros Educativos project in Mexico, approved in 1999, is a provision project financing the construction of five schools. The project was intended to “complement the efforts of the Mexican government” where “the additional resources mobilized for education through this project will raise the government’s ability to target its education expenditure to benefit the poor” (IFC SPI, 1999). Similar notions are captured in a provision project in Cameroon, approved in 2000 — the project would “complement the efforts of the Government of Cameroon: By offering about 2,300 student slots, the project will free needed capacity in the public school system and make room for pupils from lower-income groups” (IFC SPI, 2000a).

**Scholarships:** The second mechanism in which private provision could benefit the poor is by providing subsidies or bursaries to poor families to offset high private school fees. An example of subsidy use was found in the AEF Kabojja project in Uganda, approved in 2000. The project included building a primary school in Kampala “targeting middle income Ugandans” but it would also “create a scholarship fund for under-privileged children from rural areas as a contribution to poverty alleviation” (IFC SPI, 2000a).

**Direct provision:** The final approach to addressing the needs of poor families is through direct provision — private schools could target poor families and maintain fees at a level affordable to such families. Future Schools in Egypt, approved in 2012, is one such investment as the schools target “primarily lower and middle income families” (IFC ESRS, 2011).

Box 8 describes different ways in which IFC support to private education can benefit the poor. The shift from investing in providers that entirely targeted middle income or upper middle income families, as well as the shift in the language of IFC documents, suggests that the IFC’s strategy in K-12 education has moved towards direct provision for poor families. This contrasts previous approaches which focused on investments that benefited the less poor as a means of relieving pressure on public funds, which do serve the poor. This also mirrors the disappearance of “releasing public funds” language from more recent World Bank education strategies (Mundy and Menashy, 2012c).

### PORTFOLIO FINDING #3: IFC INVESTMENTS IN PROVISION OF PRIVATE K-12 EDUCATION ARE INCREASINGLY IN SCHOOL CHAINS

The increase in investment in the direct provision of K-12 education is being driven by increased IFC investment in large school chains, rather than operators of individual schools. For the purposes of this analysis, a school chain is defined as a company that owned and operated five or more schools at the time of IFC investment or planned to do so with IFC funds.

While most IFC K-12 private education provision dollars have typically flowed to school chains, even in the presence of several investments in individual school owners, the IFC’s K-12 private education provision portfolio has flipped over the last 20 years in terms of numbers of projects with school chains and individual school owners. Over the 1996-2000 period, six out of the eight K-12 education provision projects were with individual school owners. By 2011-2015, this had more than reversed, with eight out of the ten K-12 education provision projects being with school chains (see Figure 6). Over the last five years, IFC investments in school chains have quadrupled, from USD \$37.4 million in 2006-2010 to USD \$153.18 million in 2011-2015.

Table 2 further illustrates this shift in focus from school chains to individual school operators. A sample investment during the earlier time period was Ndow Middle and High Schools in the Gambia. Approved in 1998, the IFC provided a USD \$238,500 loan to help

Figure 6: IFC Private K-12 Education Provision Investments by School Owner Type

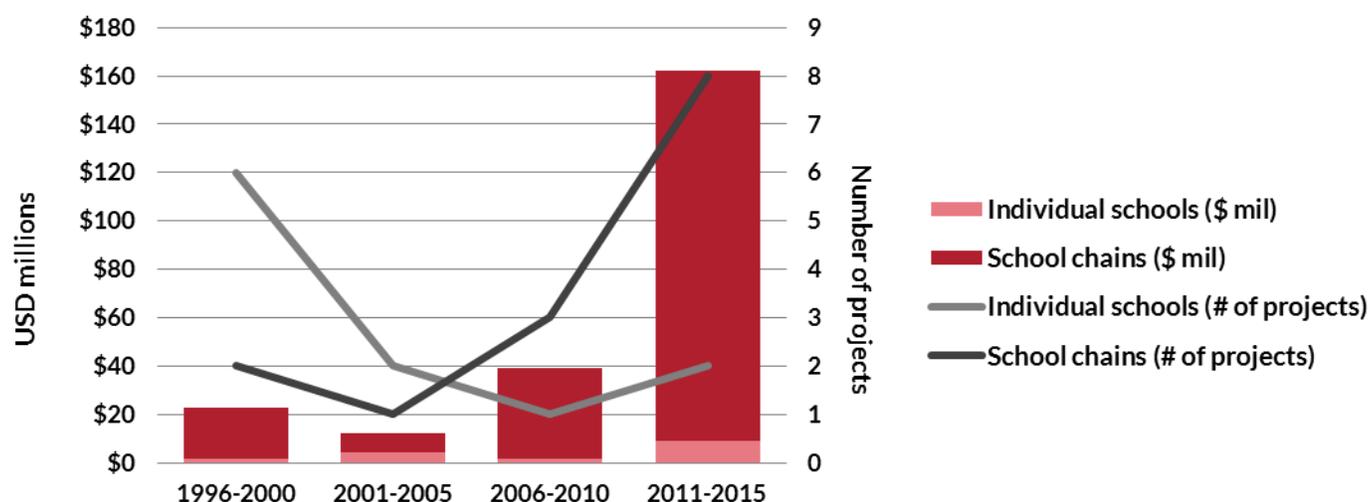


Table 2: Comparing IFC Investments in Private K-12 Education Provision

	Number of investments			Average investment (USD millions)			Total investment (USD millions)		
	Individual schools	School chains	Total	Individual schools	School chains	Average	Individual schools	School chains	Total
1996-2000	6	2	8	0.31	10.5	2.86	1.86	21	22.86
2011-2015	2	8	10	4.55	19.15	16.23	9.1	153.18	162.28

Source: Authors' calculations based on publicly available IFC SPIs and ESRs.

complete the school and upgrade the facilities (IFC SPI, 1998). In contrast, Bridge International Academies was already operating 211 schools in Kenya at the time of approval with ambitious plans to expand their reach from 57,000 students to 3.5 million students by 2020 (IFC SPI, 2013). The surge in IFC K-12 investments in the last five years is owed to this increased investment in large school chains.

#### PORTFOLIO FINDING #4: IFC K-12 INVESTMENTS ARE OFTEN OPERATING ALONGSIDE IDA/IBRD BASIC EDUCATION PROJECTS

As above, there have been ongoing efforts at the World Bank to encourage greater World Bank and IFC coordination and collaboration, including through complementary roles of the IFC, IDA, and IBRD. These

roles are in terms of knowledge production, government guidance on policy formulation, and complementary investments in the public and private education sectors.

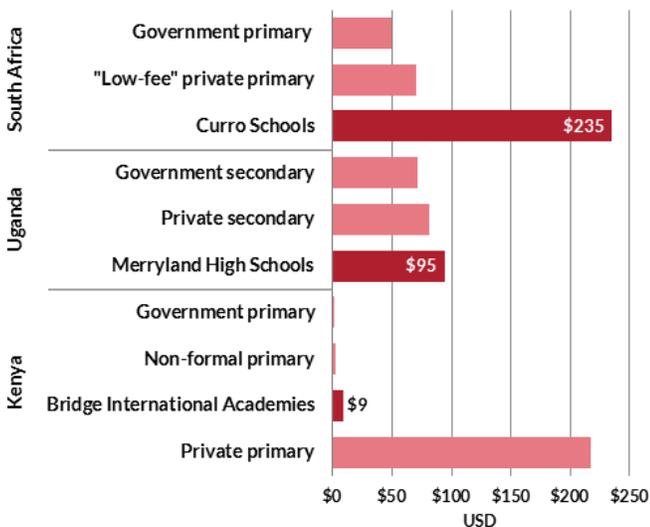
Looking across the IFC's K-12 portfolio, 90 percent (35 of 39) of country-specific IFC investments in K-12 education over the last 20 years were found to have been approved alongside active IDA or IBRD investments in basic education, or within a year of one another (IFC projects database and World Bank project database). The four that were not were the AEF Horizon Bilingual Education Complex in Cameroon in 2000 (IFC SPI, 2000a), Curro Schools in South Africa in 2010 (IFC SPI, 2010a), Bridge International Academies in Kenya in 2013 (IFC SPI, 2013), and Merryland High Schools in Uganda in 2014 (IFC SPI, 2014). Coincidentally, three of these four were the subjects of this research's field visits.

# FIELD FINDINGS

## FIELD FINDING #1: FEES ARE STILL THE PRIMARY BARRIER TO ACCESS FOR THE POOR

Perhaps unsurprisingly, field research in South Africa, Uganda, and Kenya reinforced the significance of fees in blocking access to, or reach of, IFC funded schools to the poor. Fees present an initial barrier to education access as well as a lever pushing students to drop out. Across interviewees there was a consensus that school fees prevented many poorer children from attending school. IFC-approved schools were seen as too expensive, not relatively affordable, and not for ordinary families, while the general expense of private schools prohibited many students from attending (community member #1 and #6, NGO #1, government #1). In discussing school fees with a mother working at an upscale apparel store in a shopping mall in which an IFC-approved school had advertised, she proclaimed “that’s my salary” (community member #7). Similar to the work of Barrera-Osorio and Zable (2009), school fees were also cited as a major reason for school dropouts (government #2; teachers’ union #5; community member #21). Schools fees were especially detrimental in families with more children and in less secure occupations, contexts which were more common amongst the extreme poor (academic #1).

Figure 7: Average Monthly Fees of Schools Visited



*The World Bank Group believes that every child has the right to a free, quality public education.*

— IFC official

Private providers and IFC-supported private schools recognized that they do not provide access for all children. The bulk of the poor cannot afford school fees, even those in schools that claim to target them (investor #1). Fluctuation in enrollment was attributed to school fees as expenses force students to transition between schools (private school operator #1). Operators at even some of the lowest fee IFC-approved schools recognized that some families may have a desire to attend the school but “maybe when it comes to a fee it can be a problem” (IFC-approved school operator #7). The headmaster of another IFC-approved low-fee model school admitted that affordability was a concern “especially if they [families] have multiple children;” essentially, his was a school for one- or two-child families (IFC-approved school operator #3).

Other investors in an IFC-approved school also recognized that private schools, even the lowest fee private schools in slums, could not cater to the poorest families. To subsidize the difference, some investors created grant or scholarship programs concurrently with their investments in low-fee private schools while others developed cash transfer programs to eliminate school fees for some students and encourage attendance (investor #1 and #2).

In the end, many interviewees were left wondering how affordable education makes sense when a free public system is an option or simply proclaiming that schools “should be free no matter where you are” (teachers’ union #1, community member #11). It has been well documented, however, that school fees are also not absent from public schools (Morgan, Petrosino and Fronius, 2014). Although public schools

say they are free, they rarely are in practice, and this can lead to the exclusion of the poor or parents choosing between fee-charging public and fee-charging private schools (community focus group #1, teachers' union #3, think tank #2). School fees in public schools are often the result of local communities compensating for inadequate government funding (academic #1; e.g., Al-Samarrai, 2003). Schools fees for public schools are often set by parents, the school board, or school management committee, leading to large variations in school fees across communities (government #1, teachers' union #5, NGO #1). These fees may be used to cover a variety of things including tuition, exam fees, library costs, and laboratory costs (teachers' union #4, NGO #3). Fee structures or regulations for public schools are either nonexistent or poorly monitored (government #1, NGO #5), further

complicating the notion of free education in the countries involved in this study.

Importantly, one of the distinguishing factors between fees in public and private schools is what happens when families fail to pay. Public school administrators made it clear that students could not be kicked out of their school for non-payment and that they needed to provide access to students regardless of their ability to pay (government school administrator #2 and #3). This contrasts sharply with IFC-approved school operators in South Africa, Uganda, and Kenya who outlined strict fee payment schedules with steps taken to recover delinquent fees (IFC-approved school operator #3, #5, and #7). In the end, if parents were ultimately unable to pay school fees, more severe action was taken such as student dismissal from school or legal action against the parents (IFC-approved school operator #3, #5, and #7).

## BOX 9: DOES THE IFC WANT SCHOOL FEES ABOLISHED? THE IFC EDUCATION INVESTMENT GUIDE

In international law encompassing the right to education, the privatization of education, especially by for-profit providers, poses a threat to the realization of free, universal primary education (Singh, 2015a). For the IFC, this risk appears to be inverted. In its *Education Investment Guide: A Guide for Investors in Private Education in Emerging Markets*, the IFC (2010b) presents the establishment of free primary education and the restriction of for-profit provision as “risks at the national level.”

The *Education Investment Guide* warns potential investors that “[t]he law of the land may contain some potential financial hurdles,” including national policies that set caps on school fees. Regulations that put ceilings on tuition fees are not seen as positive steps towards progressively free education that is more accessible to the poor, rather, they are threats by which “the economics of the project would be seriously affected” (IFC, 2010b).

In the *Education Investment Guide*, the IFC further presents school fees not as something that should be reduced or removed by private schools but as something that should instead be increased. The increase in fees is described as a measure of both financial success (increased profitability) and educational success (increased willingness of the public to pay due to the quality of education provided). The IFC encourages this despite simultaneously recognizing the disproportionate impact this can have on the less well-off, as “the lower middle class is particularly vulnerable to unemployment and large increases [in inflation] could severely affect the parents’ ability to pay” (2010b).

Former UN Special Rapporteur on the Right to Education Kishore Singh (2015a) argues that by “promoting for-profit education, the International Finance Corporation considers laws as financial hurdles and provides guidance to private providers of education to be ‘very profitable and flourishing enterprises,’” disregarding human rights obligations to which the World Bank is party. These stated perspectives by the IFC — and its investments in the expansion of for-profit, fee-charging private schools — are difficult to reconcile against the World Bank policy of not supporting user fees in primary education.

### Education Investment Guide

A Guide for Investors in Private Education  
in Emerging Markets



## BOX 10: THE SLIDING SCALE OF “QUALITY”

Some commercial school chains, such as Curro Holdings in South Africa, offer lines of schools with different breadths of subjects taught, pupil-teacher ratios, and types of examinations administered. Access is dependent on different fee levels, making the definition of a “quality education” different for lower and higher income families.

### FIELD FINDING #2: QUALITY IS BEING INCREASINGLY DEFINED BY WHAT ONE CAN AFFORD, NOT AS A UNIVERSAL RIGHT

With the expansion of private schools making student fees more common, there is a growing notion that the definition of school quality varies by what each family can afford. This was awkwardly used in some of the early IFC research on education in Kenya where relatively lower quality schools were justified for low income families because students in such schools were “at least getting some secondary education” and that “it makes little sense to deny lower income groups such choices, simply because educational standards in some inexpensive schools have lower quality standards than more expensive schools patronized by higher-income groups” (Karmokolias and Maas, 1997). This led to a basic argument for differential benchmarks for “good quality” schools, “from the highest quality and most expensive, to the worst and cheapest” as schools are simply “responding to the demands of varying pocketbooks” (Karmokolias and Maas, 1997).

In the fieldwork, different notions of good quality most obviously played out in one IFC-approved school chain. The school chain had a suite of schools that were available to families at different income levels, offering distinct versions of good quality (IFC-approved school operator #2). “Good quality” for lower income families included schools that participated in national tests using national curriculum and had more students, higher student-teacher ratios, limited subject choices, and mobile science labs. “Good quality” for higher income families that could afford the more expensive school model included participation in international

curriculum and testing, less students, lower student-teacher ratios, a wide variety of subject choices, and permanent science labs. The acceptability of having different benchmarks of quality, instead of one universal understanding of high quality regardless of family income level, was reinforced by another investor in IFC-approved schools who emphasized that the school provides the best quality it can, given the economic reality of their communities (investor #1).

Quality as what you can afford not only justifies and labels schools “good quality” relative to families’ income levels but also further shifts responsibility from the government or larger community to the family. Although parents pay what they can afford (teachers’ union #4), the notion of affordability is stretched as parents and families are expected to sacrifice to ensure that their children reach a “good quality” school higher on the school fee scale. This “sacrifice mentality” is not uncommon in lower income families as the perceived value of education leads them to sacrifice other essential goods, such as healthcare and food, to help their children access education (Srivastava, 2006). This was confirmed in interviews with World Bank/IFC officials who cited a study that showed in India, if parents have one dollar, they will put it to education (WB official #3). Previous publications by the IFC appear to praise the actions of poor families who make significant sacrifices to pay for school fees. In a prior publication, in which a managing director of an IFC-supported school in Ghana was interviewed, the action of a poor construction worker who “struggled to pay a little bit every month, so that his child would get a better education” (IFC, n.d.-a) was quoted approvingly.

Affordability then represents the maximum a family can spend on education after sacrificing. Interviewees reported that families can spend up to 35 or 40 percent of their income to cover school costs, with sacrifices including forgoing meals, taking on other small jobs, or taking out loans (academic #1, teachers' union #1, community focus group #1). As one community member put it, parents sending their children to one of the lower fee IFC-supported schools might sacrifice because they believe it is best for their child; the school is attended by “not wealthy, but parents who sacrifice” (community focus group #1). For this community member, sacrifice was so ingrained in the expectations of parents that if a child was not going to school the “child has the right to sue their parent” for not sacrificing (community focus group #1).

### **FIELD FINDING #3: COMMERCIAL OPERATORS ARE PRONE TO PUT BUSINESS INTERESTS OVER EDUCATION INTERESTS**

Throughout the fieldwork, a further distinction in the typology of for-profit, fee-charging private schools emerged. On one end of the spectrum were for-profit, fee-charging private school operators that established a school to provide themselves with a job, help the local community, or fill a need in the neighborhood. These were usually smaller schools based around the needs of the community, with the owners interested in making a profit but mainly as a means to reinvest in their school or survive personally. On the other end of the spectrum were profit-motivated providers. These providers tended to either approach education as an untapped industry for profit or moved in that direction as part of securing or repaying loans. As an interviewee from one local think tank put it when discussing this spectrum, “If you get a loan, you have to move in that direction [towards profit-motivated]. You have to have a markup. You have to make a profit” (think tank #2).

*If you get a loan, you have to move in that direction [towards profit-motivated]. You have to have a markup. You have to make a profit.*

— Local think tank

Evidence of moving towards the profit-motivated end of the spectrum was widespread. Many private community schools were in debt from loans and were struggling to be financially sustainable (government #1). Education models dependent on loans from institutions like the IFC were associated with the need for increased profit-motivated behavior, as such school operators developed more profitable business plans required to secure loans and were then under continual pressure of default. Additionally, some loan conditions — such as the requirement for repayment in U.S. dollars — can make repayment even more challenging in regions prone to economic instability and high levels of inflation. This led some IFC-approved private schools to prefer school fees to be paid in U.S. dollars (IFC-approved school operator #6).<sup>6</sup>

*We are not saying that those who make profit should not be making profit, but [it is] a concern that brings in a human right issue because you are trading and profiting from the poor.*

— Local NGO

For financial sustainability (whether for loan repayment or to meet the expansion requirements of the business model), operators of IFC-approved schools were sometimes found to put business interests over education interests:

- **Avoiding regulations:** One provider was reported as circumventing registration requirements to qualify at a level with lower educational standards, with the multinational company wanting to be classified as a non-formal school rather than a

<sup>6</sup> Financial sustainability is one of the key criteria for IFC investing. Furthermore, the IFC works with its clients to ensure that their financial relationship causes no undue strain or seeks to resolve it where it exists. Findings in this section are not specifically related to the IFC and its practices; rather, they are questions as to the potential effects of commercial lending on school operator behavior more broadly.

private school (NGO #4). The content of the school's curriculum had also not been approved by national authorities, and there were questions raised as to the low quality of infrastructure of these schools (corrugated iron shelters with chicken wire windows) (government #5). This allowance to operate outside of or below regulation was attributed to the company's political power as one backed by foreign investment, including that of the IFC. As one interviewee put it, "if somebody has that much money, they can do anything, and they may force themselves to be in something that they are not part of" (NGO #3).

- **Reducing bursaries/scholarships:** While all of the IFC-approved school operators visited provided some level of bursaries or scholarships, it was often highlighted by providers as a challenge to the budget and business model and cited as a non-essential expenditure first to be cut or reduced in the face of other priorities. With the budgets of some school chains set in the central office and not including pro-poor scholarships, bursaries and other related expenses needed to be carved out by managers at the school level if they were to exist at all (IFC-approved school operator #1).
- **Employing unqualified teachers:** With teacher salaries representing the largest portion of education expenditures, lower-fee private schools save on salary spending by hiring underprepared, unqualified teachers (teachers' union #1). Employing untrained teachers is one reason why teachers in private schools may make only 10 percent of what teachers in public schools make in some countries (government #1). Teachers in private schools also have less professional support as they tend not to be in teacher unions. Although IFC SPIs and ESRs indicated that teachers at approved schools were free to join teacher unions,

*IFC will not support education providers that do not put student interests at the center of their organizational mission and vision.*

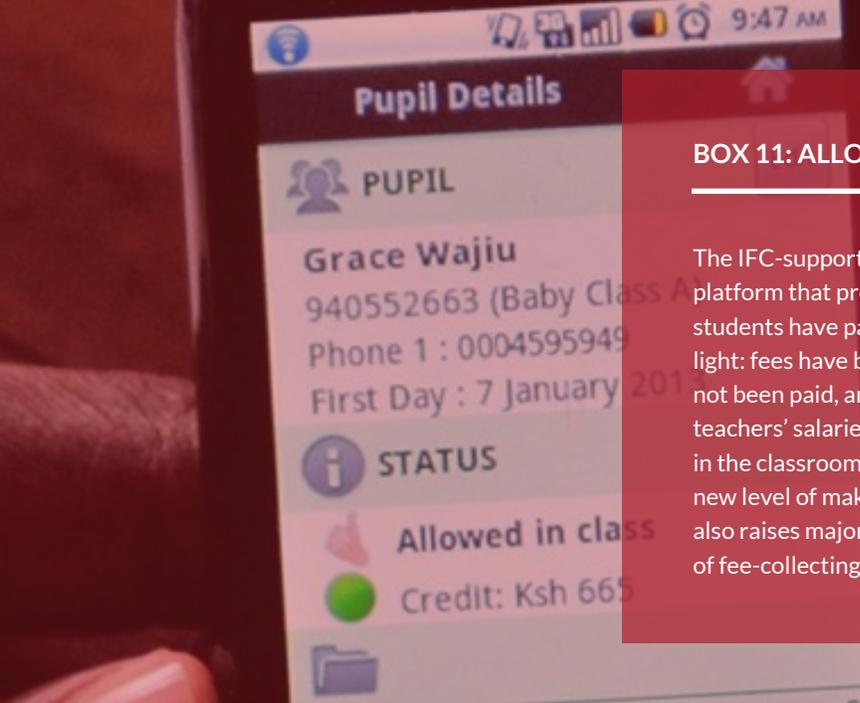
— IFC official

some of the largest unions in the region could not identify a single teacher from an IFC-approved school in their membership (teachers' union #1, #2, #3). The role of teacher had also shifted from an instructional leader to a facilitator, manager, or simply reader of curriculum (teachers' union #1; NGO #4). In discussing one IFC-approved school, an NGO made it clear that the school "does not believe in trained teachers; they believe in a scripted workplan" and questioned "is that something an international organization of that standing [large international investor] should promote?" The interviewee went on to say that in the developed world "you cannot work as a teacher unless you are qualified...you actually need a secondary degree to work in a primary school. Why is it that in the slums...you only need a scripted workplan, you don't need a trained teacher? Those are double standards" (NGO #4).

*You cannot work as a teacher unless you are qualified...you actually need a secondary degree to work in a primary school. Why is it that in the slums...you only need a scripted workplan, you don't need a trained teacher? Those are double standards.*

— Local NGO

Although not necessarily contrary to education interests, the marketing tactics employed by some IFC-approved schools were also regularly highlighted as a key character difference between commercial schools and individual or community schools. These marketing activities were related to the aggressive expansion required for the companies' financial sustainability. Two of the three IFC-approved investments in this study had plans to at least double their number of schools in the next five years, and marketing is essential to advertise the schools and reach more potential customers. Some schools have a marketer appointed to the school or a marketing department in the main office while others have international liaison offices to reach middle or upper class families from neighboring countries (IFC-approved school operator #1 and #5). Marketing is conducted through several



## BOX 11: ALLOWED IN CLASS? RED LIGHT, GREEN LIGHT

The IFC-supported Bridge International Academies uses a cellular phone platform that provides real time information to teachers as to whether their students have paid their fees and whether they are allowed in class. Green light: fees have been paid, and they are allowed in class. Red light: fees have not been paid, and they should not be in class. The payment of fees is linked to teachers' salaries, which are to be deducted if "non-allowed" students are still in the classroom at the 15<sup>th</sup> of the month. This practice represents not only a new level of making access to basic education dependent on fee payment but also raises major questions about placing teachers and students at the center of fee-collecting and the impact on the student-teacher relationship.

Credit: Bridge International Academies

mediums, including newspapers, billboards, television, and radio (NGO #1, IFC-approved school operator #2 and #5; academic #1). Special events were also held to increase visibility or bring in additional students to visit the schools. For example, one IFC-approved school holds a night school on Thursdays where from 4pm to 9pm students go through the full school day again with a friend from another school and then get Friday off (IFC-approved school operator #2).

Another IFC-approved school is well known for connecting with high-level government officials and other dignitaries through closed dinner meetings (government #6). Within their messaging, IFC-approved schools relay a variety of market advantages, including the use of technology or international curriculum. As one school operator stated, it is essential to improve "customer perception of your product" and communicate that "it's not a school fee, it's an investment" (IFC-approved school operator #2).

**“It's not a school fee, it's an investment.”**  
— IFC-approved school operator

Finally, the practice of charging school fees is a consideration of financial sustainability, despite its effect of reducing access to education. While the charging of school fees could be argued as the means for continued construction of schools and the scaling up of educational resources, this is hard to justify in a for-profit model. Rather, the move of private providers

towards more aggressive business models was associated with leaving children behind and out of school, as "the increasing commercialization of education is hindering access" (government #1 and #3).

**“The increasing commercialization of education is hindering access.”**  
— Government official

The difference in behavior between individual school owners and IFC-approved commercial operators was regularly noted by interviewees — from governments to school administrators (of all types) to researchers — and associated with loan-taking, profit orientation, and educational tradeoffs. This distinction in the typology of for-profit, fee-charging private schools is important to consider when seeking to understand the role of the private sector in education.

**“The low-cost schools can also be categorized in terms of how much they charge, so the ones that are community based or church based, their cost is very low. That is why you find the poorest going there. But the ones that are purely for profit, their cost is slightly higher. You will find the least of the poor...attending there.”**  
— Local researcher



**BOX 12: KENYA AND UGANDA ORDER CLOSURES OF BRIDGE INTERNATIONAL ACADEMIES DUE TO REGULATORY VIOLATIONS**

Bridge International Academies (BIA), one of the IFC-supported clients examined as part of this research's fieldwork, is a multinational low-fee private school company with operations in Kenya, Uganda, India, Nigeria, and Liberia. In addition to the IFC, BIA is funded by the UK Department for International Development (DFID), the UK's CDC Group, Bill Gates, Mark Zuckerberg, the Omidyar Network, and others. Its model of delivering education through scripted lesson plans on tablets read by teachers and its claim that its fees are affordable to the poor have been simultaneously praised and critiqued by the education and international development communities.

BIA has recently dealt with a number of regulatory challenges. In early 2015 in Kenya, where BIA operates 405 schools (an average of nine per county), the government directed BIA and other non-formal schools to not open any new facilities while it finalized its new registration guidelines for Alternative Provision of Basic Education and Training (APBET) institutions. The APBET policy had been in place since 2009, and the new registration guidelines were completed in September 2015. The guidelines require APBET schools, among other things, to teach curricula and syllabi approved by the Kenya Institute for Curriculum Development (KICD) and to have a minimum of 30 percent of their teachers trained and certified to national standards (Republic of Uganda Ministry of Education and Sports, 2015). At the time of writing, BIA's educational materials had not been approved by the government "because it did not meet standards as expected by KICD," and its schools were almost entirely unregistered, even though its first school opened in Kenya in 2009 (government #5, IFC-approved school operator #8). In the words of one government respondent, BIA "needs to follow the rules of the land" (government #5). In March 2017, the High Court of Kenya ruled that the Busia County Education Board could close ten BIA schools for failing to meet education standards as revealed by inspection reports recommending the schools' closure (GI-ESCR, 2017).

In Uganda, where BIA began operations in 2014 and now runs 63 schools, even greater regulatory issues have mounted. In April 2016, the government directed BIA to "halt the expansion of the Bridge International Academies forthwith, until the Ministry establishes that these schools, and those yet to open later are in conformity with our Basic Requirements and Minimum Standards," citing concerns of "legality," "quality of infrastructure," "teacher issues," "methodology," and "curriculum" (Republic of Uganda Ministry of Education and Sports, 2016). Four months later, the Ministry issued an interim order calling for the closure of all BIA schools due to "non-respect of national standards," including failure to register, "poor hygiene and sanitation which put the life and safety of the school children in danger," and the use of educational material that "could not promote teacher-pupil interaction" (Museveni, 2016). BIA challenged the ruling, which was upheld by Uganda's High Court (2016) in November 2016, again ordering BIA to close its schools. BIA has filed to appeal the decision (BIA, 2016).

## FIELD FINDING #4: PRIVATE EDUCATION OFTEN STRUGGLES TO COMPLEMENT THE PUBLIC SYSTEM

In the debate around private education, the benefit that private schools can have on public schools in a country is often emphasized. The fieldwork, however, revealed several complications with the notion that IFC-approved private school operators were considerably complementing the public system.

### *Innovation transfer*

Innovation transfer is one potential way private schools can complement the public system, with the freedom or increased autonomy of private schools leading to more innovative ideas that can be implemented in public schools for the betterment of students. Interviewees were asked whether they could provide examples they have seen of innovation transfer. Some government and World Bank/IFC officials were clear that they have seen no examples of innovation transfer (government #2, WB official #3). Other respondents cited Kenya's Tusome Early Grade Reading Program and Primary Education Development Project, which employ tablets and scripted lesson plans similarly as trialed in the private sector (IFC-Approved School Operator 8).<sup>7</sup> While some suggested that public schools could learn more about managing teachers, accountability, monitoring, and staff motivation, at least one government official questioned whether the government had the structure or capacity to implement such changes (government #1 and #2, NGO #2, IFC-approved school operator #5). This latter stance contradicted other observations that suggested innovations, such as smaller class sizes, could indeed happen in public schools if the political will existed (academic #1). It was also pointed out that innovation transfer can be, albeit rarely, a two-way street, with transfer also occurring from public to private schools (government #2).

### *Expanding access*

Private schools are also often looked at as a means of complementing the public system by expanding access to otherwise unschooled children. The fieldwork and prior IFC reports suggest this is not, or rarely, the case. Prior work by the IFC indicates that the removal of school fees has been the driving force behind increased enrollment, with students in private schools often being those who have exited the public system in pursuit of less resource-constrained environments (IFC, n.d.a). This is reflected in research conducted around the low-fee private school chain Omega Schools in Ghana, which showed that of 437 Omega students surveyed, only one had not been enrolled in another school prior, significantly challenging the notion that the school chain was reaching out-of-school children (Riep, 2015). When the lowest-fee IFC-approved schools were asked whether their students previously attended school, they stated that their students used to be in many different schools, including other private schools, and did not mention previously out-of-school children (IFC-approved school operator #7 and #9).

It is also often claimed that private schools build where there are no other schools, with regulations even sometimes limiting where private schools can be established (think tank #1). However, the fieldwork found IFC-approved schools often operating in near proximity to other schools. One IFC-approved school operator made it clear that the decision to develop a school was done after a market evaluation determined the demand and potential return (IFC-approved school operator #2). The viability or need to create schools in a sustainable market can limit their clientele, as people in poverty often do not live in "viable" areas (government #3). There was rarely a lack of nearby schools around the schools visited, with private schools often established close to public schools (IFC-approved school operator #2, teachers' union #5). One of the lower-fee IFC-approved school

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<sup>7</sup> Tusome is a project of the U.S. Agency for International Development (USAID) and the UK's Department for International Development (DFID) being implemented by the U.S. firm RTI International through Ministry of Education, Science, and Technology (MOEST) systems and in public primary schools. The Primary Education Development Project is supported by the Global Partnership for Education and implemented by MOEST under the supervision of the World Bank. Tablets are used for data collection and monitoring rather than as pedagogical tools.

providers was able to identify nine schools in their community, with the nearest school, established before them, located directly across the street (IFC-approved school operator #3). Other areas had at least five public schools surrounding a single IFC-approved school or a public school within 50 meters of an IFC-approved school (community member #16, government #5). Although one World Bank/IFC official claimed that an IFC-approved school tended to be found in more isolated places, like slums, where distances to go to school were longer (IFC official #1), the corresponding government officials and other investors in the IFC-approved school did not share that perspective. The government official was adamant that the IFC-approved schools were “not in slums, they are everywhere” while the other investor sympathized with the government position, believing that the school operator had expanded beyond its original government-approved mandate to operate in slums (government #5, investor #2). Both confirmed that when the IFC-approved schools did operate in slums, it was not in the poorest slums or hardest to reach areas (government #5, investor #3).

Scholarships or bursaries are another avenue private schools may use to reach poor communities and relieve pressure from public systems. Although this approach is lauded in many IFC project documents, in practice the number on scholarships is quite small. Of the three IFC-approved schools which had a scholarship program, only 3.5 to 6.5 percent of students were on a full or partial scholarship (IFC-approved school operator 1, 5, and 6). Scholarships were used to target the best performing students in poor settings, but the poorest students tended not to be the best performing (government #1, IFC-approved school operator #6, teachers’ union #5). As one IFC-approved school put it, they wanted to “invest in high performance” by drawing the best students in the country (IFC-approved school operator #6). In the community, these types of scholarship programs tended to be used for marketing purposes and to improve the school’s overall performance rather than to reach the poor or out-of-school children (IFC-approved school operator #6, teachers’ union #5).

The result of an increasing number of private schools appears not to be improved access but the

establishment of a parallel system. In addition to scholarships removing the highest performing students from public schools — decreasing the perceived quality of public schools while enhancing that of private schools — the economically most viable, most active parents leave the public system to enroll their children in private schools (teachers’ union #1 and #5). This leaves a public school system without the political capital to push the government for improvements or the economic capital to fill the financing gap. For some it is clear that the increase in private schools have made government schools worse (NGO #1).

In essence there is a public system that works with the very poor and a parallel system that the rest of the families have access to (think tank #1, teachers’ union #1). The division between private and public systems was clear in discussions with public school administrators near IFC-approved schools. In a nearby public school that serves a squatter camp, the public school administrator confirmed that the IFC-approved school had no impact on their student enrollment because they mainly work with a wealthier community. When asked who works with the poor families, she proclaimed, “This is the poor community,” and that her school, not the nearby IFC-approved school, served the poor families (government school administrator #1). Other public and non-formal schools reported seeing no effect as their numbers have increased steadily over time or they have a waiting list for admission (government school administrator #2, private school operator #2). Other interviewees, including a World Bank/IFC representative, clarified that it is the public sector that really addresses equity issues and that “if we really want education for all, the best service provider is the government” (WB official #3, NGO #2).

***If we really want education for all, the best service provider is the government.***

— World Bank official

Instead of complementing or competing, the relationship between private schools, including some IFC-approved school operators, and the government can sometimes be better described as contentious, with one government official stating that the founder of an

IFC-approved school company was “passionately against public schools in the country” (government #6). The majority of this frustration appears to be centered around regulations and funding.

### Regulations

The regulatory environment in the three countries included in this research varied from well-defined to nonexistent. When present, some private school operators believed they were held to the same standards as government schools while others

believed that regulations may have been set so that “schools within the slum could not meet them” (IFC-approved school operator #5, private school operator #2). Specific regulations brought up as burdensome for non-formal schools in slums included requirements on infrastructure, class size, the presence of a playground, and pupil-toilet ratios as well as concern with the government’s “negative contribution” through possible taxation (private school operator #2, NGO #3, IFC-approved school operator #5). Private school supporters tended to emphasize what they believed



### BOX 13: OUTSOURCING EDUCATION TO THE PRIVATE SECTOR: PARTNERSHIP SCHOOLS FOR LIBERIA

In January 2016, the Liberia Ministry of Education announced that it would be initiating a plan to outsource the country’s entire public pre-primary and primary school system to private actors, through a public-private partnership (PPP) program called Partnership Schools for Liberia. Costing an initial \$65 million – more than three quarters of the country’s education budget – the plan would see the Liberian government paying private operators to run its primary schools. Originally, only one partner was invited into the project: Bridge International Academies.<sup>8</sup>

The plan was met with immediate backlash. Headlines read “Liberia outsources entire education system to a private American firm” (Mungai, 2016). The UN Special Rapporteur on the Right to Education called the plan “completely unacceptable” and “a blatant violation of Liberia’s international obligations under the right to education” (OHCHR, 2016). UNESCO warned Liberia of the dangers of Liberia privatizing its education system (UNESCO, 2016).

Provision of public education of good quality is a core function of the State. Abandoning this to the commercial benefit of a private company constitutes a gross violation of the right to education.  
– Former UN Special Rapporteur on the Right to Education Kishore Singh (OHCHR, 2016)

Partnership Schools for Liberia, launched in September 2016, involves fewer outsourced schools and more partners than originally planned. The pilot includes 92 government primary schools being run by eight private operators: Bridge International Academies (23), BRAC (20), Omega Schools (19), Liberian Youth Network (14), Street Child (12), More Than Me (6), Rising Academies (5), and Stella Maris Polytechnic (4). If successful, private providers will be contracted to scale up the number of schools under their operation, with the goal to put all of Liberia’s 2,750 early childhood education and primary schools under private management by 2020 (GI-ESCR, 2016).

<sup>8</sup> The IFC investment in Bridge International Academies was not for Liberia expansion.

were a disproportionate amount of regulations that held private schools to an unfairly higher standard compared with public schools (think tank #1). Alternatively, government officials interviewed felt that they had been concessionary with private schools, especially the regulations for non-formal schools in slums, while others felt that for-profit non-formal schools may be hostile to regulations in general (government #5, NGO #4).

Registration in most countries is an important part of the school accreditation process. To register in a country, a provider must comply with regulations. According to government authorities, unregistered schools were illegal and would either be shut down or transformed into public schools (government #5 and #6). When a government official was asked about the registration status of one IFC-approved school operator, he quickly pointed out that the largely unregistered operator “needs to follow the rules of the land” (government #5). Additional frustration with the operator was expressed in other interviews with some stating that there was “no compromising” with this operator while others claimed that the operator had engaged in “moral manipulation” to register under a more preferential status (NGO #3 and #4).

*I see some moral manipulation there which puts into doubt whether the aim is business or surely working for the poor... Is this something an international organization of that standing [IFC] should promote?*

– Local NGO

There were concerns that regulations on private schools were there to punish and take money without providing any real support (IFC-approved school operator #7). While government policies claim to support some providers that either meet regulations or focus on access for the poorest, the dispersion of funds can be inconsistent at best (academic #1; government #1, #2, and #5; think tank 1; teachers' union #3). IFC-approved schools were either not qualified for funding or received only sporadic funding from the government. Delays in receiving funds can be up to two-and-a-half years, leaving some

to wonder what happened or if the money would ever arrive (IFC-approved school operator #3, NGO #3, private school operator #2). Others indicated that funding provided to low-fee private schools was being discontinued due to issues with government accountability (think tank #2).

*The problem is the [donor] is investing...for profit, and then the source of the profit is the slums of Nairobi. And then the same [donor's] justification is that the public system in the slums of Nairobi is so inefficient [that] you cannot turn it around no matter what you do, and therefore the best way to support the poor is for them to pay for an education that brings a profit that I [the donor] benefit from. That is the contradiction.*

– Local NGO

#### *Mission*

The fee-charging, for-profit natures of IFC-approved private school operators also raised questions as to whether these providers shared the same bottom line as their government counterparts, particularly in policy contexts like those of Kenya and Uganda, where primary education has been declared free by law. As one ministry official put it, “The biggest anomaly is that they’re charging fees when the government wants free education....How are they complementary?” (government #5). Questioning whether investors in such schools were doing so for profit or to support national efforts, a local government representative was adamant that if investors’ intentions were to support government efforts, then their schools in slums would be offering free education (government #6).

*The biggest anomaly is that they’re charging fees when the government wants free education....How are they complementary?*

– Government official

## BOX 14: FOR-PROFIT PRIVATE SCHOOLS, A NON-STATE ACTOR NOT LIKE THE REST — THE EDUCATION COMMISSION

In its report *The Learning Generation: Investing in Education for a Changing World*, the International Commission on Financing Global Education Opportunity (2016) is supportive of non-state actors, making a strong case for their collaboration with governments in improving education systems, with a particular focus on strengthening regulations. Non-state actors broadly include civil society, NGOs, community and faith-based organizations, and the private sector. However, when it comes specifically to for-profit private schools, the Education Commission warns: “The most contentious issue is state support of for-profit private schools, increasingly salient with the rapid growth of low-fee private schools in developing countries.” It goes on to note, “Most countries with high levels of non-state involvement at school level, such as Australia, Belgium, and the Netherlands, do not permit this [public funding to for-profit schools]” and if a government does so, that it should particularly evaluate whether doing so will “promote access, equity, choice, and quality for all citizens.”

The Education Commission (2016) promotes government collaboration with non-state actors as long as it ensures that such involvement “always enhances learning and equity and upholds children’s rights” and “does not lead to any form of discrimination or segregation, or create or increase inequality.” However, as critiqued by the Global Campaign for Education (2016), “charging fees is almost always a direct contravention of rights” and “the ability to pay even low-cost fees is almost inherently a form of segregation that exacerbates inequality.”

Credit: Lana Wong/the Education Commission

### FIELD FINDING #5: PUBLIC EDUCATION IS WIDELY PREFERRED, BUT QUALITY IMPROVEMENTS ARE NEEDED

“If more learning was going on in government schools, then more students would go to government school” (teachers’ union #4). Throughout interviews there was a sense that the public system would be the preferred system for community members if only it could improve in certain areas. The desire for public schools was felt by the government, with local community members “agitating” authorities to build more schools (government #1). The central challenges for the public system were situated around perceived quality and availability.

Real or perceived, there was a general belief that private schools were of better quality (think tank #1, community member #15). Some of this was a simple mentality assuming “private is better” (NGO #2); at

other times, conclusions were drawn from assessment scores that were publicized and effectively used in marketing material by private schools (teachers’ union #1). Community members also learned about student test scores through newspapers, word of mouth, and school ratings available at public offices (community focus group #1). This had led to some parents fleeing public schools due to quality issues and a sense in the community that if you send your child to a government school, your child is going to fail (teachers’ union #5, NGO #1, community member #17).

IFC-approved schools were not shy about admitting that the number one measure of quality is school performance on national exams (IFC-approved school operator #5). However, this primary, or sole, focus on test scores led to questions from other stakeholders as to whether this was the only aspect of education that the school operators cared about. As one interview put it, “Even private schools that are performing well on the national exams, that is almost the only parameter of performance they are excelling at. But what makes a

school in terms of additional facilities, sports, curricula, and things like that [in which] public schools are still doing better?” (teachers’ union #5).

**Even private schools that are performing well on the national exams, that is almost the only parameter of performance they are excelling at. But what makes a school in terms of additional facilities, sports, curricula, and things like that [in which] public schools are still doing better?**

– Teachers’ union representative

The focus on a single part of education — assessment — was associated with a “profit motive that minimizes certain aspects” of schooling (government #1). To prepare for exams, private schools disproportionately crammed and drilled for the test, and some replaced textbooks with pamphlets of question banks (NGO #2). This was not surprising as “private is paid for output,” as one interviewee put it (NGO #2). Unfortunately, as “parents are looking for 90 out of 100 on the exam and not what the child knows or learns,” children that were enrolled in a test-focused school were often still “not competent enough to compete and do other things” (NGO #1). The profit motive, which pushes improved performance on tests by any means to increase enrollment, complicates the debate on quality: “When we say that private schools are better than public schools, it is highly questionable” (NGO #2).

**When we say that private schools are better than public schools, it is highly questionable.**

– Local NGO

Outside of this public perception, a more nuanced look at quality acknowledged that there were both good public and private schools (academic #1, government #4). School quality was not simply a matter of school type but staffing, infrastructure, location, and education level. In some areas, public secondary schools were known to do better than private secondary schools (NGO #5, WB official #1). In other areas, there was disagreement whether public rural schools were of higher quality (government #4, community member #18). Public schools were often believed to be superior in terms of space and infrastructure (NGO #2, government #1 and #4).

As for staffing, teachers were at the heart of the quality debate. Teachers in public schools were criticized for being lazy, late, or absent (community member #15, teachers’ union #4, IFC official #1, WB official #3). Although it was clear that accountability was an issue, the practices of teachers were difficult to untangle from the issues of overcrowding and funding that plague public schools (NGO #2).

Although test scores were the most publicly visible measure of quality, most community members, when asked, talked first about overcrowding or the student-teacher ratio in public schools (community member #6, community focus group #1, government #1).

### BOX 14: ADVERTISING TEST SCORES

Many schools encountered during the field visits, including IFC-approved operators, regularly publish student exam scores as a form of praise, encouragement, and competition. It also serves as a means of advertising the school’s performance. Due to issues of student confidentiality and concerns with student’s self-esteem, publishing test scores which identify individual students is illegal in some countries, including the United States.

NO.	STUDENT'S NAME	8 IN 8	INDEX NUMBER
1		8	
2		8	U1354/010
3		8	U1354/015
4		9	U1354/002
5		9	U1354/020
6		9	U1354/011
7		9	U1354/004
8		9	U1354/032
9		10	U1354/030
10		10	U1354/025
		10	U1354/055

Overcrowding resulted from countries being unprepared for universal education policies (NGO #2 and #5). Without the necessary infrastructure, resources, and teachers, when countries enacted policies of free education, they “became a victim of it instead of a beneficiary” (teachers’ union #4, government #6). Parents left public schools because they were overpopulated with students, with student-teacher ratios for public schools hovering between 50 to 80 and as high as 150 students for every teacher in slum areas (government #2, NGO #4 and #5, community focus group #1). There were simply not enough public schools to keep up with the demand (government #2 and #6, community focus group #1).

The tension between not having enough classrooms and not having enough teachers was clear in the budget allocation of some countries. When, for example, 95 percent of the government budget is spent on recurring expenses, namely teacher salaries, there is no money to build more schools, and the government may not give out other grants for development (investor #2, government school administrator #3). As one World Bank/IFC official put it, even if the country has a constitutional right to basic education, the government may not have the money to properly implement it (WB official #3). Elsewhere, the government’s contribution to education had remained steady over the past eight years, with the budget allocated to education proportionally decreasing over the past 15 years from 21 percent to 15 percent (government #3, teachers’ union #5). In real terms, this stagnant support has further depreciated over the years due to rapid inflation (government #4).

In addition to high teacher-student ratios, this inadequate funding had reintroduced school fees in public schools, forcing parents to fill the gaps, and had led to long periods in which teachers had not been paid (government #3 and #4, government school administrator #3). Work conditions had led to teacher strikes, and interviewees reported teachers not being paid for up to 4 months or going hungry — all of which had an effect on teacher absenteeism (community member #18, NGO #1).

Funding shortfalls for public education were apparent and needed to be met with increased support for public

education in the countries explored. The “government needs to put in optimal investment” if it is to improve the perceived quality of public schools and reduce overcrowding issues (NGO #2). In the current state, a “public school would like to do a, b, c, d, e...it just can’t because of money” (government #2).

**“Our government has kind of abdicated its core responsibility of making sure we have the human resource of the country, that is the right to education and the quality that we deserve.”**

— Local NGO

Finally, more flexibility is required in the public system to meet the needs of parents. Parents demanded options which often drew them to private schools, which may have more flexibility in curriculum or approach to education (WB official #3). Parents were also drawn to schools that had additional activities like athletics or music, a technology-rich environment, or used English for their language of instruction (IFC-approved school operator #1, #2, and #3; IFC official #1; NGO #1; WB official #3). In slums, for example, the hours of the regular school day of public schools may be difficult for parents whose livelihoods make them unavailable early in the morning or after the close of the school at 3:20 in the afternoon (community focus group #1). To meet the needs of these parents, the government must “fit education provision to slum areas, slum contexts” (NGO #4). It is important to note, however, that although the public system is considered by many to provide a single monolithic experience, many private schools, including some IFC-approved schools, were criticized for having a single model and not adapting to the needs of learners (think tank #1, NGO #1, government #6, IFC-approved school operator #7).

In summary, the public system may be preferred by communities, but until the funding is present and policies are in place to improve its perceived quality, overcrowding, and more rigid structure, it will have difficulty in fulfilling its promise of education for all.

# CONCLUSIONS AND RECOMMENDATIONS

## CONCLUSIONS

The IFC investment portfolio in the provision of K-12 education indicates increased attention in recent years on companies and projects that are targeting lower and lower-middle income groups. This represents a departure from the IFC's previous education strategy, which had focused primarily on supporting private education for middle and upper-middle income families who could pay for education and whose exit from the public system would allow scarce public sector resources to be used more effectively to benefit the poor. The shift towards supporting direct provision of basic education for the poor is noted in more recent IFC strategies, including its current 2015-2017 Road Map, which reaffirms the IFC's support for business models "reaching low income populations in primary schooling" (IFC, 2014c). This would represent a step towards aligning IFC investments to the World Bank's goal of ending extreme poverty, if such models indeed reach and benefit the poor.

Only one of the IFC clients involved in the field research represents itself as targeting the poor. Although related findings are specific to the individual provider and should not be used to draw generalized conclusions, they may offer relevant insights and raise broader questions worth exploring. Although school fees for this provider are far below those of the other IFC-approved operators visited in this research, they can still represent 17 to 31 percent of the income of a household living at the national poverty line.<sup>9</sup> Fees charged by this provider and other low-fee options of IFC-approved school operators were reported as still being out of reach to the poor, or the poor who were accessing these schools were doing so through sacrifices such as taking out loans, taking on other small jobs, or even forgoing meals.

These sacrifices have a disproportionate impact on the poor and most vulnerable groups, who are already

at high risk for financial insecurity, malnutrition, and other shocks. These sacrifices are not a planned or desired effect of this education business model nor one often discussed when advertising that the poor are being reached. When assessing fee-based schools, it becomes clear that it is not enough to just ask if they are reaching the poor, but how and at what cost to families.

Such sacrifices are also similar to those previously experienced under fee-based public education models prior to school fee abolition movements and were some of the reasons that led to such policy changes. Fee-charging private school systems seem likewise subject to such critiques. Such lessons and implications contributed to the World Bank's (IDA) movement away from supporting school fees in public systems, and they only reinforce the question as to why the IFC has not done so in the private sector.

It is clear that school fees in both the public and private spheres should be removed if the poorest and most marginalized are to benefit. One route of doing so may be through public-private partnerships in which governments subsidize private provision and eliminate fees at the point of service delivery; however, findings in regards to quality issues around commercial operators give significant pause to this option. Cost-cutting practices like operating below standard and hiring unqualified teachers complicate this option if the goal is to provide a quality education to all children.

Rather, these findings indicate that a better private sector approach in basic education is that which contributes to the continued development of free, quality public education. Throughout the research there was repeated recognition that free, public education systems are what will most effectively reach and benefit the poorest and most marginalized and that for-profit, fee-charging private schools will not meet this objective. Taken together, the findings

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<sup>9</sup> Authors' calculations based on USD \$9 per month (monthly average of mandatory fees) and most recent urban and rural national poverty lines.

indicate a need to focus private sector support in basic education not on the provision of private education but on the continued development of the public education system. The question at hand is if, rather than increasing investments in the expansion of for-profit, fee-charging private school chains, the IFC can channel its investments towards private actors and interventions that more directly support the development of public education.

## RECOMMENDATIONS

**The IFC should focus its basic education investments on non-provision aspects of education as a means of supporting the development of free, public education systems rather than investing in for-profit, fee-charging private schools.** The challenges around support to for-profit, fee-charging private schools appear irreconcilable against government obligations to the right to education, the global movement to abolish school fees, international and domestic efforts to provide basic education free of charge, the reality that costs are the primary barrier to education for the poor, the World Bank's policy against user fees in primary education, and, ultimately, the World Bank's goal to end extreme poverty. As profitability is an IFC funding criteria (IFC, 2016), the charging of school fees will likely accompany any private education provider eligible for IFC financial support. Beyond fees, commercial motives that may jeopardize the quality of education raise additional concerns.

Nevertheless, every education system consists of a variety of private sector actors. There are many non-provision ancillary services in public education that private actors provide — such as school supplies, textbook publishing, construction of school facilities, school feeding programs, student transport, student loan programs, computer and technology resources, maintenance services, and more — that the IFC can (and does) support. These investments, which must also be provided in accordance with national educational standards and regulations, go more directly towards building and improving free public education systems, which interviewees in this research and the IFC agree most effectively serve the poor. The IFC should focus its K-12 education investing in these

types of ancillary services rather than expanding parallel fee-based private education systems that may compete with and undermine the public system.

This recommendation is similar to those previously made in regards to the most effective role of non-state actors in basic education more widely (e.g., Singh, 2015b) as well as specifically on IFC investments in certain education landscapes (e.g., Karmokolias and Maas, 1997). The IFC already supports such non-provision services in basic education, but given the unique rights-protected space of basic education, international efforts to remove school fees and provide free education (as most recently manifested in the SDGs), free education as widely enshrined in national law, and greater efficacy towards achieving the World Bank's goals, the IFC should focus only on non-provision support in the basic education sub-sector.

**The World Bank Education Global Practice Senior Director, regional leadership, and Executive Directors should ensure the presence of IDA and IBRD basic education projects in countries in which IFC basic education investments are being developed or proposed for approval so as to ensure that they complement and effectively support the provision of public education.** If World Bank support to the private sector is to complement its public sector support, as often articulated in strategic documents, including the current IFC road map, then IFC basic education investments in the absence of IDA or IBRD basic education projects represent missed opportunities in the least or, more severely, potentially distortive development. There were no active IDA or IBRD basic education projects in South Africa, Uganda, and Kenya when the World Bank Board of Directors approved IFC investments in Curro Schools, Merryland High Schools, and Bridge International Academies in those countries, respectively. The presence of active IDA or IBRD projects in basic education should be checked and ensured by IFC investment officers and business development officers upon initial project development and by the World Bank Board of Directors upon consideration of project approval. This recommendation will likely require greater coordination between the IFC and the other arms of the World Bank Group than what currently exists.

**The World Bank Education Global Practice should increase efforts to support Ministries of Education and Ministries of Finance to develop IDA and IBRD basic education projects and renew its efforts to provide financial and technical support for school fee abolition.** While the IFC should decrease its focus on for-profit, fee-charging private schools, the World Bank, through IDA and IBRD, should increase its focus on helping countries to adequately plan and finance the elimination of school fees while maintaining and improving education quality. The systems strengthening approach of the World Bank is one of its greatest strengths and should be deployed for this purpose. While such financing cannot be earmarked, the World Bank should use its advisory role to encourage governments of educationally impoverished countries (high out-of-school children populations, low completion rates and levels of learning, etc.) to apply IDA and IBRD funds towards improvements in the provision of free, quality basic education. This should include ensuring that adequate financing reaches the school level to avoid the need for informal fees and expanding fee abolition to secondary education where possible. As they most directly aid the building of public education systems, which most effectively reach the poor, these finance mechanisms are the World Bank's greatest tools for utilizing education to achieve its goal of ending extreme poverty and contributing to the SDG target of ensuring "that all girls and boys complete free, equitable and quality primary and secondary education."

**The World Bank should seize the 2018 World Development Report as an opportunity to reaffirm its commitment to free education and opposition to school fees.** With education as the focus of the 2018 World Development Report, the World Bank should seize the opportunity to reiterate its position on school fees, stating that it clearly opposes primary school fees and will only invest in education projects and programs that either provide free education or work to remove fees where they exist. Given challenges revealed around World Bank support to for-profit, fee-charging schools, the 2018 World Development Report represents a critical moment for the World Bank to reaffirm its commitment to the SDGs and align its education investments to the SDG aim of free primary and secondary education.

**The IFC should improve the quality of its publicly available data and improve the way it tracks the poverty impact of its investments.** The 2016 Aid Transparency Index ranked the IFC 40<sup>th</sup> out of 46 donor organizations and with a rating of "poor". By comparison, IDA was ranked 6<sup>th</sup> with a rating of "very good" (Publish What You Fund, 2016). A number of shortcomings in IFC public information were likewise revealed in the course of this research. To remedy these and work towards meeting the standards being met by other arms of the World Bank, the IFC should improve its Projects Database to:

- Include all investments made by the IFC. Some projects reported by the IFC were found to be missing from its database. For example, 2004 investments in BonaVista School and Medan NP School in Indonesia are reported in various places (e.g., IFC, 2013) but do not appear in the IFC Projects Database.
- Contain disbursement information. IFC projects may disburse differently from approved amounts or not at all. Currently, disbursement data is absent from the IFC projects database. This absence is further complicated by other codes in the database, e.g., the 2010 investment in Curro Schools (IFC SPI, 2010a) is marked as "approved" and "completed," yet indiscernibly it was never disbursed. Disbursement information is made available for IDA and IBRD investments in the World Bank Project Database and should be done so for IFC investments as well.
- Code projects multi-sectorally and proportionally. Investments in the IFC Projects Database are coded to a single sector when in fact they may be cross- or multi-sectoral. This is true of other World Bank investments, and because of this, other arms of the World Bank code their projects across numerous sectors. In the World Bank Project Database, IDA and IBRD investments are coded, among other ways, to as many as five sectors so as to capture all sectors a project may impact. Each sector is ascribed a percentage proportion of the total investment so as to indicate the disaggregated amount invested per sector.

Additionally, the IFC should improve the way it tracks the poverty impact of its investments. As above, a 2011 IEG report found that only 13 percent of the IFC investments it sampled had objectives with an explicit focus on the poor and that most projects “do not provide evidence of identifiable opportunities for the poor.” Moreover, as this research shows, it is not enough to look only at whether the poor are targeted but whether they benefit. More data is helpful, but if the right information is not being tracked, little can be determined about the impact of investments. If the IFC is to increase its focus on the poor, it must develop or adopt effective poverty indicators and a formal mechanism for evaluating the distributional effects of its projects.

**The World Bank’s Compliance Advisor Ombudsman (CAO) should conduct an investigation in regards to potential violations of the IFC’s Environmental and Social Performance Standards by Bridge International Academies.** While the purpose of this research was not to focus on any particular company but rather IFC basic education investment trends and approaches more broadly, issues revealed in the course of the research in regards to potential violations of the IFC’s Environmental and Social Performance Standards by Bridge International Academies (BIA) are too severe to go unmentioned. Several interviewees across various stakeholder types in Kenya raised significant concerns as to how BIA, a multinational school company supported by the IFC and other global investors, was operating schools without being registered and without an approved curriculum. These echo some of the reasons cited by the Government of Uganda for its decision to close BIA, in addition to reports of health and safety violations (Museveni, 2016). This decision came after a previous directive from the government earlier in the year ordering BIA to halt expansion for these same issues of legality and conformity with standards and regulations (Republic of Uganda Ministry of Education and Sports, 2016). Compliance with host country laws and regulations is a fundamental element of the IFC’s Performance Standards (detailed under Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts), with health and safety more specifically safeguarded by Performance Standard 4: Community Health, Safety, and Security.

**Other multilateral agencies, donors, and investors should examine these findings and recommendations in relation to their strategies in basic education.** Much that was discovered throughout the course of this research is transferrable to strategies and development approaches of other donors and private investors. Some have already encountered significant challenges in this area (e.g., the UN Committee on the Rights of the Child recommending the UK government to begin “refraining from funding for-profit private schools”). Others, like the Global Partnership for Education, are currently exploring their own private sector engagement strategies. Given issues revealed, these agencies and investors should likewise focus their attention towards supporting ancillary basic education services that contribute to the development of free, public education systems rather than the direct provision of parallel for-profit, fee-based private education.

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# ANNEX A – IFC INVESTMENTS IN K-12 EDUCATION, 1996 TO 2015

	Project Name	Project Number	Approval Date	Country	WB Country Classification	Target Group	Investment Type	Total Investment (USD millions)	Description	IDA/IBRD at time of approval?
1	Beaconhouse	7295	5/2/1996	Pakistan	Lower-Middle	Mid-Upper	Provision	11.3	The Beaconhouse investment supported the construction of 19 schools, in addition to 64 preexisting schools. All of their schools are pre-K - 13.	Yes
2	AEF Makini School Limited	7711	1/9/1997	Kenya	Lower-Middle	Middle	Provision	0.63	AEF Makini School Limited runs a middle-income primary school. Through investment from IFC, they build a secondary campus as well.	Yes
3	Saraiva	8141	12/11/1997	Brazil	Upper-Middle	Mid-Upper	Technology and Resources	13	Saraiva is a textbook publisher selling in bookstores in shopping malls in urban centers. The IFC invested in expansion of production of print and electronic instructional and learning materials for all ages, including K-12 students.	Yes
4	SEF Ndows Middle and High School	8717	3/16/1998	The Gambia	Low	Mid-Upper	Provision	0.2385	The SEF Ndows Middle and High School project invested in a renovated middle school and construction of a new nursery and primary school.	No, but within a year
5	SEF Fanaicha	8816	5/4/1998	Senegal	Lower-Middle	Mid-Upper	Provision	0.25	The SEF Fanaicha project supports infrastructure development for a residential school from pre-K to 12.	Yes
6	AEF College Prive Les Pitchounes	9104	6/29/1998	Cote D'Ivoire	Lower-Middle	Middle	Provision	0.3	AEF College Prive Les Pitchounes offers affordable education. IFC investments supported an additional secondary school to a primary school already in operation.	Yes
7	SEF Hamdallaye	8921	6/30/1998	Guinea	Low	Middle	Provision	0.1	SEF Hamdallaye runs a primary school and was able to build a secondary school with the IFC investment.	Yes
8	Promotora de Centros Educativos S.A. de C.V.	9349	12/2/1999	Mexico	Upper-Middle	Middle	Provision	9.7	Promotora de Centros Educativos S.A. de C.V. manages a chain of schools throughout Mexico. The IFC investment supported the construction of 5 new schools covering pre-primary and primary ages.	Yes
9	AEF Horizon Bilingual Education Complex	10262	6/30/2000	Cameroon	Lower-Middle	Mid-Upper	Provision	0.34	AEF Horizon Bilingual Education Complex provides educational access for 2,300 students specifically from the public school system and lower-income groups. The project includes construction of K-12 schools to reach 2,300 students.	No
10	AEF Kaboja	10006	7/13/2000	Uganda	Low	Mid-Upper	Provision	0.35	The AEF Kaboja project funds existing boarding schools' expansion in primary and nursery education.	Yes
11	Escol@24Horas.com	10430	9/15/2000	Brazil	Upper-Middle	Mid-Upper Parents	Technology and Resources	3.25	Escol@24Horas.com is an online tutoring company that is available 24 hours a day for fee paying students of all ages, including K-12.	Yes
12	eGurucool.com	10307	10/17/2000	India	Lower-Middle	Low - Upper	Technology and Resources	0.25	eGurucool.com is an online tool that provides learning content to poor K-12 schools in urban and rural areas for a fee.	Yes
13	NIIT - Hole in the Wall	10665	6/26/2001	India	Lower-Middle	Lower	Technology and Resources	1.65	NIIT - Hole in the Wall works in slums and with poor children in rural India through web-based learning content in portable internet kiosks. The Hole in the Wall projects targets elementary school age children through informal learning at community computer kiosks.	Yes
14	School Fin Facil	22520	3/4/2005	Ghana	Lower-Middle	Mid	Financial Risk Sharing	1.1	School Fin Facil is a bank that with investment from IFC aims to fund private K-12 schools through loans to increase financial and management resources in the middle tier market of the education section.	Yes
15	Yuze Orzel Egitim Ve Kulturel Hizmetler A.S.	24122	4/19/2005	Turkey	Upper-Middle	Upper	Provision	4	The Yuze Orzel Egitim Ve Kulturel Hizmetler A.S. project involved construction on a private preparatory school and alumni club. YUCE runs a K-12 operation and prep students are also pre-college (9-12).	Yes
16	Sabis International School - ADMA	23923	6/3/2005	Lebanon	Upper-Middle	Mid-Upper	Provision	7.8	Sabis International School - ADMA was a school chain that used IFC investment to construct a new primary and secondary school.	Yes
17	Financiera Educativa de Mexico S.A. de C.V.	22540	6/27/2005	Mexico	Upper-Middle	Non-bank Financial Institution	Financial Risk Sharing	15.68	Financiera Educativa de Mexico S.A. de C.V. provides loans to high school students in Mexico City and the surrounding area.	Yes
18	Kenya Schools	25053	11/16/2006	Kenya	Lower-Middle	Bank	Financial Risk Sharing	1.7	The IFC investment in the Kenya Schools project was a bank investment that provided loans to primary and secondary private educational institutions in Kenya.	Yes
19	Brookhouse Schools Limited	25173	11/29/2006	Kenya	Lower-Middle	Mid-Upper	Provision	1.5	Brookhouse Schools Limited is a boarding school in an upscale neighborhood that partners with low cost schools to reach lower-income populations. Brookhouse runs K-12 schools in Kenya.	Yes
20	TTB School Facility	25766	5/11/2007	Ghana	Lower-Middle	Mid	Financial Risk Sharing	2.37	TTB School Facility is a bank that supports K-12 private schools through technical assistance in the middle tier market.	Yes

21	RWA Schools BRD	26715	5/22/2008	Rwanda	Low	Bank	Financial Risk Sharing	4.78	The RWA Schools BRD project invested in the Banque Rwandaise du Développement in Rwanda to support education companies. The project focuses on primary and secondary school classroom construction, training, textbook and equipment provision, and science and technology.	Yes
22	Education Capital Holding	27932	6/23/2009	MENA Region	Regional	Lower-Middle	Provision	22	Education Capital Holding acquired existing K-12 private schools with the goal to cater to mid and low income families.	N/A
23	Graphique Industrie SA	28319	6/30/2009	Mali	Low	Low - Upper	Technology and Resources	10.58	Graphique Industrie SA produced stationary and books for general consumption but specifically to support the education system through school books. School books are targeted for K-12 students.	Yes
24	Curro NEW	29196	3/29/2010	South Africa	Upper-Middle	Middle	Provision	9.4	The Curro NEW project supports a school chain in suburban areas intended to reach low-income families. The company provides K-12 education services in three schools.	No
25	Braeburn	29350	6/21/2010	Kenya	Lower-Middle	Mid-Upper	Provision	6	Braeburn runs a chain of 13 K-12 day and boarding schools in a middle to upper income suburban community.	Yes
26	Harmon Hall	29753	7/23/2010	Mexico	Upper-Middle	Middle	Provision	7.81	Harmon Hall provides education in K-12 schools and language programs. The IFC investment supported language programming in primary and secondary schools.	Yes
27	FINEM SME	28680	2/4/2011	Mexico	Upper-Middle	Non-bank Financial Institution	Financial Risk Sharing	10.1	FINEM SME provides funding to specific K-12 schools, universities, and other learning centers for infrastructure development and financial monitoring.	Yes
28	Kaizen	29922	4/27/2011	India	Lower-Middle	Private Equity Fund	Financial Risk Sharing	10	Kaizen is a private equity fund that invests solely in the education sector in India. Their educational portfolio includes K-12 and higher education.	Yes
29	Funtaj Schools	30086	9/29/2011	Nigeria	Lower-Middle	Middle	Provision	5	Funtaj Schools managed two secondary schools and used support from IFC to build an additional day school.	Yes
30	CIRA (Cairo for Investment & Real Estate Development)	30323	3/19/2012	Egypt	Lower-Middle	Lower-Middle	Provision	15	CIRA (Cairo for Investment & Real Estate Development) operates 16 private schools, including both primary and secondary. The IFC supported infrastructure development and business management of the chain.	Yes
31	GIS (Global Indian International School)	30917	4/30/2012	East Asia and Pacific Region	Regional	Mid-Upper	Provision	19.89	GIS (Global Indian International School) is a K-12 school network that aims to allocate 25% of student placements to low income groups in compliance with Indian national law.	N/A
32	Educomp	32040	6/18/2012	India	Lower-Middle	Lower-Middle	Provision	55	Educomp runs K-12 schools and has a web-based learning platform for middle and lower income learners. The IFC investment focused on refinancing and improving cash flow.	Yes
33	Chuvashia 2012	31877	7/11/2012	Russian Federation	High	Lower-Middle	Provision	30.17	The Chuvashia 2012 project built preschool and kindergarten facilities for 1-7 year olds.	Yes
34	Edilar	31095	11/30/2012	Mexico	Upper-Middle	Low - Upper	Technology and Resources	14.71	Edilar produces print and computer-based learning materials for K-12 public school teachers in rural Mexico.	Yes
35	Santillana	32548	12/6/2012	Latin America Region	Regional	Low - Upper	Technology and Resources	32.51	Santillana produces textbooks, specifically language textbooks for private and public schools teaching all grades in K-12.	N/A
36	Corona School	32107	3/6/2013	Nigeria	Lower-Middle	Middle	Provision	5	Corona Schools is a small chain with seven schools reaching primary and secondary students. The IFC investment assisted Corona Schools in constructing a new primary school.	Yes
37	Samara region	32756	4/25/2013	Russian Federation	High	Lower-Middle	Provision	64.45	The Samara region project involved construction and reconstruction of preschools, primary and secondary schools that had fallen into disrepair.	Yes
38	Bridge International Academies	32171	12/5/2013	Kenya	Lower-Middle	Lower	Provision	10	Bridge International Academies manages an international chain of primary schools targeting low-income communities.	No
39	Education Project - El Comercio	33332	5/8/2014	Peru	Upper-Middle	Lower	Provision	25	Education Project - El Comercio is a media company that acquired a technical college and, with IFC's investment, built new technical schools, universities, and K-12 schools "serving low income populations."	Yes
40	Education Innovation Fund	32429	5/9/2014	World Region	Regional	Venture Capital Fund	Financial Risk Sharing	20	The Education Innovation Fund is a venture capital fund that focuses on education and technology investments, including equipping, constructing, and operating K-12 schools.	N/A
41	Maple Leaf Education	34950	9/26/2014	China	Upper-Middle	Mid-Upper	Provision	15.48	Maple Leaf Education runs bilingual residential K-12 schools.	Yes
42	Merryland School	35301	12/18/2014	Uganda	Low	Mid-Upper	Provision	4.1	Merryland Schools are boarding secondary schools that provide some outreach to low income gifted students. The project supported construction of new schools.	No
43	Schand	35817	6/26/2015	India	Lower-Middle	Middle	Technology and Resources	17.22	Schand is a textbook and educational service provider that planned to open 50 new preschools with the IFC investment funds. They also provide textbooks for K-12 schools and equip learning center targeting K-12 students.	Yes

Source: Authors' calculations based on publicly available IFC SPIs and ESRSS.

# ANNEX B – COUNTRY BRIEFS

## KENYA – BRIDGE INTERNATIONAL ACADEMIES

### *Kenya education framework*

The Kenyan constitution (2010) guarantees the right to education, children’s right to free, compulsory basic education, and the right to education for people with disabilities and from other marginalized groups. Since the early 1980s, primary education begins between ages five and seven after one year of preschool. Then students proceed through eight years of primary school (Standard 1-8) and four years of secondary school.

The Kenyan government abolished school fees in 1973 but later reinstated them during sector planning changes in the succeeding decades. In 2003, the Kenyan government passed legislation making primary education free and compulsory for all. In 2008, the government made secondary education free. Given the growing needs of primary and secondary schools, the National Education Strategic Plan emphasizes education administration and curriculum development and unification in primary schools by 2030.

### *Kenya and the World Bank*

The World Bank has been involved in Kenya in education sector development (World Bank, 1970) and funding (World Bank, 1995b; 2000a), early childhood development (World Bank, 1997), curriculum

development (2000b), primary school completion, quality, and infrastructure (2003b), supporting strategic planning (2006), and early grade mathematics (World Bank, 2015) since the beginning of educational programming in the 1970s. In 1975, the World Bank encouraged the maintenance of school fees in the later years of primary school to maintain teacher salaries. In 1978, the Bank helped the government of Kenya (World Bank, 2009b) develop user fees for primary school to cover textbooks, uniforms, and other education expenses, at the same time as they praised the government for removing primary school tuition. Importantly, the World Bank dedicated funds to support school fee abolition in 2003.

### *Kenya and the IFC*

Bridge International Academies (BIA) is the latest in a series of investments by the IFC in Kenya. Kenya was quickly seen as a profitable marketplace for private providers and was identified as such in a 1997 World Bank Group reports *The Business of Education: A Look at Kenya’s Private Education Sector* (Karmokolias and Maas, 1997). In the IFC’s relatively brief history of investment in K-12 education, Kenya is one of only five countries to have multiple investments, with one out of every seven IFC investments in K-12 education situated in the country.

The first IFC investment in K-12 education in Kenya occurred in 1997 with AEF Makini School Limited. On

**Table 1: Approved IFC Investments in K-12 Education: Kenya**

Project Name	Approval Date	Investment Type	IFC Product	Investment Amount (USD)
AEF Makini School Limited	January 1, 1997	Provision	Loan	0.63 million
Kenya Schools	November 16, 2006	Financial Risk Sharing	Guarantee	1.64 million
Brookhouse Schools Limited	November 29, 2006	Provision	Loan	1.5 million
Braeburn	June 21, 2010	Provision	Loan	6.0 million
Bridge International Academies	December 5, 2013	Provision	Equity	10.0 million
<b>Total Approved Investments</b>				<b>19.77 million</b>

January 9, 1997 the IFC approved a loan in the amount of USD \$630,000 to build a primary/secondary school to complement an already existing nursery/primary school. In contrast to the expansion of Makini School to an additional level of education adjoining an existing school, the IFC investment in BIA was designed to help the company expand their reach from 57,000 students in 211 Kenyan schools to 3.5 million students by 2020 and create schools in 3 new countries. The stated aim of the company is to “provide quality education to children from families earning less than 2 (USD) per person per day” (IFC SPI, 2013). With a USD \$10 million equity investment in BIA, the IFC is a minor shareholder in the company, vested in their long term success.

### *Bridge International Academies*

BIA focuses on technology-based learning tools to provide lessons and track student progress. Targeting families living on less than \$2 a day, BIA hires teachers who may or may not have teaching degrees and trains them on the BIA software application. The smartphone application contains lesson plans that are taught by teachers and allows parents to pay school fees electronically. BIA particularly intends to target communities where children may not have access to schools, although locations may be in close proximity to other schools as well.

- **Year established:** 2008
- **Number of schools:** 472 (2016)
- **Number of students:** 82,209 (2016)
- **Average monthly fee:** USD \$9 (2016)
- **IFC investment type:** Equity
- **IFC investment approval date:** December 5, 2013
- **IFC investment amount:** USD \$10 million

## **SOUTH AFRICA – CURRO SCHOOLS**

### *South Africa education framework*

In South Africa, the 1997 Constitution guarantees the right to a basic education, received “in the official language or languages of their choice,” without discrimination and meeting national standards (Section 29). The National Education Policy Act of 1996 defined the responsibilities of specific state

actors to protect the right to education. Basic education is defined as primary and secondary school and overseen by the Department of Basic Education (DBE) within the government. Grades 0-9 for ages 7 to 14 are compulsory as defined in the South African Schools Act of 1996. South Africa has a unique emphasis on lifelong learning, including adult education and early childhood development. The strategic plan in 2015 emphasized educational resources, teaching, early childhood development, human resources in schools, and a clearer state regulatory and school accountability system.

Although the constitution protects the right to education, the South African government also allows public schools to charge school fees and “take legal action against a parent who does not pay school fees” (DBE, 2015). Parents can get exemptions to school fees if they apply. South Africa also has public “no fee schools” that do not charge school fees, are the poorest 60 percent of schools, and are distributed throughout each province (Education and Training Unit, n.d.).

### *South Africa and the World Bank*

All World Bank education projects in South Africa supported environmental education for children and adults related to conservation and cultural heritage (e.g., World Bank, 2001a; 2004c; 2004d; 2009c). These projects emphasized specific curriculum development relevant to the local natural environment integrated into formal education and not part of the national education framework.

### *South Africa and the IFC*

Curro Schools were the first IFC approved K-12 investee in South Africa. On March 29, 2010 the IFC approved a loan to Curro Schools through Curro Holdings Limited of USD \$9.4 million. At the time of approval Curro operated three schools in the Western Cape and Gauteng provinces, and the loan was designed to aid “expansion of the existing schools and construction of five new schools” (IFC SPI, 2010a). The IFC had engaged with Curro Holdings previously on a proposed investment of approximately USD \$4.5 million in 2008 to meet a similar objective. As of August 2016, the status of this 2008 proposal was still pending approval (IFC SPI, 2008). The approved

**Table 2: Approved IFC Investments in K-12 Education: South Africa**

Project Name	Approval Date	Investment Type	IFC Product	Investment Amount (USD)
Curro Holdings LTD	March 29, 2010	Provision	Loan	9.4 million
<b>Total Approved Investments</b>				<b>9.4 million</b>

investment in Curro is, to date, the only IFC approved investment in K-12 education in South Africa. The IFC has previously engaged other education levels in the country; however, a 2010 proposed financial risk sharing investment in the amount USD \$42.69 million that would help provide student loans for higher education is currently on hold (IFC SPI, 2010b).

### *Curro Schools*

Curro Schools emphasize citizenship and the three “R’s,” – reading, writing, and arithmetic – in its curriculum. In order to prove their commitment to producing well-rounded children, Curro schools purports to offer school fees that are cheaper than the average South African private school as well as resources such as sports, culture, and arts programs. However, Curro Schools is not without controversy, being accused of racial segregation in 2015 (Dixon, 2015).

- **Year established:** 1998
- **Number of schools:** 110
- **Number of students:** 41,864 (2015)
- **Average monthly fee:** USD \$235
- **IFC investment type:** Loan
- **IFC investment approval date:** March 29, 2010 (not disbursed)
- **IFC investment amount:** USD \$9.4 million

## **UGANDA – MERRYLAND HIGH SCHOOLS**

### *Uganda education framework*

The right to education is guaranteed in the constitution in Uganda (1995), which states that “all persons have a right to education” (Chapter Four, section 30). Primary schools teach the years P-1 (kindergarten) to P-7, and secondary schools offer S-1 to S-6. Students need to test into P-7, S-4, and S-6.

In 1993, the government opened the education sector

to private investors and institutions. Uganda abolished public school tuition fees in 1996 (Kattan and Burnett, 2004) and instituted a policy that sought Universal Primary Education (UPE) through free tuition and fee waivers for up to four children per family in either public or private primary schools (Lincove, 2012). After the UPE policy took effect, primary school populations skyrocketed. Education sector plan after 2003 focused less on enrollment and more on quality of instruction and educational resources, as school-going populations continued to increase, with the pupils who enrolled in the late 1990s entering secondary and tertiary schools (Republic of Uganda Ministry of Education and Sports, 2004). Uganda’s Department of Private Schools was developed in 2008 (Republic of Uganda Ministry of Education and Sports, n.d.).

### *Uganda and the World Bank*

The World Bank has funded projects in Uganda’s educational sector since the early 1980s, when it encouraged the government to regulate school fees in primary education and praised the USD 66 million raised in primary school fees in 1981 (World Bank, 1983). In 2001, the World Bank supported the implementation of UPE policies as enrollments drastically rose in the late 1990s following steps towards fee abolition. In 2001, the World Bank (2001b) praised the elimination of school fees by the Ugandan government; although, by 2002 it was clear that the funding would not be enough to support the number of newly enrolled students (World Bank, 2002). In 2014, one World Bank (2014a) project capped the cost of school fees and other educational costs for private education at USD \$282. Other projects have related education and poverty reduction, especially with teacher retention (World Bank, 2014b).

### *Uganda and the IFC*

Merryland High Schools is the second IFC-approved investment in K-12 education in Uganda. On December 18, 2014 the IFC approved a loan to Merryland in the amount of USD \$4.1 million. With the loan, Merryland planned to increase capacity at its original secondary school campus and complete the expansion of a second campus started in 2012 (IFC SPI, 2014). All of Merryland students are boarders and, in addition to tuition and boarding fees, parents are expected to provide additional supplies such as “bedding, consisting of foam mattresses and sheets as well as mosquito nets” (IFC SPI, 2014). The costs of the school lends itself to catering to a middle to upper class clientele. Prior to Merryland, the IFC invested in AEF Kabojja, a secondary school approximately 3 kilometers from the center of Kampala. Approved on July 13, 2000, the loan of USD \$350,000 was provided to create a primary school. Similar to Merryland, AEF Kabojja indicates that they engage the poor through subsidies: the school will “create a scholarship fund for

under-privileged children from rural areas as a contribution to poverty alleviation” (IFC SPI, 2000b).

### *Merryland High Schools*

Merryland High Schools aims to be an elite secondary school with the highest quality education. The school promotes Christian values and employs a trained teaching staff to maintain a high academic standard. It also targets Uganda’s poorest through scholarship programs. Merryland hopes to become self-sufficient and reduce operating costs with the support of the IFC (Schools Uganda, 2015).

- **Year established:** 2001
- **Number of schools:** 2
- **Number of students:** 3,580 (2014)
- **Average monthly fees:** USD \$95
- **IFC investment type:** Loan
- **IFC investment approval date:** December 18, 2014
- **IFC investment amount:** USD \$4.1 million

**Table 3: Approved IFC Investments in K-12 Education: Uganda**

Project Name	Approval Date	Investment Type	IFC Product	Investment Amount (USD)
Merryland High School Limited	December 18, 2014	Provision	Loan	4.1 million
AEF Kabojja	July 13, 2000	Provision	Loan	0.35 million
<b>Total Approved Investments</b>				<b>4.45 million</b>

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