



IMPACTS OF COVID-19 ON THE AFFORDABLE NON-STATE SCHOOL SECTOR



OPPORTUNITY
EduFinance

**Understanding the challenges schools,
teachers & parents face as a result of the
COVID-19 pandemic**

2020

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EXECUTIVE SUMMARY

Background

Beginning in March 2020, most governments around the world announced a temporary shut-down of educational institutions to slow down the transmission of the COVID-19 pandemic. Schools in low and middle-income countries (LMICs), especially non-state schools, are affected significantly by the pandemic and closures. Even after the partial reopening of economic activities in many countries, schools often have remained closed or are only slowly reopening.

In LMICs, public spending on education is predicted to decline as governments prioritize the budgets towards health and social protection in a short term. Even with a forecast of economic growth in 2021, education spending is still expected at a lower rate in most countries¹. There was already a global learning crisis prior to the pandemic, which LMICs are bearing the brunt of, according to the UNESCO Institute of Statistics (UIS)². Problems such as a lack of access to education could be further compounded by the pandemic, and its impact could be particularly detrimental to the most marginalized pupils and their households.

Research Questions

As schools began closing across markets that Opportunity EduFinance operates in, EduFinance began a series of market research reassessments with the aim of better understanding how schools, teachers and parents were being affected and what responses financial institutions and NGOs could take to alleviate some of the ensuing financial pressures that would be placed on non-state education systems.

Primary question: How has the COVID-19 pandemic impacted the education sector³ in LMICs where EduFinance operates?

Sub-questions:

1. What are the financial impacts of the pandemic on schools, teachers and parents?
2. How have the schools, teachers and parents coped with these impacts?
3. Are there any country disparities in terms of the way that the education sectors are affected financially and how they respond to the impact?

Key Findings

EduFinance found that most respondents have been negatively affected by this pandemic, albeit in varying magnitudes. While many schools have mounted strong responses to the crisis, this report underlines that even the most proactive approaches could not mitigate massive income decline.

Between schools, teachers and parents, **schools appear to be the worst affected, losing a median value of 80 percent of their income during the pandemic.** At the same time, schools also appear to be showing the most initiative to earn additional income, mitigating the need to make any substantial reductions to their pedagogical workforce amidst ongoing reduction in the collection of school fees.

Parents and teachers have also experienced declines in revenue but not to the same extent as schools. The EduFinance surveys of parents and teachers found that they have each been reliant on savings to support losses in income. As time progresses, a growing portion are seeking access to capital to pay bills, generate new sources of revenue and also to solve the issue of purchasing home learning materials for their children.

¹ World Bank (2020)

² World Bank (2018)

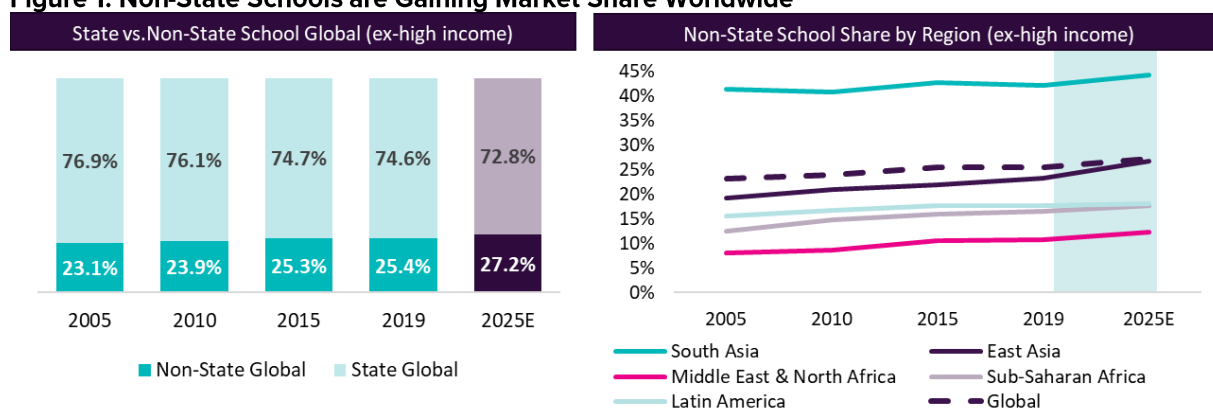
³ The education sector here refers to three key stakeholders identified by EduFinance, namely schools, teachers and parents.

Of all school proprietors, teachers and parents surveyed, 748 of the 1,474 (50.7 percent) respondents expressed a desire to access finance. While respondents' credit quality has not been verified and debt is not a panacea, it does demonstrate the need for affordable capital to restore educational progress that has been made in recent decades.

RESEARCH BACKGROUND

Prior to COVID-19, non-state schools were gaining market share. In the context of increasing demand for education and limited state financial and institutional capacity, the role of the non-state school sector in delivering education services has been growing. According to the official UIS figures, the non-state education market share increased from 23.1 percent to 25.4 percent between 2005 and 2019 (Figure 1). Since 2013, non-state school enrollment has increased by 15 percent, compared to 9 percent for state schools. At this rate, the non-state sector can be expected to hold 27.2 percent of the market by 2025 (Opportunity Edufinance, 2020).

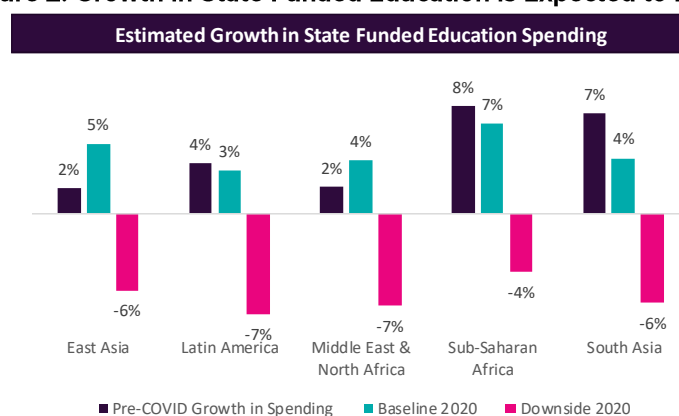
Figure 1. Non-State Schools are Gaining Market Share Worldwide



Source: UIS, EduFinance forecasts (2020)

State expenditure constraints are limiting governments' abilities to make education accessible to lower income families in rural and marginalized areas. This has created conditions for affordable non-state schools to expand and fill the supply gap, as these schools often set-up and operate near the communities they serve.

Figure 2. Growth in State Funded Education is Expected to Decline



Source: World Bank (2020)⁴

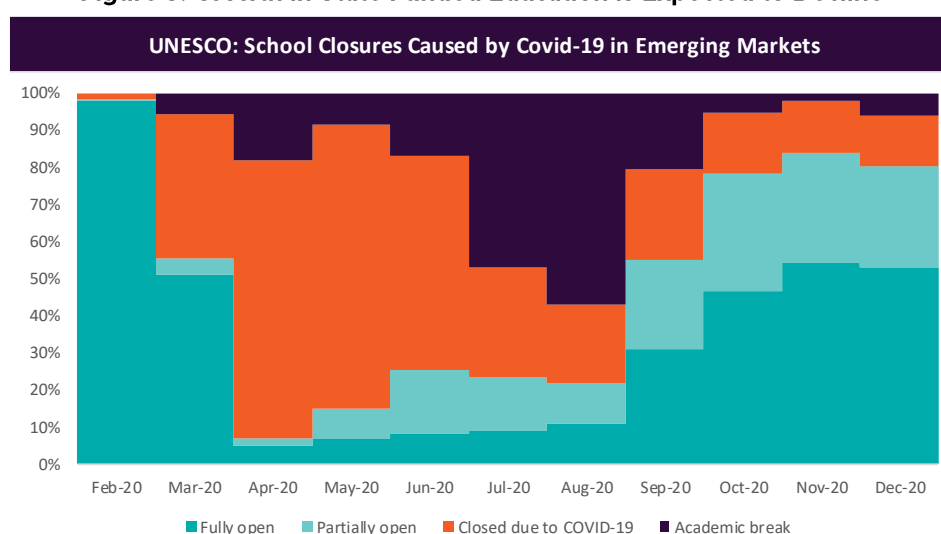
In order to advance commitments to education and to achieve the Sustainable Development Goals (SDGs), two international benchmarks were set by the 2015 Incheon Declaration: governments should spend 15 to 20 percent of their overall budgets on education and 4 to 6

⁴ World Bank (2020) <http://pubdocs.worldbank.org/en/734541589314089887/Covid-and-Ed-Finance-final.pdf>

percent of their Gross Domestic Product (GDP)⁵. The COVID-19 pandemic is increasing the headwinds that governments will face in their pursuit of these benchmarks. Real GDP is forecast to fall by 3.7 percent globally, compared to 3.6 percent growth that was previously expected.

The strain on budgets is being felt in all countries and funding for state education could fall by as much as 8.4 percent in low- and middle-income countries⁴. Worse, the World Bank estimates that students may lose \$10 trillion in lifetime earnings due to lost classroom hours while schools were closed in the early stages of the pandemic, which affected 1.6 billion children at its peak with 172 countries closing schools entirely. As time progressed, governments and schools started to adapt their approaches to partial or full reopening at the beginning of the new academic year in September 2020, a common academic start date in the majority world countries.

Figure 3. Growth in State Funded Education is Expected to Decline



Source: World Bank (2020)

THE NEW EDUFINANCE LANDSCAPE

In many countries, school reopening has initially been limited to final year students and students writing external exams, as decision-makers continue to find ways of welcoming all students back to school. The pandemic has affected not only schools but also other sectors such as the construction industry, the food sector and publishers. Families, parents and guardians working in various sectors have been severely affected by the pandemic.

For many schools, new policies regarding health and safety (hand washing, hand sanitizing, physical distancing, ventilation, wearing of face masks) create a need for infrastructural changes. These policies may also have an impact on the way schools set up classes, in some cases running separate streams of morning and afternoon classes to reduce the number of students at any time in a school.

In the past, the delivery of education in LMICs has mainly been through in-person learning in classrooms with limited digital solutions. Private after-school lessons at home also used to involve in-person sessions with a teacher. However, the pandemic has accelerated the adoption of technology in the education sector. One of the challenges for schools will be to adapt their current in-person curriculum to one that includes online lessons and to ensure that teachers adopt a corresponding mode of teaching. At the same time, parents will need to find ways to access internet and equipment which will unlock online learning for their children. For

⁵ World Education Forum (2015)

lower-income households, that access is a significant challenge given the typical high costs of broadband and internet-enabled devices.

In April 2020, Gray Matters Capital (2020)⁶ carried out a ‘Remote Schooling Readiness’ survey and interviewed 150 private schools in Nigeria. The results indicated that 68 percent of schools were considering operational resumption via remote learning but only 9 percent of the schools surveyed had initiated full-scale remote learning. This indicated a clear need for technological assistance and support in terms of financing to cover the technological cost.

The COVID-19 pandemic has accelerated the pace, need, and uptake of technology. It has thrust LMICs further into a digitized world, expediting the transition to the digital age by stimulating both the demand and supply sides of digital technology.

PARTICIPANTS

Throughout the EduFinance studies conducted, 657 schools were interviewed, alongside 455 parents that send their children to affordable non-state schools and 362 teachers from affordable non-state schools.

EduFinance used a combination of physical visits and telephone interaction to conduct the interviews. The following criteria were used to select the sample schools:

- Minimum of 50 students
- More than 3 years of operational history

The highest participation came from schools, which constitute 45 percent of the data collected, followed by parents and then teachers.

Figure 4. Survey Participants



Country	Schools	Teachers	Parents	TOTAL
Dominican Republic	10	0	31	41
Ethiopia	46	32	32	110
Ghana	152	76	75	303
Mozambique	80	0	52	132
Nigeria	115	69	79	263
Senegal	92	53	54	199
Uganda	78	72	77	227
Zambia	84	60	55	199
TOTAL	657	362	455	1,474

Source: Opportunity EduFinance

EduFinance’s findings on the impact that the COVID-19 pandemic has had on the key stakeholders in the non-state education sector are summarized in the following section.

⁶ <https://graymatterscap.com/edfin-mfb-gray-matters-capital-remote-schooling-readiness-survey/>

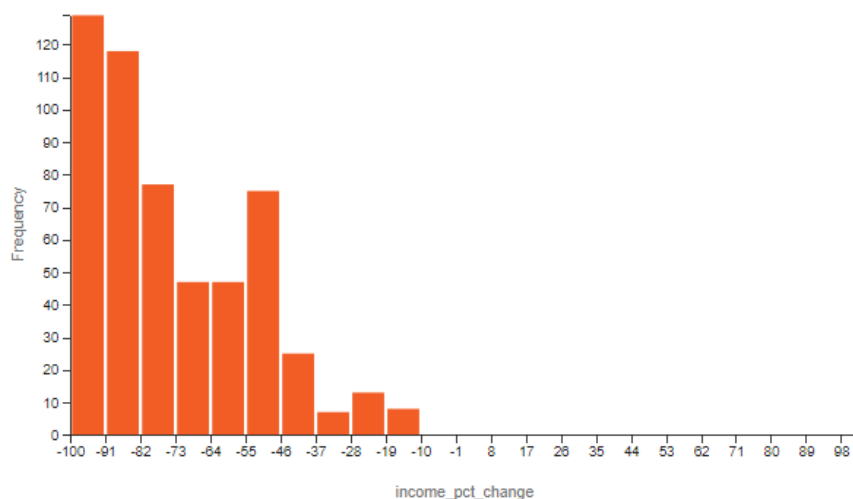
COVID-19 IMPACT

Impact on Schools

Median school revenues fell by 80 percent

The research found that of the 657 schools interviewed, 98.6 percent experienced a significant decrease in revenue. Figure 5 shows the percentage decrease of income for the sampled schools since the COVID-19 outbreak. The median loss of revenue stands at -80 percent, suggesting a significant negative impact for the vast majority of schools.

Figure 5. A majority of respondents reported a more than 50 percent decline in revenues

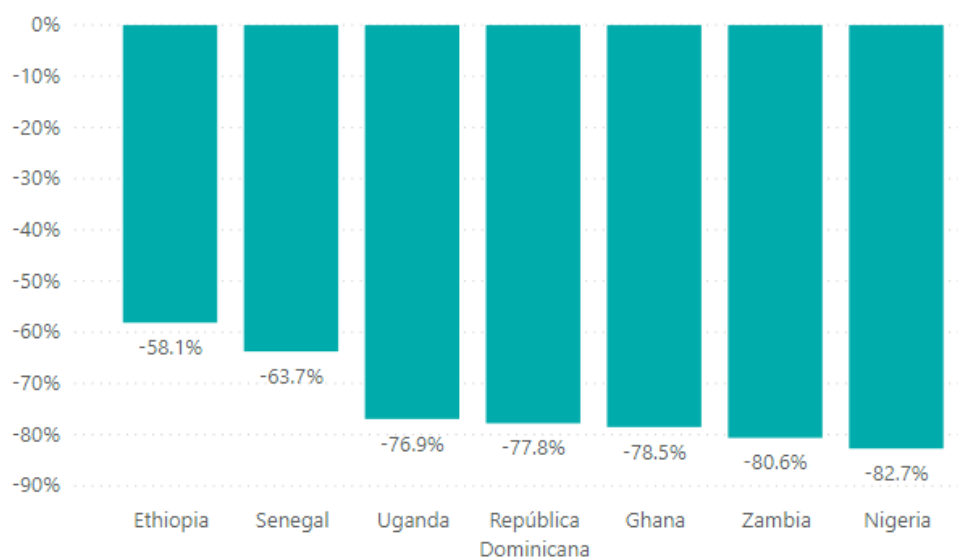


Source: Opportunity EduFinance (2020)

Schools in all countries surveyed were impacted significantly

The significance of the decline was felt across all countries, with the most significant shortfalls in Nigeria (-82.7 percent) and Zambia (-80.6 percent), as shown in Figure 6.

Figure 6. Decline in school revenues by country

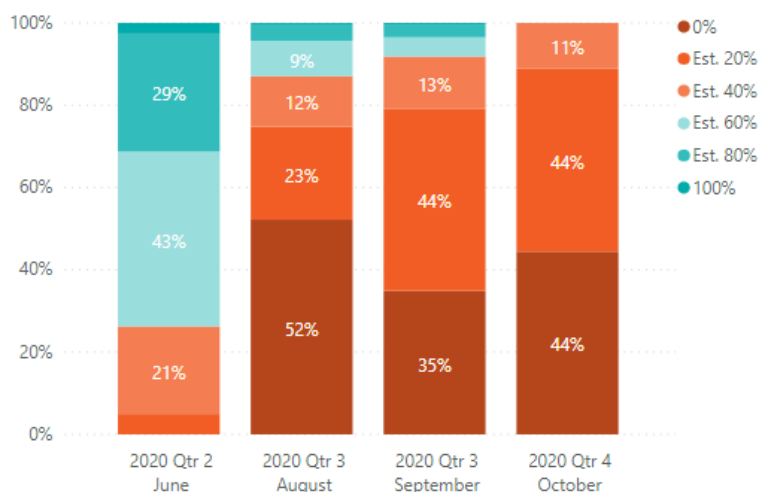


Source: Opportunity EduFinance (2020)

Lack of School Fees was the major source of decline for schools

Fees are the primary source of income for affordable non-state schools. Since the beginning of the pandemic, there has been a consistent trend of delayed and uncollected fees. In the first months of the pandemic, the majority of schools reported being able to collect 60 percent or more of school fees. By August, only 4 percent of schools were able to collect 60 percent or more and by October, no schools were able to collect more than 40 percent of school fees.

Figure 7. Schools' abilities to collect school fees during the pandemic

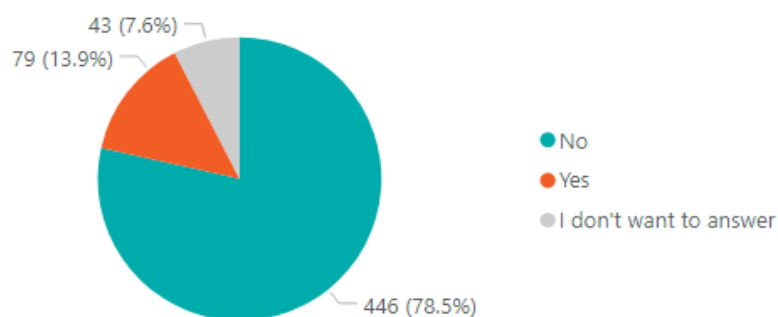


Source: Opportunity EduFinance (2020)

Teachers were not laid off in large numbers

Despite the financial impact, most schools (78 percent) did not officially lay off any teachers. The small number of teacher layoffs that did occur primarily took place during August and September of 2020. As recently as October none of the respondents during that time reported having laid off any teachers.

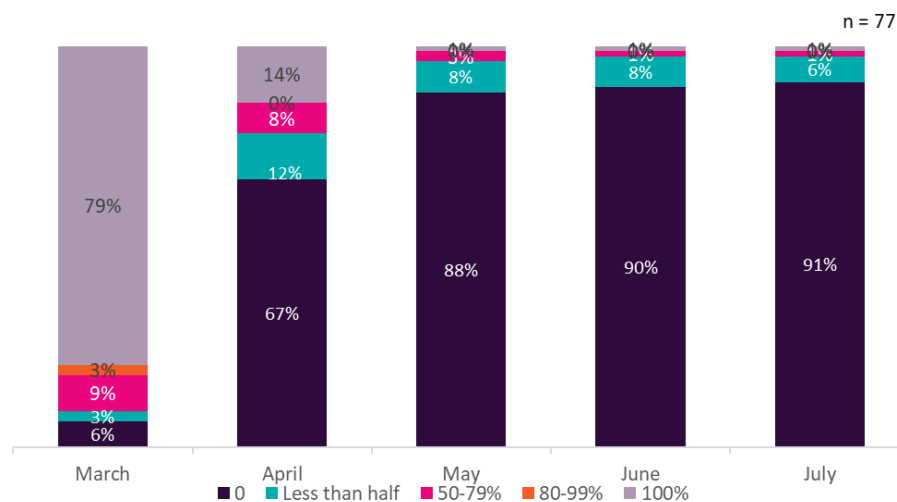
Figure 8. Schools' responses to whether or not they had laid off teachers during the outbreak



Source: Opportunity EduFinance (2020)

While the majority of schools did not lay off teachers, the picture is more nuanced. In Rwanda, a separate study by Opportunity EduFinance found that teacher salaries were unaffordable to schools as closures set in between April and July. By July, 91 percent of schools were unable to pay their teachers any salary.

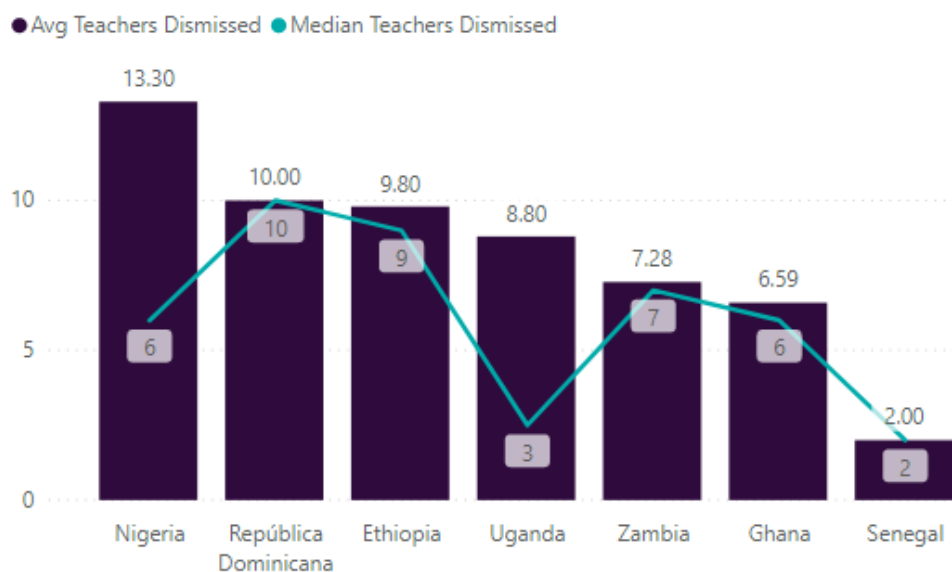
Figure 9. Schools did not lay off teachers, but in some markets they were unable to pay them



Source: Opportunity EduFinance (2020)

Some countries saw more schools laying off teachers than others. For example, Nigeria lost more teachers on average. In addition, the larger median number of teachers laid off in Nigeria and Uganda suggests that larger schools were impacted most by school closures.

Figure 10. The number of laid-off teachers by country



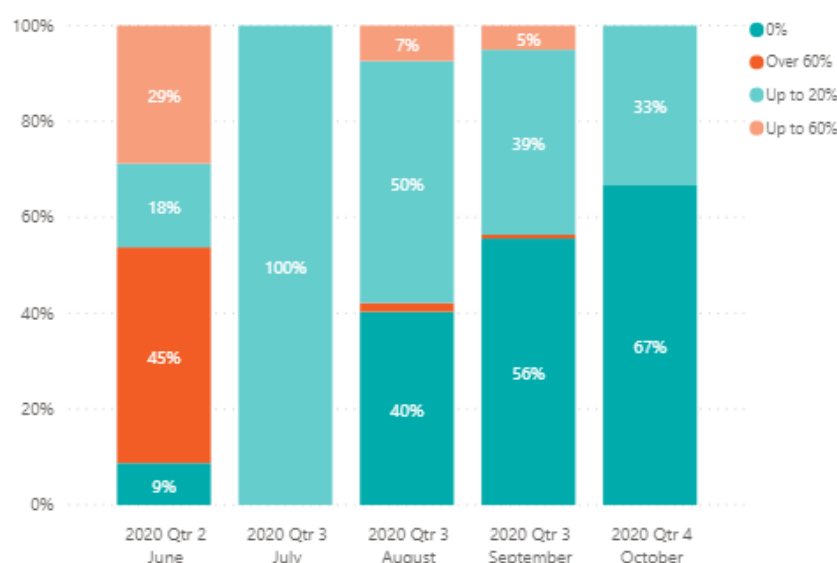
Source: Opportunity EduFinance (2020)

Pupils are largely expected to return

As children **will** ultimately return to school.

Figure 11 shows, despite an initial shock in June 2020 where some schools were expecting over 60 percent of pupils to drop out of school, expectations normalized during the following months as the majority of pupils were expected to return. While schools continue to face the challenges of collecting school fees, their expectations are that children will ultimately return to school.

Figure 11. Most pupils are expected to return to education as pandemic recedes

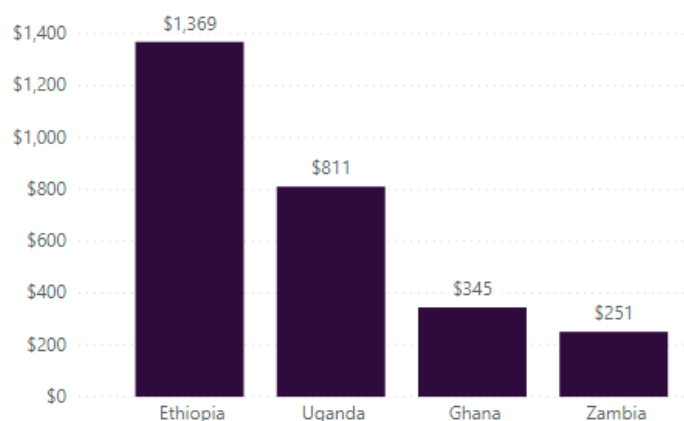


Source: Opportunity EduFinance (2020)

Schools remain resilient but need access to finance

Despite the substantial loss of revenues, schools that showed the most initiative were least affected by the pandemic. Schools in Ethiopia reported generating the most additional income, which helped mitigate their overall revenue fall, while schools in Zambia had a limited response and saw a greater income shock.

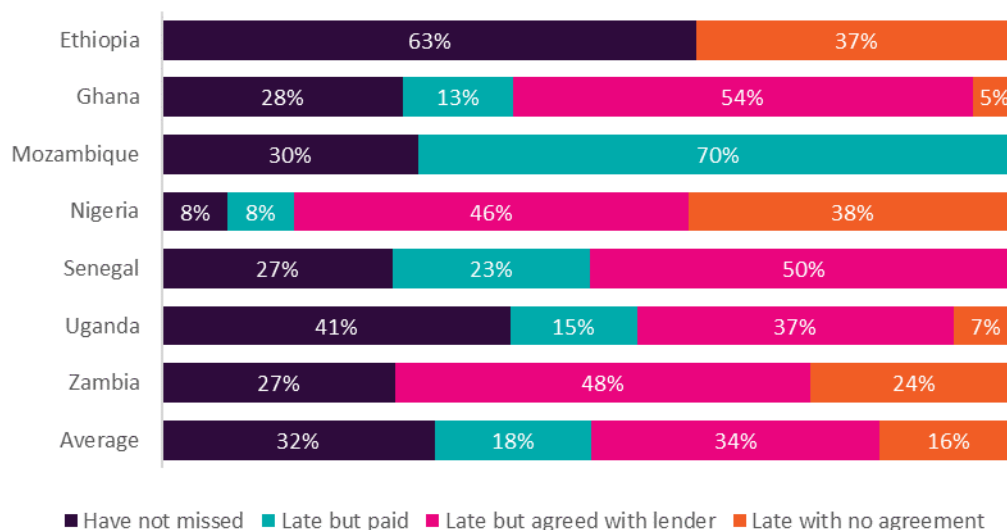
Figure 12. Median additional income generated by school initiatives



Source: Opportunity EduFinance (2020)

Overall, 50 percent of 171 respondents said that they had managed to meet their school loan repayments (Figure 13). However, the results varied significantly by country. In Ethiopia, 63 percent reported no missed payments, while 37 percent made late payments and had not reached an agreement with their lender. Conversely, in Nigeria, only 8 percent of borrowers paid their loans on time, but 46 percent had reached an agreement to restructure with their lender. Countries which showed the most proactive financial institutions that made agreements with borrowers were Ghana (54 percent), Senegal (50 percent) and Zambia (48 percent).

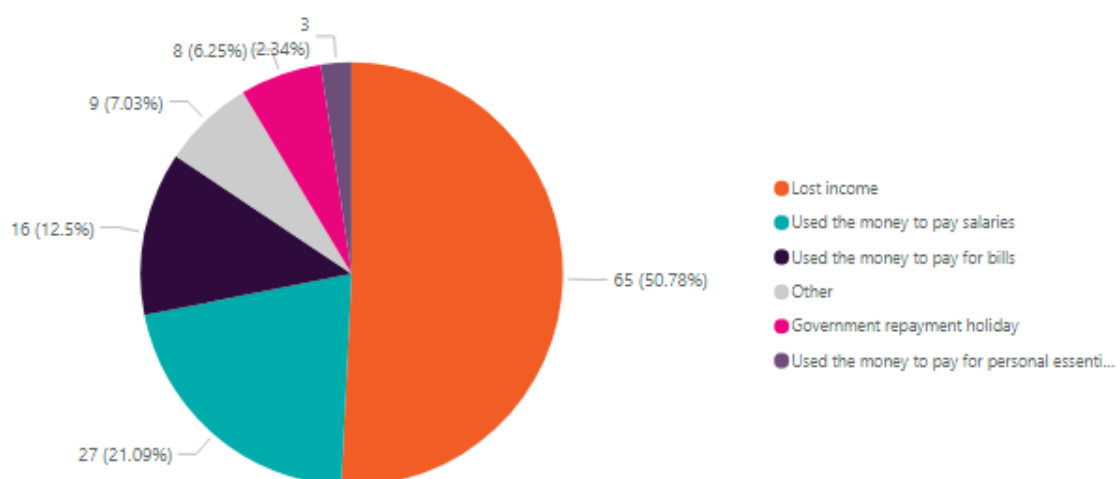
Figure 13. Late or missed payments



Source: Opportunity EduFinance (2020)

The most cited reason for missing a loan payment was lost income (50.8 percent), which also indirectly contributes to the other two most frequently cited reasons of prioritizing paying salaries (21.1 percent) and bills (12.5 percent).

Figure 14. Reason for missed loan payment

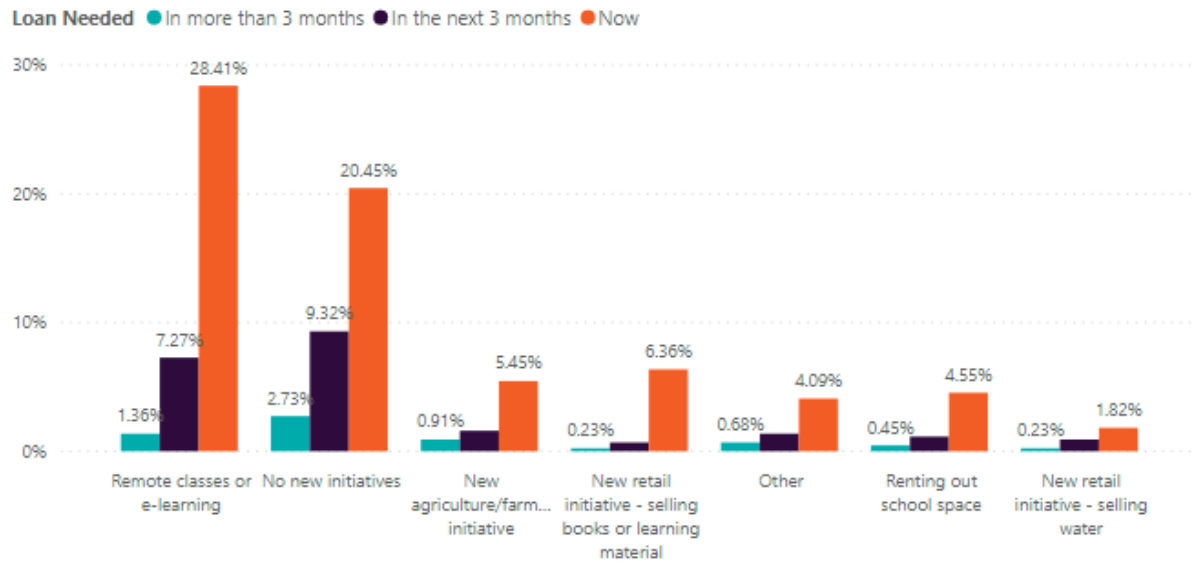


Source: Opportunity EduFinance (2020)

Investment in remote classes or e-learning is the most cited need for financing

Respondents were asked what new income generating initiatives they had planned if they were able to gain access to financing. The most cited response (37 percent) was Remote classes or e-learning, with 28 percent able to use this funding now if offered. A large minority of respondents who reported a financing need still had yet to produce plans for new initiatives, but in all cases borrowers advised they could use the financing now. Other frequently cited loan uses included agriculture and retail initiatives, such as selling books or learning materials.

Figure 15. New initiatives focused on income generation



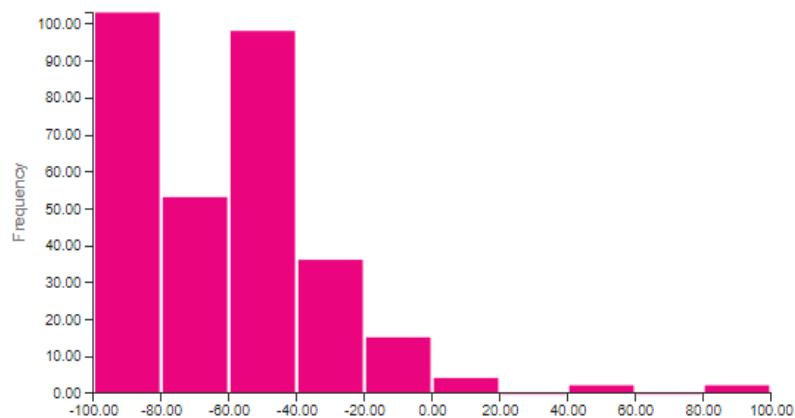
Source: Opportunity EduFinance (2020)

Impact on Teachers

A majority of teachers' revenue declined

As expected with the decline in school revenues, teachers have also lost income throughout the pandemic: 96 percent of the 365 respondents had seen their income decreased. The average lost percentage of income was -58 percent. However, only 7 percent of the respondents expect a further decrease in their income in the following 6 months.

Figure 16. The change in teachers' income as a result of the pandemic

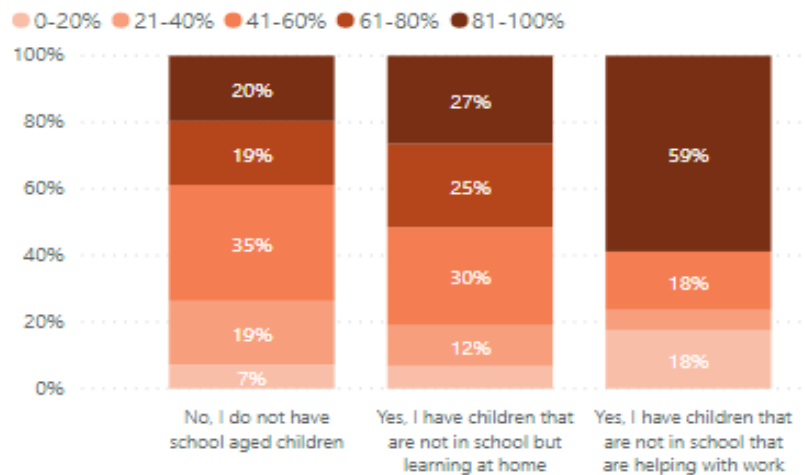


Source: Opportunity EduFinance (2020)

Teachers with school-aged children struggle the most

The research also reveals that there is a large disparity in the financial situation of teachers between those who have school-aged children and those who do not. Teachers without school-aged children experienced a less significant impact on revenues — only 20 percent of them lost more than 80 percent of their income. This proportion is far higher for teachers with school-aged children — 59 percent of them have almost entirely lost their revenue (81-100 percent), which could constitute one of the major hindrances for their children to learn from home.

Figure 17. The impact on financial situations differs in regard of parental status

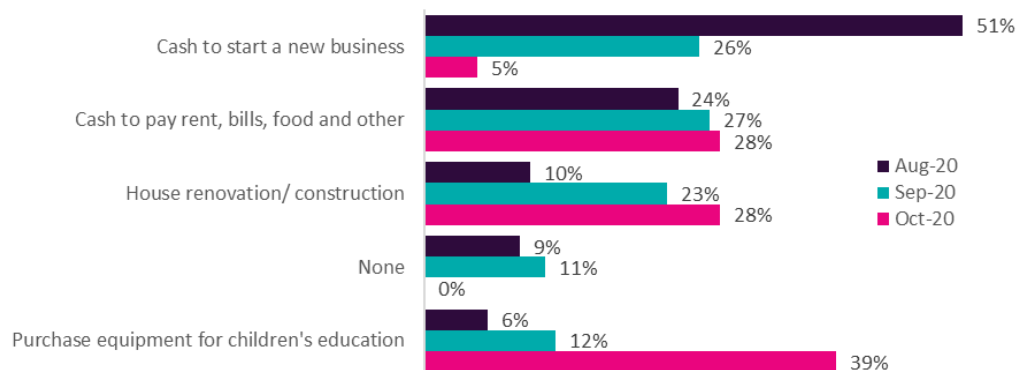


Source: Opportunity EduFinance (2020)

Teachers' priorities are diverse and changing

The financial needs of teachers appear to be changing over time. For example, an immediate need of 51 percent of respondents in August 2020 was to obtain cash to start a new business, which is assumed to be in parallel to their teaching employment. This need became less relevant in October, with the urgent financial needs becoming more balanced across cash to purchase learning equipment for children (39 percent), pay for rent, bills, and food (28 percent), and for house renovation (28 percent).

Figure 18. Teachers' allocation of required funds for use in the short term

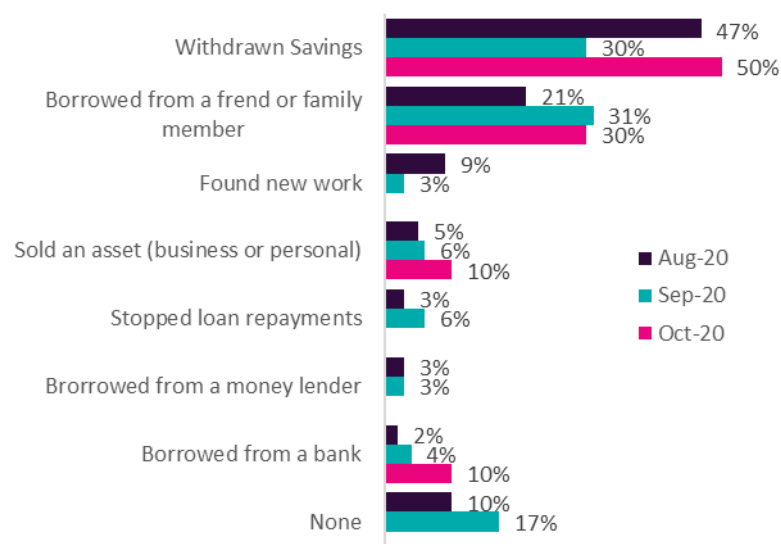


Source: Opportunity EduFinance (2020)

Teachers became more dependent on friends and family

Similar to the financial responses of schools, teachers' primary response to decreased income was also to withdraw from savings. As time progressed, teachers increasingly sought financial help from friends and family.

Figure 19. Teachers' responses to financial difficulties caused by the pandemic



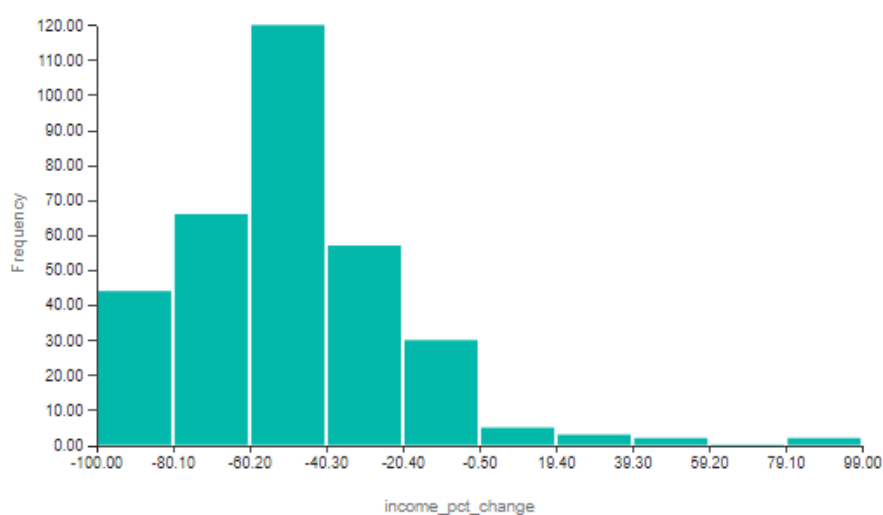
Source: Opportunity EduFinance (2020)

Impact on Parents

Parents have lost income but not to the same extent

Parents were also impacted financially as many struggled to find work. It was found that 94.5 percent of the 457 respondents had seen their incomes decrease. However, likely due to diversification of professions, the median impact of this decline was 50 percent, lower than that for schools and teachers.

Figure 20. The changes in income for parents



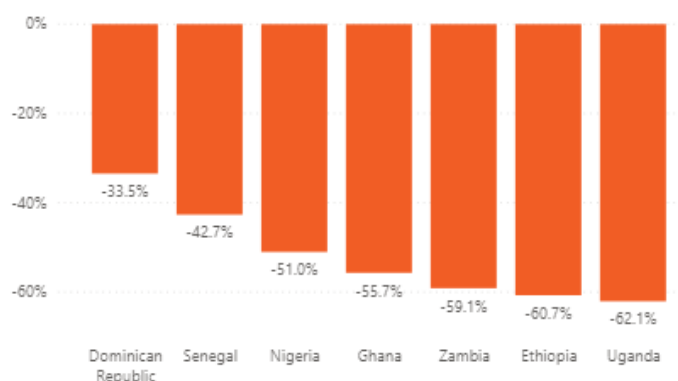
Source: Opportunity EduFinance (2020)

There are regional disparities in the extent to which parents' incomes were affected. On average, parents in Ethiopia were one of the worst affected groups during the pandemic in spite of Ethiopian schools leading a better response than their sub-Saharan peers. This reversal can also be seen in Nigeria. Nigerian school finances sustained the largest impact to incomes (-82 percent) whereas parents lost 51 percent.

Ugandan parents appear to have faced the largest decline according to the respondents, where parents have lost 62 percent of their income over the course of the pandemic.

While possible that differences between countries have been driven by the make-up of their economies and their exposure to COVID-19 related shocks, the International Monetary Fund (IMF) projects real GDP to fall by between 6.2 percent and 7.4 percent for all of countries surveyed in 2020.⁷

Figure 21. Parents' loss in income by country

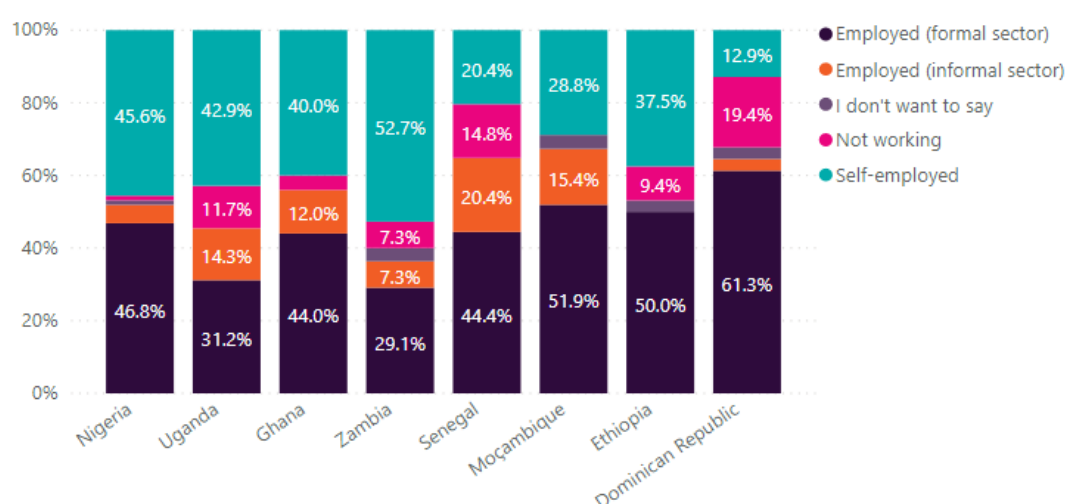


Source: Opportunity EduFinance (2020)

Parents of all employment types are facing lost income

Throughout the interviews, 80 percent of parents reported either self-employment or formal employment, with 7 percent of respondents saying they were without employment. Among those who disclosed the nature of their employment, parents suffered similar losses of income, ranging from 52.1 percent to 56.9 percent.

Figure 22. Types of parents' employment by country



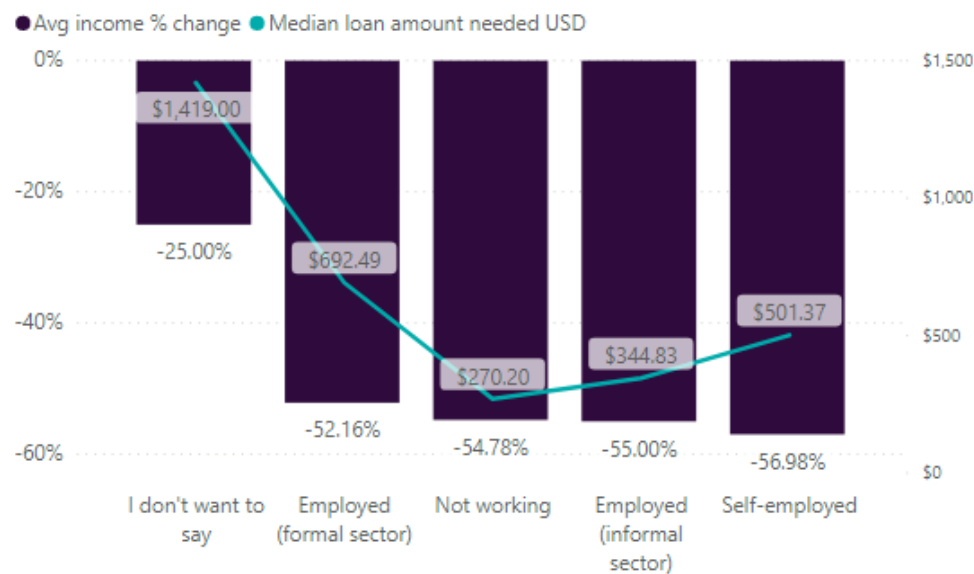
Source: Opportunity EduFinance (2020)

Despite similarities in lost income, financial needs differ substantially in regard of their employment status. Parents employed in the formal sector needed double the loan amount

⁷ International Monetary Fund, 2020

(\$692) as informally employed (\$346). In contrast, parents without any employment require the lowest amount of finance at \$270.

Figure 23. Parents' average income loss and median loan needed by employment type

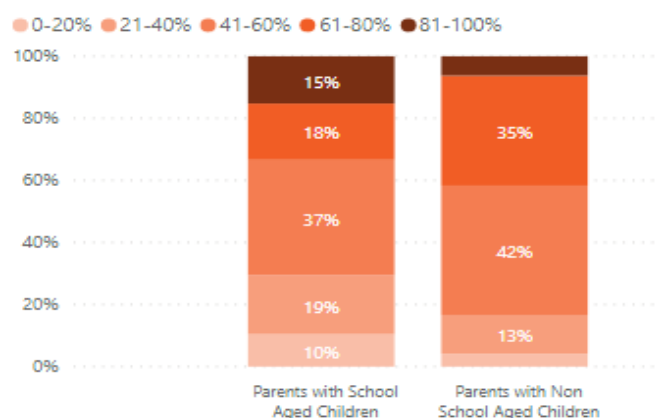


Source: Opportunity EduFinance (2020)

All parents are struggling with income loss regardless of children's ages

Unlike the different income loss levels reported by teachers with and without school-aged children, all parents appear to be experiencing similar levels in income loss regardless of children's ages. While parents with school-aged children were three times more likely to have lost between 81 and 100 percent of income, 35 percent of parents with non-school aged children lost between 61 and 80 percent, which is also a significant loss.

Figure 24. The percentages of income loss by parental status



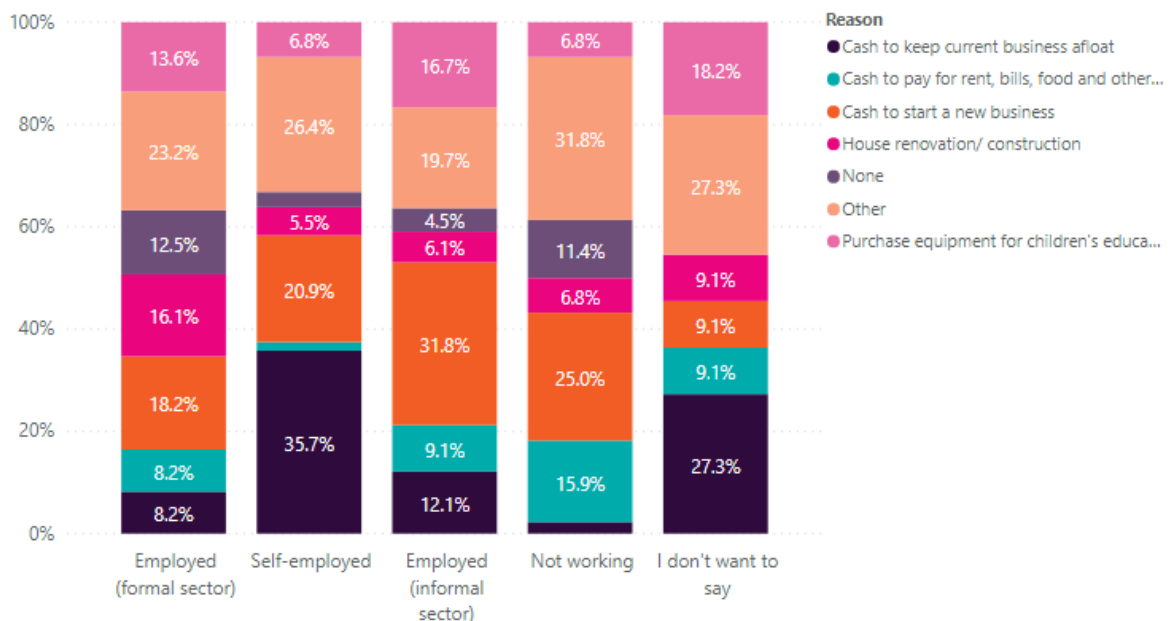
Source: Opportunity EduFinance (2020)

Parents shifted their priorities over time

The majority of parents' initial responses to the pandemic was focused around sustaining incomes and paying bills, regardless of their employment status. As part of their urgent financial needs in the next three months, parents on average planned to spend 12.4 percent of the funds to purchase education-related equipment for their children. As time progressed, more of their

attention was drawn from paying utility bills to satisfying the education needs for their children, the importance of which doubled between June and October 2020.

Figure 25. Parents' financial needs in the short term by employment status

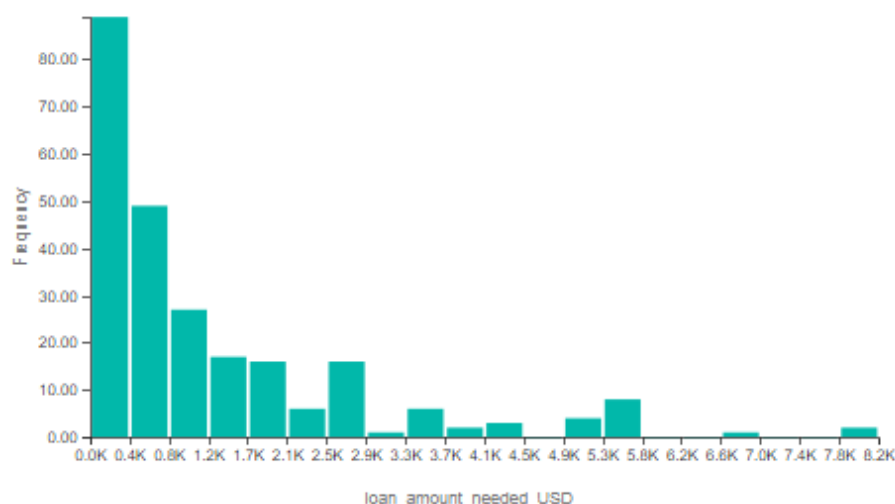


Source: Opportunity EduFinance (2020)

The vast majority of parents need a loan

Of the 292 parents who responded, 270 (92 percent) stated needing a loan. One-third of parents would seek a loan up to \$400, while 47 percent for parents would seek financing of up to \$800.

Figure 26. The amount of loan needed by parents

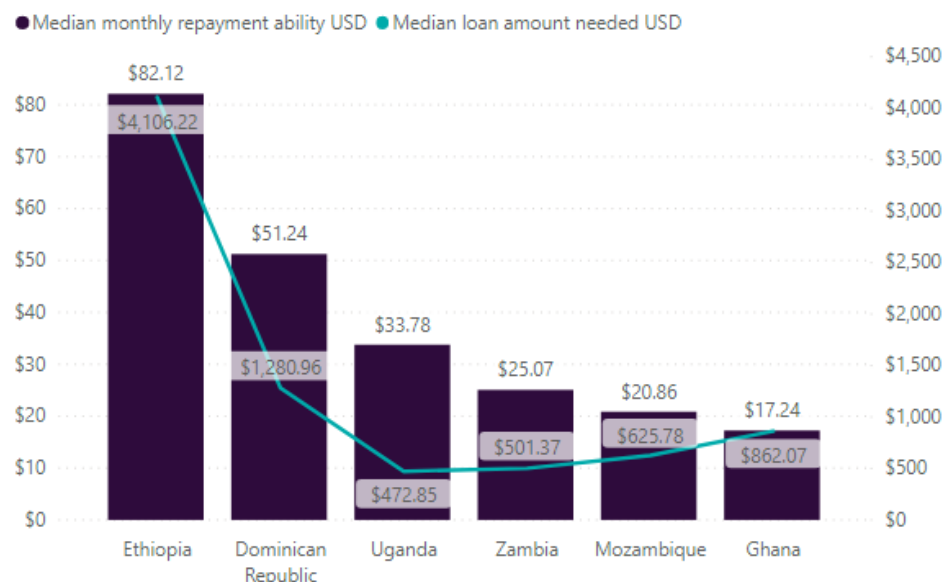


Source: Opportunity EduFinance (2020)

The loan amount needed and ability to repay differs across markets

The financial needs of respondents differs across markets, with the highest needs reported coming from Ethiopia, the Dominican Republic and Uganda.

Figure 27. The repayment ability and loan amount needed by country



Source: Opportunity EduFinance (2020)

SUMMARY

The pandemic has had varying degrees of negative impact on the financial situations for affordable non-state schools, teachers, and parents. These negative impacts are experienced in different ways, such as the income squeeze on parents caused by the slowdown in economic activities, the difficulties for schools in collecting school fees during closures, as well as the issue of teacher salary and layoffs.

Schools are bearing a significant amount of loss, as demonstrated by the 80 percent decline in median revenues for schools in this research. Fortunately, the blow to the schools did not result in excessive teacher layoffs, although most teachers have experienced some degree of income loss. At the same time, survey data finds that most students are expected to return to school. Schools' retention of teacher talent and the existence of a student body gives us some confidence in the education markets of the LMICs.

Parents are a less affected group within the population we surveyed, although there are in-group differences by their employment status. Overall, a proportion as high as 92 percent of parents surveyed are in need of a loan, half of whom required up to \$800.

Loan payment holidays and extended grace periods have been used in most markets to prevent schools, teachers and parents from default, though many continue to face severe financial distress. This resonates with the recent World Bank report on the impact of COVID-19 on education financing (2020).

In addition lender agreements with borrowers, student support programs are clearly needed in order to support remote learning. Many schools are looking to fund initiatives that can improve the availability of remote learning, but currently lack the funding to do so. During school closures, funds are also required for households to support remote learning. Key stakeholders have continued to struggle and learning losses are expected to last for some time. The current generation stands to lose as much as \$10 trillion in lifetime earnings as a result of the pandemic

(World Bank, 2020). As schools reopen, getting children back into the classroom and ensuring schools have the access to financing they need to catch learners up and improve education quality overall is now even more critical.

Some financial institutions have responded to this challenge as well as they could, but in other markets, their engagement has been limited and less proactive. As schools undergo phased reopening in late 2020 leading into 2021, additional funding is needed for schools to follow through with their reopening plans, implement new health and safety requirements, invest in their teaching workforce and catch learners up.

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