OPPORTUNITY EduFinance

SCHOOL AFFORDABILITY
Defining a Low-Fee School

KEY INSIGHT. 3 in **4** EduQuality partner schools are **affordable** to low-income families

Opportunity EduFinance has developed a country-specific framework to define a 'low-fee non-state school' through the lens of low-income families' **access to these schools**. Applying this methodology to six countries*, findings show that **over 75% of schools** in the EduQuality programme charge fees that are **affordable** to lower-income families.

Studies have shown that non-state schools can fill in gaps in regions where the nearest state schools are too far away or when the demand for education outpaces public infrastructure (Oketch et al., 2010). Author James Tooley has described situations where attending a non-state school is more affordable or more cost-effective for a low-income family than the government school, given the distances and other costs associated with attending government schools (Tooley, 2016).

> **Affordability implies a family can pay for education without needing to forgo spending in other essential areas.** – *Claire Mcloughlin, University of Birmingham*

Why is **affordability** important to Opportunity EduFinance?

Opportunity EduFinance's mission is to get *more* children into *better schools.* Because we believe families with limited resources should have the **same opportunities** to provide their children with a quality education, we focus our work on schools that are affordable to lower-income families.

That means **more school access** and **more choices** for **more families.**

*Countries with EduFinance School Profile data available on school fees: Ghana, Kenya, Rwanda, Tanzania, Uganda, Zambia

How is a **low-fee school** defined?

There are many labels and definitions given to 'low-fee' non-state school catering to low-income families in academic literature. **There is no consensus on a single accepted definition**, although most rely on **school fees** as a proxy indicator to determine whether the school is affordable to low-income families.

First, some academics start by defining what is clearly *not* a low-fee school.

A Low-Fee School is not...

Free public schools which are often unable to cope with high volumes of children in poor and rural areas.

A Low-Fee School exists in the space between free public & elite private

Elite, high-cost private schools that are too expensive for lower-income families.

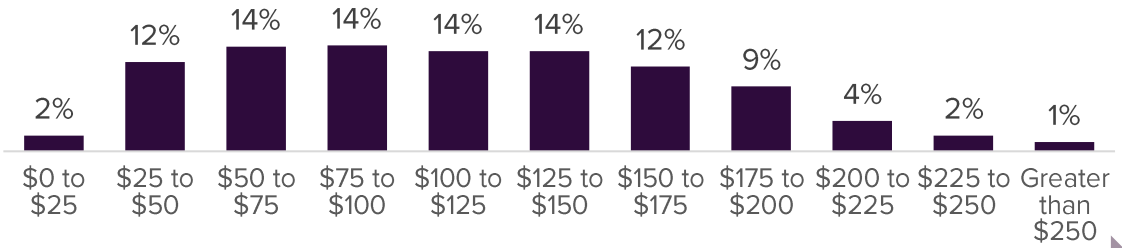
The space that is occupied between the extremes of free public schools and elite, high-cost private schools can be broken down into broad categories ranging from **independent proprietors** to **chains of providers**.

Next, set a guiding question to define a 'low-fee school.'

Using this question one can then apply a **variety of academic methodologies** to define a low-fee school in each country.

"What is the maximum amount of school fees that can be sustained by a family living at or below the poverty line?"

Illustrative Distribution of Annual School Fees charged by schools



GUIDING QUESTION: What is the **maximum** a **low-income family** can afford?

What were the **findings** of applying various methodologies?

First, a **full literature review** was conducted to compile the wide range of academic methodologies used to define low-fee schools in different countries.

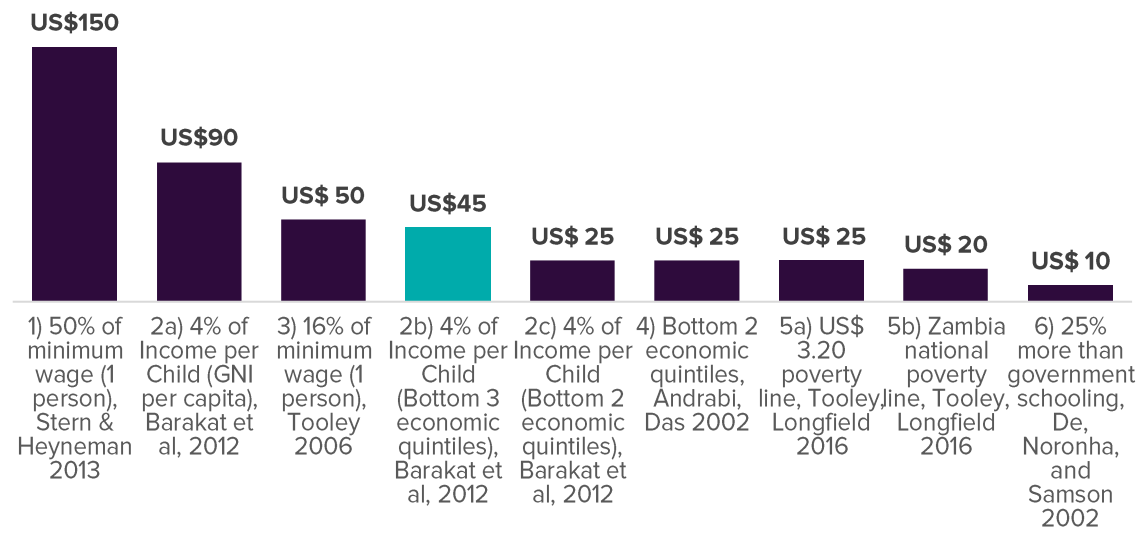
Next, six methodologies proposed by leading academic researchers (including multiple variations) **were assessed** and applied to different countries to evaluate the range of resulting 'maximum school fee levels.'

KEY FINDINGS

- **School fees are typically compared to financial indicators** such as gross national income (GNI) per capita, gross domestic product (GDP) per capita, minimum wage, or income poverty lines.
- **No approach is universally accepted** across the literature.
- The distribution of income across different regions and settings **results in different fee levels** that would be considered 'low' (e.g. urban & rural settings)
- In low- and lower-middle-income countries the **GNI is highly inequitable.** In some cases, the lowest **60%** of income earners often earn **20% or less** of the total income generated by the country.

Results of the different methodologies, applied to one country with **three academic terms per year,** are shown below:

Maximum school fees per academic term by Methodology Type used to define a 'low-fee school'



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What methodology was **selected** to define a low-fee school?

First, EduFinance outlined a list of key criteria to use for selecting a methodology.

Next, the criteria list was used to review the assessed methodologies.

Finally, a methodology was selected that best aligns with the outlined criteria.

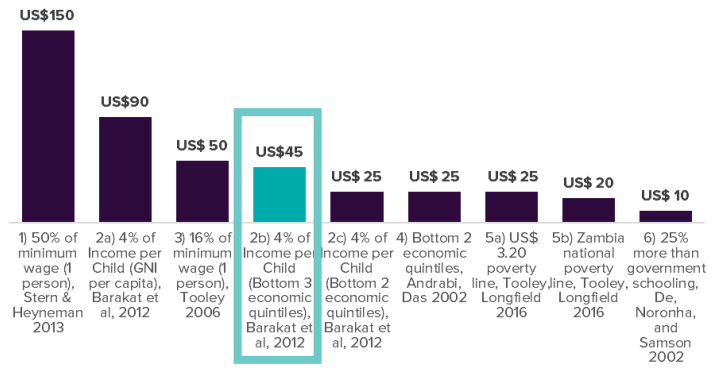
CRITERIA FOR SELECTING A METHODOLOGY

- Is it **intuitive?**
- Is it **within the range** of methodologies reviewed?
- Is it **academically rigorous?**
- Is it **triangulated** with other validating data?

SELECTED METHOLOGY: BARAKAT ET AL. (2012)

- Defines **4% of household budget** for each child's education
- Uses wage levels of the **bottom three economic quintiles** in each country
- Recognizes the reality that some families earning US$ 3.20/day **will budget more to send their children to private schools.**

Maximum school fees per academic term by Methodology Type Used to definition a 'low-fee school'



The key determining factor for the **maximum threshold of school fees** which are considered affordable to a low-income family depends on the **income level of the starting point**.

Using the **Barakat et al. (2012)** methodology, wage levels of the bottom three economic quintiles for each country, and data on fees charged by EduQuality partner schools, we found that over **75% of schools charge fees that are affordable to lower-income families.**

EDUQUALITY – A PROGRAM OF OPPORTUNITY EDUFINANCE

Opportunity EduFinance offers a holistic three-year school development program to local affordable non-state schools, called the 'EduQuality Program.' Senior school leaders are offered professional development training with a focus on **instructional leadership** and **management best practices**. To support teachers, EduQuality is implementing a training-of-trainers model to identify and equip teacher mentors to coach their peers through professional development sessions, classroom observations and feedback.

STEP-BY-STEP. The Barakat et al. (2012) methodology

1 SELECT INCOME LEVEL: 3RD INCOME QUINTILE

The income level of the 3rd quintile was selected by EduFinance in this method. In many low- and middle-income countries, income distributions are highly unequal. The lowest 60% of income earners often earn 20% or less of the total income generated by the country (World Bank, 2021). Gross National Income (GNI) per capita is calculated based on the 3rd quintile and population.

2 CALCULATE POVERTY LINE PER DAY PER PERSON IN LOCAL CURRENCY (2021)

These figures are then adjusted for Purchasing Power Parity (PPP) and the Consumer Price Index (CPI) to bring up to 2021 income levels per person.

3 CALCULATE ANNUAL HOUSEHOLD INCOME

Annual household income is calculated by multiplying the income per capita by the number of members in the household (HH). In the below example, this is US $5,000.

4 CALCULATE HOUSEHOLD INCOME AVAILABLE FOR EDUCATION

The total household budget for school fees is defined as 4% of household budget for each child (in the below example this is US $650 (13.4%)).

5 CALCULATE INCOME AVAILABLE FOR SCHOOL FEES PER CHILD

The household education budget is then divided by the average number of estimated school-aged children (UIS, 2018) per household, resulting in a budget of US $200/ child. Opportunity experience and sources such as Tooley (2016), Foko et al. (2012) point to a wide range of possibilities, finding between 46% and 80.5% of total education expenditures go towards school fees. EduFinance uses 70%, resulting in US $140/ child annually, which is US $47 per term.

Key Inputs (Country Dependent)	
Poverty Line/ Day/ Person*	US $1.62
People/ HH	6.4
School Aged Children	3.3
Max. HH Education Spend	13.4%
Education Budget on Fees	70%

Annual Household (HH) Spending	
HH Income Annual	US $5,000
Max. HH Education Spend	US $650
Max. Education Spend / Child	US$ 200
Max. Fees Spend / Child	**US $ 140**
Max. Fees / Child / Term	**US $ 47**

* Calculated as Gross National Income per capita for bottom three quintiles
The above inputs and outputs are calculated using country specific data sourced from the World Bank and UNESCO

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