Education Finance

Understanding the Benefits of School Improvement Loans for Schools, Families, and Communities

Opportunity International, May 2017

OPPORTUNITY
International

Researchers and Authors

Abbie Condie, Research and Knowledge Coordinator, Opportunity International

Dr. Genzo Yamamoto, Director of Knowledge Management, Opportunity International

Nathan Byrd, Director of EduFinance, Opportunity International

Scott Sheridan, Director of Operations, EduFinance, Opportunity International

Richard Otim Ogwang, Operations Director, FRIENDS Consult Ltd

Jesse Routte, Managing Director, Three Stones Consulting LTD

Acknowledgements

The author is grateful for the hard work of the researchers who conducted this research with the utmost care and dedication, along with members of the Opportunity team who have engaged these findings to draw out useful, meaningful insights.

On the Cover: Students at Top Care Junior School in Kampala, Uganda. The school proprietor, Mugerwa Charles, has grown the school from just 24 students in 2005 to nearly 900 students in 2016. He has used a loan from Opportunity to build two new classrooms.

Table of Contents

Researchers and Authors **2**
Acknowledgements **2**
Table of Contents **3**
List of Figures **3**
List of Tables **4**
List of Abbreviations **4**
Executive Summary **5**
1 Introduction **6**
1.1 Research Methodology 8
2 SILs Finance Qualified Proprietors Whose Schools Serve Children From Low-Income, Low-Education Families **10**
2.1 Proprietors are Highly Educated Professionals 10
2.2 Financed Schools Serve Low-Income, Low-Education Families 11
3 SILs Allow Private Schools to Remain Competitive by Addressing Parents' Main Factors in School Choice **12**
3.1 Parents Factor Distance, Cost, Safety, and Quality into School Choice 13
3.2 Proprietors Use SILs to Address Distance, Cost, Safety, & Quality at Their Schools 14
3.2.1 Distance and Safety In-Transit are Addressed by Building Dorms and Buying School Buses 15
3.2.2 Cost is Addressed by Market Competition and School Expansion 17
3.2.3 Safety and Adequacy of Facilities is Addressed by Construction and Renovation of Facilities 18
3.2.4 Quality of the School is Addressed by Supplying and Staffing Adequate Learning Environments 19
3.3 Schools Using SILs are Valued by Families and the Broader Community 23
Appendix 1: Data Sets **26**
Appendix 2: Parent Use of Financial Products **30**

List of Figures

Figure 1 School Proprietors' Highest Level of Education 10
Figure 2 Percentage of School Proprietors' Income 10
Figure 3 Average Level of Schooling among Parents: Rwanda and Uganda 11
Figure 4 Employment of Parents Served by Financed Schools 12
Figure 5 Reason Parents Decide to Change Their Child's School 14
Figure 6 Proprietor Use of SIL in Rwanda and Uganda 15
Figure 7 Number of Nearby Schools, Reported by Rwandan Parents 17
Figure 8 Breakdown of Full Time Jobs Created - Uganda 21
Figure 9 Breakdown of Part Time Jobs Created - Uganda 22
Figure 10 Project Hires, Jobs Sustained in Community - Uganda 22
Figure 11 Opportunity-Financed Schools Compared with Other Schools - Uganda 23

Figures 12 & 13 Parents' Satisfaction with Classrooms and WASH Facilities 24

List of Tables

Table 1: Number of Interviewees by Partner 8
Table 2: Interviewed Schools by Grade Levels Offered..... 8
Table 3: Increase in Student Enrollment, Average Class Size, and Student:Teacher Ratio.....18
Table 4: Average Level of Schooling Among Parents: Rwanda and Uganda 26
Table 5: Employment of Parents Served by Financed Schools 26
Table 6: Reason Parents Decided to Change Their Child's/Children's School 27
Table 7: Nearest Public and Private Schools, As Reported by Parents - Rwanda 27
Table 8: School Proprietors' Highest Level of Education 27
Table 9: Percent of School Proprietor's Income Coming from Their School 28
Table 10: Proprietor Use of School Improvement Loan 28
Table 11: Full Time Jobs Created – Teaching and Non-teaching 28
Table 12: Breakdown of Non-Teaching Full Time Jobs Created.....28
Table 13: Breakdown of New Part Time Jobs Created 29
Table 14: Individuals Hired for Projects – Jobs Sustained in Community 30

List of Abbreviations

EduFinance	Education Finance
MFI	Microfinance Institution
OBUL	Opportunity Bank Uganda Ltd.
SFL	School Fee Loan
SIL	School Improvement Loan
UOB	Urwego Opportunity Bank Rwanda
UGX	Ugandan Shillings

Executive Summary

This report is a quick scan to confirm that Opportunity International's (Opportunity's) Education Finance Program (EduFinance) is reaching its target segments of highly-educated entrepreneurs serving low-income families through private schools in the developing world. It also purposefully asks comparable questions of proprietors, parents, and bank staff to gain a sense of how in-tune these stakeholders are with one another's various educational needs and motivations. As such, this demonstrates the consistency between the core provisions of the EduFinance program with the educational needs and motivations of local communities.

At the core of EduFinance is a desire to make affordable, quality education accessible to children in developing countries by providing qualified, mission-driven school proprietors with financing and training. Research shows that through this combination, proprietors are equipped with the resources they need to address the factors low-income, low-education parents consider when selecting a school for their children – namely schooling that is close to home, affordable, safe, and high quality. Parents are highly engaged in the process of identifying private schooling that meets these requirements for their children. School proprietors are in tune with the particular concerns of parents, and make use of Opportunity's School Improvement Loan (SIL) product to improve the quality of their schools. As a result, parents are highly satisfied with the quality of education their children are receiving, government officials are excited by the steps taken by the private sector to actively provide quality education to low-income individuals, and economic growth is stimulated in local communities.

Noreen, a teacher at Top Care Junior School in Kampala, Uganda

1 Introduction

Students at Batanda Junior School in Uganda

Every child deserves access to an affordable, quality education; yet an estimated 263 million children and youth are currently out of school – 74% of whom live in Africa and South Asia alone.[1] Education is a key driver of poverty alleviation. In fact, if all students in low-income countries completed school with basic reading skills, 171 million people could be lifted out of poverty – equalling a 12% cut in global poverty.[2]

Significant progress to-date has been made in reducing the number of children around the world who are out of school. In fact, the number of children and adolescents out of school has decreased by 30% since 2000.[3] Unfortunately, this recent surge of school enrollment often places a strain on the public school system.[4] Additionally, extensive industry research has shown that just enrolling children in school is not enough to ensure that they are receiving the basic education necessary to lift themselves out of poverty. Boys and girls need access to a quality education, which will offer them the greatest potential to break free from multi-generational trends of debilitating poverty common in under-resourced countries, but a number of factors often keep children from completing their schooling. These factors include the distance students must travel to and from school, the cost of education (uniforms, learning materials, and meals, if not tuition), the security and safety of the school environment, and the quality and engagement of teachers.

Distance, cost, safety, and quality are four major reasons children are not completing their education. Affordable, locally owned and operated private schools are helping eliminate these barriers in a growing number of low-income communities.[5] In the public system, incentive-based funding has long been seen as an impossible dream; in the affordable private education space, incentives to grow access to and quality of education in low-income communities is the system. Private schools have just one way to boost their income: by increasing enrollment at their schools—which ultimately benefits the broader community, as well.

Local private schools continue to benefit their communities as they grow—serving as engines of economic development in their communities by creating jobs and business opportunities.

---

[1] UNESCO Institute for Statistics Database (2016 data); Families with an educated head of household are 18-22% less likely to be poor than those with an illiterate head of household. World Bank, “Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa”, 2006

[2] World Bank, https://olc.worldbank.org/sites/default/files/2015-03-gpe-case-for-investment-summary.pdf

[3] UNESCO Institute for Statistics Database, Children and youth out-of-school, 2000 and 2014.

[4] In Rwanda, the “Education for All,” along with the “9-and 12-Years Basic Education” policies in 2009 and 2012 increased school enrollment, average class size, and the demand on public school teachers. In Uganda, the government launched universal primary and secondary enrollment initiatives in 1997 and 2007, respectively. This led to a significant increase in school enrollment rates nation-wide.

[5] “Learning Unleashed.” The Economist. http://www.economist.com/news/briefing/21660063-where-governments-are-failing-provide-youngsters-decent-education-private-sector

Schools directly employ teachers, security guards, cooks and drivers. Schools also provide a market for utility services, uniform making, food sales, copy shops, school supplies, and construction. In other words, a thriving private school boosts the local economy which, in turn, provides more opportunities for struggling parents to access and fund a quality education for their children.

A teacher helps a student with her work at Batanda Junior School in Uganda

Furthermore, localized economic growth encourages educated professionals (including teachers) to remain in their communities—furthering long-term economic growth. This directly counters "brain drain"—the tendency for educated individuals in the developing world to move to larger cities or abroad in search of greater economic opportunity. Brain-drain is a striking issue in sub-Saharan Africa, where it is estimated that one out of every nine individuals with post-secondary education move to a developed country outside of the African continent.[6]

As the public sector in Sub-Saharan Africa and other regions continues to struggle with funding for expanding and improving education, the private sector contributes a clear, effective, sustainable solution. For this reason, Opportunity's EduFinance program works to increase access to this affordable, quality, private education through Financial Services and Quality Improvement Initiatives that empower both school and families through three main components—

1. School Improvement Loans (SILs) for school proprietors;
2. School Fee Loans (SFLs) for families; and
3. Education Quality Programs for proprietors and teachers.

The following report focuses on increasing understanding of the School Improvement Loan (SIL) product within the broader strategy of providing financial services to both schools and families, along with quality programming for schools. This broader narrative will be more fully explored by unpacking the following questions:

1. What kinds of schools and proprietors do Opportunity partners finance?
2. How are parents choosing where to send their children to school, and what factors do they consider?
3. What improvements are proprietors making with their SIL? Do these improvements correspond with the factors parents prioritize in choosing a school?
4. How do school improvements affect the quality of education at financed schools?
5. How does this comprehensive strategy translate to a financially sustainable, scalable model for increasing access to high quality, affordable private education in the developing world?

[6] OECD and United Nations Department of Economic and Social Affairs. "World Migration Figures." http://www.oecd.org/els/mig/World-Migration-in-Figures.pdf

1.1 Research Methodology

The following report relies on original research conducted in February 2017, while also referencing both external industry findings and previous research findings related to the EduFinance program itself in order to draw the broader conclusions outlined at the end of the previous section.

The research conducted in February 2017 relies on key informant interviews conducted with school proprietors, parents, and EduFinance staff in Uganda and Rwanda. Sample sizes in Uganda and Rwanda were selected in relation to the size and maturity of each partners' respective SIL portfolio size.

Table 1: Number of Interviewees by Partner

Implementing Member	Proprietors	Parents	Bank Staff
Uganda (OBUL)	77	118	8
Rwanda (UOB)	10	72	2
Total	87	190	10

In Uganda, schools were selected from a range of 15 branches throughout Uganda, predominately in peri-urban locations, with a number of schools located in Kampala, as well. This provides a representative sample across Uganda's various regions and the expansive EduFinance portfolio within the country. Participating schools represent 37% of the active SIL portfolio in Uganda. The majority (81%) schools researched had completed one or more SIL cycles.

In Rwanda, 11% of schools in the active SIL portfolio were interviewed. The sample size was less representative, since the SIL portfolio is much younger, and fewer schools have completed a full loan cycle. Of schools interviewed, however, 60% had completed at least one SIL cycle. All of these Rwandan schools save one are located in Kigali.

Proprietor interviews in both countries were conducted in-person. The majority (73%) of proprietors interviewed in both Uganda and Rwanda are teaching primary school-level students. Notably, none of the Rwandan schools are offering secondary school and the majority of Rwandan schools offer a combination of nursery and primary grade levels. This emphasis on primary schooling is reflective of the current education demands in both countries.[7]

Table 2: Interviewed Schools by Grade Levels Offered

Country	Nursery Only	Primary Only	Nursery + Primary	Secondary Only
Uganda (OBUL)	2 (2.6%)	55 (71.4%)	n/a	20 (26%)
Rwanda (UOB)	1 (12.5%)	n/a	7 (87.5%)	n/a
Total: 85	3 (3.5%)	55 (64.7%)	7 (8.2%)	20 (23.5%)

[7] In Uganda, 47.9% of the population is 15 years old or younger, and 8.7 million children are enrolled in primary school, over seven times more students than are enrolled in secondary school (1.2 million), and over seventeen times as many students as are enrolled in pre-primary school. In Rwanda, 76% of students enrolled in school (public, private, and subsidized) are 14 years old or younger. (World Bank Data Bank)

Parent interviews were conducted via phone, with one follow-up focus group discussion conducted in Rwanda. All parents interviewed have at least one student currently enrolled in a school receiving a SIL from an Opportunity partner. Although it was the school proprietors who provided the research team with the list of parents to contact, these parents were promised anonymity in their provision of honest opinions related to the school and leadership. Roughly half of all parents surveyed were women (54%), although the sample size for the individual countries were split roughly 70/30, with 72% of Ugandan parents surveyed being women and 76% of Rwandan parents surveyed being men.

This report serves as a scan to verify that EduFinance is reaching its target segments of education entrepreneurs along with low-income, low-education families. It also purposefully asks comparable questions of proprietors, parents, and bank staff to gain a sense of how in-tune these stakeholders are with one another's various educational needs and motivations. As such, this demonstrates the consistency between the core provisions of the EduFinance program with the educational needs and motivations of local communities.

2 SILs Finance Qualified Proprietors Whose Schools Serve Children From Low-Income, Low-Education Families

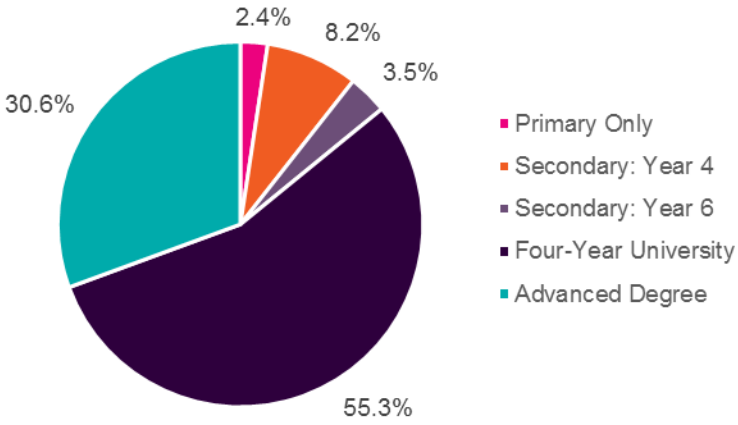
At the core of EduFinance is a desire to make affordable, quality education accessible to children from low-income communities in a financially sustainable manner. The following section affirms two core components of the EduFinance model. First, school proprietors who utilize the SIL product are highly qualified educators who are financially motivated to operate successful schools. Second, these Opportunity partner-financed schools are serving low-income, low-education families.

2.1 Proprietors are Highly Educated Professionals

Through its EduFinance program, Opportunity empowers school proprietors with the financing and technical training they need to run financially sustainable, quality private schools. This study confirmed that Opportunity successfully identifies qualified school proprietors to work with in Rwanda and Uganda.

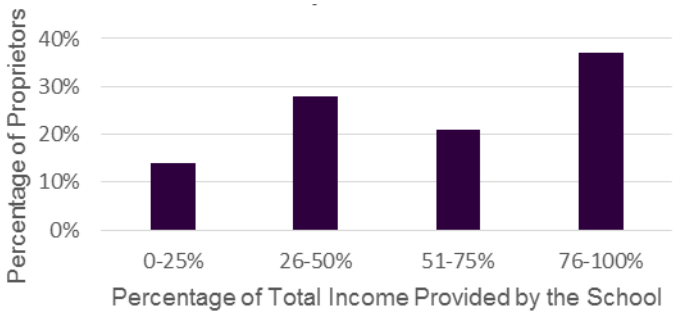
EduFinance is empowering local, educated entrepreneurs to be drivers of educational change within their local communities through SILs. School proprietors at Opportunity partner-financed schools are highly educated, with 86% of those surveyed having completed post-secondary education. (See Figure 1.) Without economic prospects—such as starting their own school—highly-educated individuals lacking options at home are more likely to leave their community for opportunities in larger cities or abroad—perpetuating the all too prevalent issue of "brain drain" which actively stunts the potential for economic growth in local communities. Instead, providing SILs to highly-educated, high-potential educators is a powerful tool to help school proprietors drive long-term economic growth in local communities.

Figure 1 School Proprietors' Highest Level of Education



Running private schools can be a successful, sustainable source of income for the proprietors themselves. In fact, 58% of proprietors reported that over half of their income came from the school. (See Figure 2.) This demonstrates that school proprietors are financially incentivized to make the model of low-cost, private schools work, since

Figure 2 Percentage of School Proprietors' Income Provided by Their School



their economic livelihood depends on it.

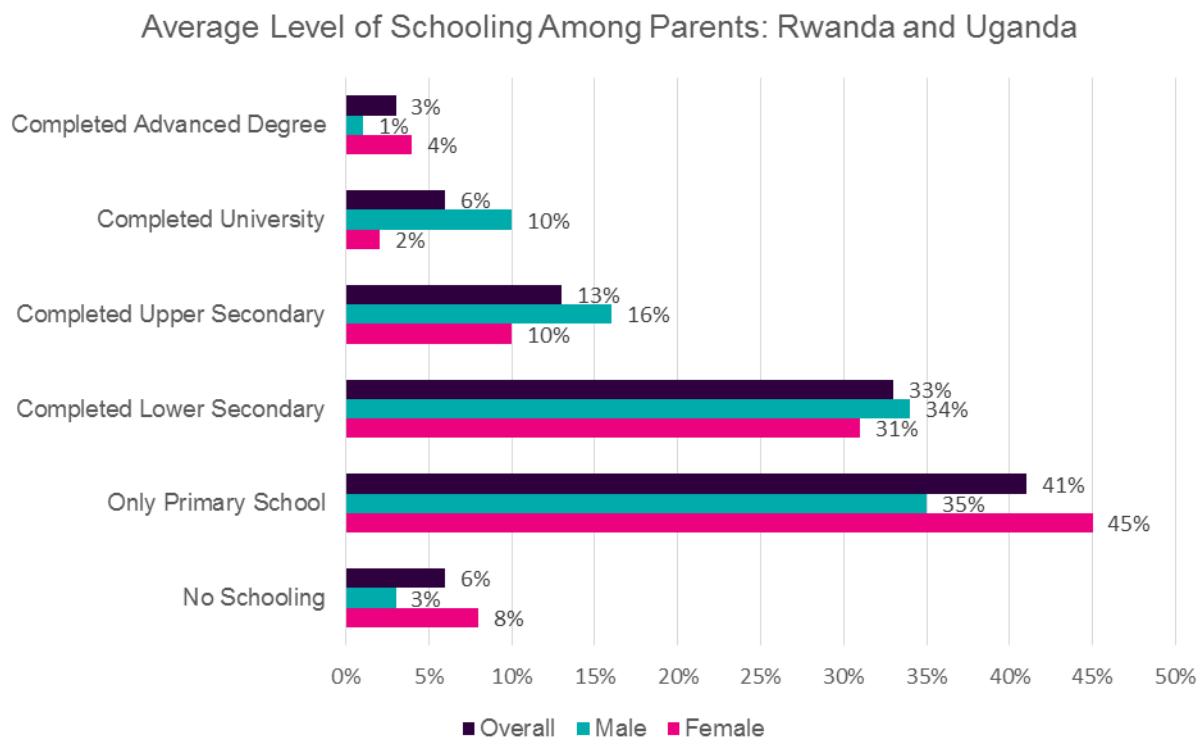
Opportunity is successfully targeting school proprietors who are ideally positioned to build quality education infrastructures in their local communities through private schools. The majority of school proprietors targeted through EduFinance are highly educated and financially incentivized to provide more children access to better schooling.

2.2 Financed Schools Serve Low-Income, Low-Education Families

While it is essential to verify that Opportunity partner-financed schools are owned by qualified proprietors, it is equally important to ensure that these schools are serving Opportunity's target demographic – low-income and low-education families. This is because receiving an education has been recognized as a key factor in poverty alleviation, and more specifically in breaking cycles of inter-generational poverty. This study affirms that Opportunity partner-financed schools are serving both low-income and low-education families.

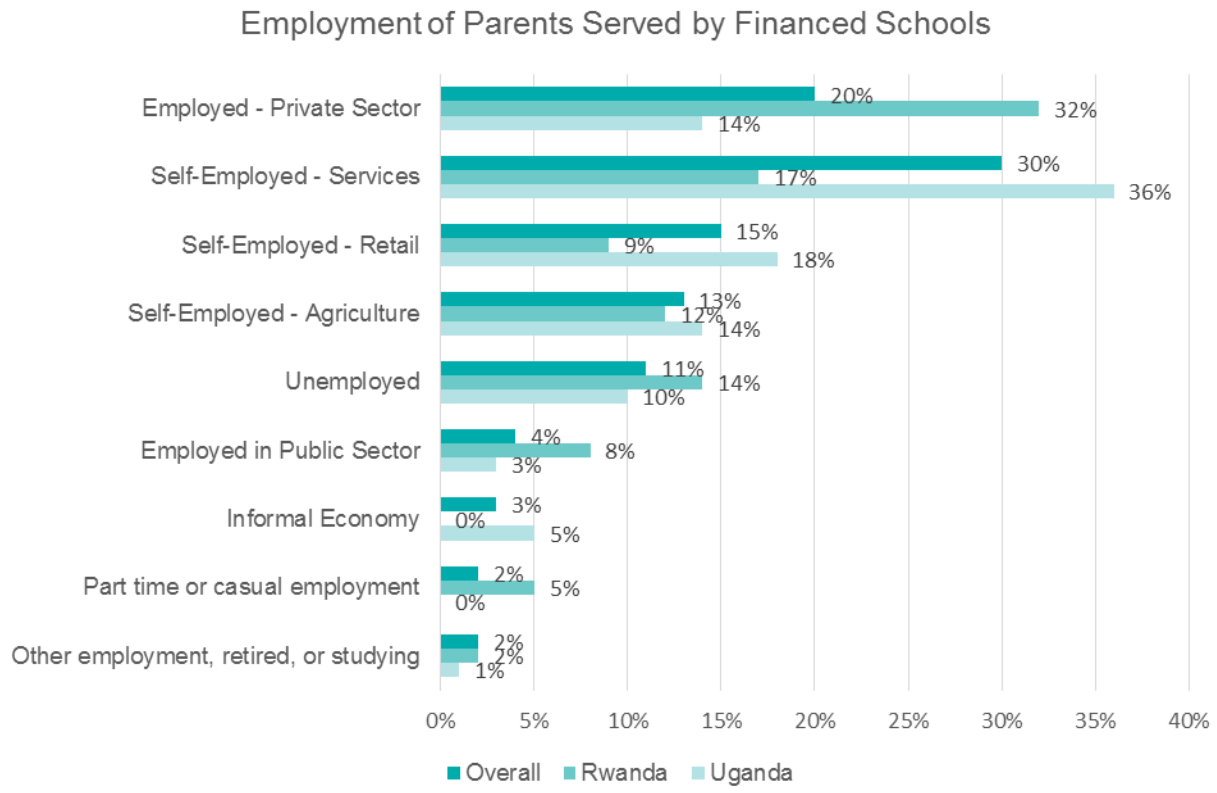
Local, low-cost private schools financed through SILs serve low-education families. Research in Rwanda and Uganda demonstrates this in a number of ways. First, the majority of parents have themselves completed very little education—typically no more than primary school (41%) or lower secondary school (33%). Perhaps most sobering, 6% of parents interviewed had received no formal schooling whatsoever. (See Figure 3.) This demonstrates that parents—while themselves under-educated—still understand the value of education for their children, thus confirming that financed schools are meeting a demand for quality education that has been created by low-education parents.

Figure 3 Average Level of Schooling among Parents: Rwanda and Uganda



Financed schools are serving low-income, economically vulnerable families. This is largely due to the fact that the vast majority of parents interviewed (72%) are self-employed (58%), unemployed (11%), or engaged in the informal economy (3%). As a result, the majority of families are more vulnerable to financial shocks as a result of emergency expenses and likely earn an irregular income—making regular payments like school fees a particular challenge.[8] (See Figure 4.)

Figure 4 Employment of Parents Served by Financed Schools



3 SILs Allow Private Schools to Remain Competitive by Addressing Parents' Main Factors in School Choice

Through its EduFinance program, Opportunity seeks to increase the availability of affordable, quality private education for low-income families in the developing world. This section confirms that low-income, low-education parents are deeply interested in the factors of distance, cost, safety, and quality as they consider what school their child should attend. Moreover, proprietors are able to address these factors by using the SIL product. Most often, this means that school proprietors invest in infrastructure construction and renovation. These improvements to infrastructure have a range of benefits that directly address the factors of distance, cost, safety

[8] The school fee loan product was designed specifically to address these challenges so that parents are not forced to withdraw their children from school when they cannot make school fee payments. (See Appendix 2.)

and quality. As a result of these improvements, Opportunity partner-financed schools are valued by both the families they serve and the broader community.

3.1 Parents Factor Distance, Cost, Safety, and Quality into School Choice

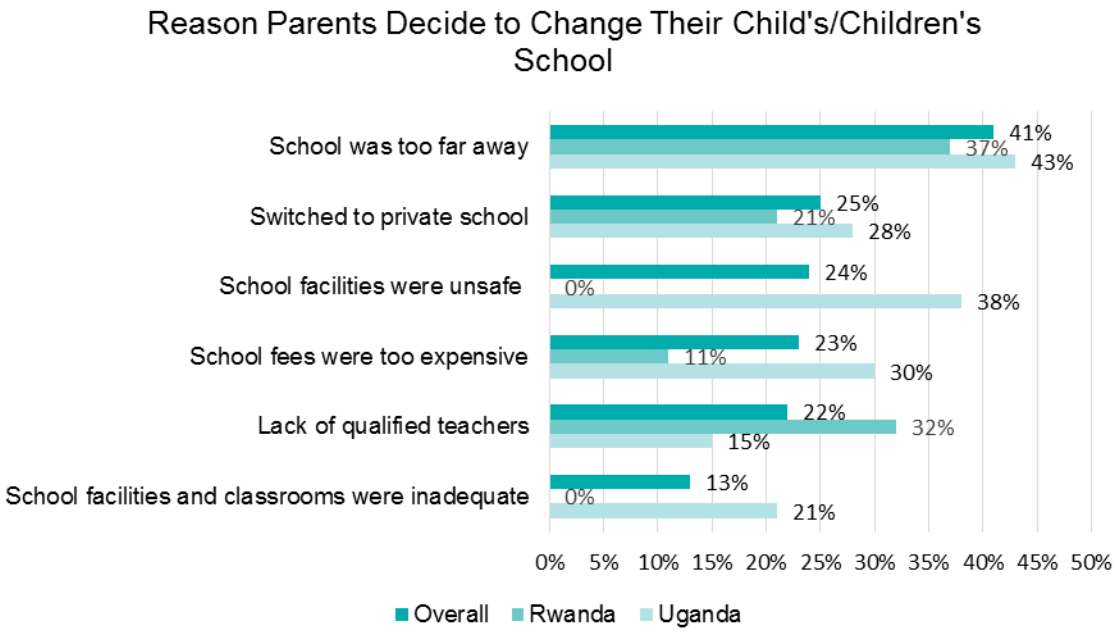
Parents are working hard to keep their children in school. Among parents interviewed, the vast majority (85%) have all of their children enrolled in school.[9] Of the remaining 15%, parents reported that the majority of these children are not in school because they are not old enough to attend yet. Only two parents (1.7%), both in Uganda, said they had children who were not currently in school—with both of these two parents citing school fees as the reason their children were not currently enrolled.

Parents jointly consider key issues such as distance, cost, safety, and quality to be key drivers of school choice. The majority of parents said that they made the decision about where to send their children to school jointly with their spouse (83%),[10] indicating that parents are jointly invested in ensuring that their children receive a high-quality education. (However, only 2% of parents said they included their child in the process of choosing a school.) In Uganda, 57% of parents said good academic performance was the major reason that attracted them to a particular private school,[11] with additional factors including qualified and motivated teachers, accessibility of the private schools, good administration and presence of good/spacious buildings and classrooms in private schools. Ugandan parents explained that all these factors combined make private schools a better option for educating their children than the public schools available.

[9] This cannot be taken as representative of the entire population of either country, as parents were selected because they had at least one child enrolled at an Opportunity partner-financed school.
[10] 76.3% of parents in Uganda, 94% of parents in Rwanda.
[11] For this particular survey question, quality of education and related factors, such as quality of teachers, is a matter of parent perception. One could argue that low levels of education among parents themselves may not make them the best judges of education quality. (For example, good grades can be an indicator of lenient grading or easy curriculum, rather than good teaching staff.) However, select narratives from parents, such as a story about one of their children in private school helping a sibling in public school with their homework, demonstrate a certain level of parental understanding concerning education quality.

Parents continue to evaluate these key issues once their students are enrolled, and will switch their child's school if they believe another school is better suited to meet their child's needs. Over half of parents (61%) reported having moved their child from one school to another in the past three years, with most of these changes being from one private school to another. The most commonly mentioned factor for choosing to send their child to a new school was distance, with 41% of parents stating that their children used to travel too far to get to their previous school. In Rwanda, the second largest factor in a school switch was a lack of qualified teachers (32%), whereas in Uganda the second most important factor was building safety (38%). (See Figure 5.)

Figure 5 Reason Parents Decide to Change Their Child's School – Percent of Total Respondents



Parents are active, thoughtful education consumers creating a demand for low-cost, private education. Parents are taking joint responsibility in the decision of where to send their children to school, and together consider a diverse range of factors when choosing a school for their children. These factors include proximity, quality, and safety in addition to cost. Finally, parents remain attuned to the situation at their children's school and will relocate them to another nearby school if they believe another more suitable option exists.

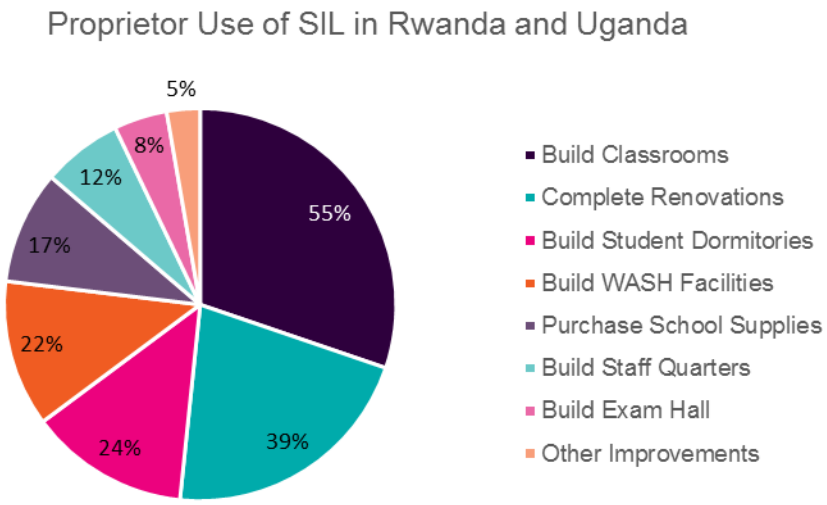
3.2 Proprietors Use SILs to Address Distance, Cost, Safety, and Quality at Their Schools

School proprietors use SILs to address the key factors that parents consider when choosing a school, enabling them to remain competitive compared to other schooling options in the community. This competition drives access to an increased quality of education for children in low-income communities by addressing the major factors parents consider, namely the distance, cost, safety, and quality of schools. This section outlines reviews the most common

improvements undertaken by school proprietors, then outlines how these improvements address key factors considered by parents.

Completing infrastructure improvements helps schools improve access to quality education for children in low-income communities while addressing key factors cited by parents. The majority of schools (55%) used their SIL to build more classrooms, with the next most common renovation being school renovations (39%) – including improvements such as painting the school building, cementing and plastering old classrooms, and putting up new fences around the school. (See Figure 6.) Building more classrooms allows proprietors to keep class sizes small while still growing the number of students enrolled and grade levels offered. Renovations are more than purely cosmetic. Rather, these improvements to school infrastructure increase the security and safety of school premises. Other improvements, such as the building of student dormitories (24%) and gender-separated washrooms (22%), are also linked with increased safety at schools.

Figure 6 Proprietor Use of SIL in Rwanda and Uganda



3.2.1 Distance and Safety In-Transit are Addressed by Building Dorms and Buying School Buses

The issue of distance and security in transit can be remedied in three ways: first, the provision of school transportation; second, the construction of dormitories; and third, the selection of a private school in walking distance.

School proprietors are offering a shuttle service and building dorms for students. Some school proprietors in Uganda have begun offering a school shuttle service (35% of proprietors interviewed), particularly for students that live over 30 minutes away (15% of Ugandan parents interviewed). However, these proprietors reported that not all parents of children from far places can afford the van services, which cost between $14 and $56 per term (UGX 50,000 to UGX

200,000).[12] Other proprietors have built dormitories to house student during the school week so they do not have to spend significant time each day travelling to and from school.

By building student dormitories, proprietors eliminate the safety risks faced by children travelling to and from school. The majority of financed schools in Uganda (75%) offered families the option of a boarding facility but did not mandate it (i.e. "mixed" schools). The proprietors explained that the preference for mixed schools was meant to address the needs of both the students living in distant locations while also accommodating the low income parents who may not be able to afford the boarding fees. Only one Ugandan school studied, an all-girls school, was boarding-only. The proprietor had made the boarding of all of their students mandatory to ensure the safety of their students by reducing risk in travelling to and from school (particularly for students who would have to travel long distances).

For families that cannot afford the cost of transportation or boarding, schools in walking distance are necessary. According to parents surveyed, the vast majority of students (88%) walk to and from school every day. Apart from time spent traveling to and from school, safety on the way is also an important issue that parents consider. In general, students in Rwanda had to travel further to school, with 84% of students traveling 10-30 minutes to get to school. In comparison, 42% of students in Uganda travelled 10-30 minutes, and 43% of students were less than ten minutes away from school.

Fortunately, low-cost, private schools are becoming increasingly available in communities. In Uganda, 84% of school proprietors interviewed said that students would be able to continue their education at another private school if for some reason their school closed and 60% of proprietors said the nearest school that could serve as an alternative to theirs was one kilometer away, or less. In Rwanda, parents with students at 90% of the school said that there was both a private and public school option available within close proximity. However, Rwandan parents reported, on average, that they have more private schools in close proximity than public schools. (See Figure 5.) Only 6.6% of proprietors in Uganda expressed concern that distance or cost of school fees would keep their students out of school, should their own school close.

As demand for schools increases, so does the demand for options closer to home. Private schools outnumber public schools in communities, making them a better option in terms of proximity. In both Rwanda and Uganda, government initiatives over the past two decades to achieve universal primary and secondary enrollment have greatly increased the number of students seeking enrollment in both public and private schools – often negatively affecting the quality of schooling in the process.[13] Parents' continued demand for schools in walking distance means that more private schools are opening in communities, fostering competition between nearby schools and driving an increase in the quality of education provided.[14]

---

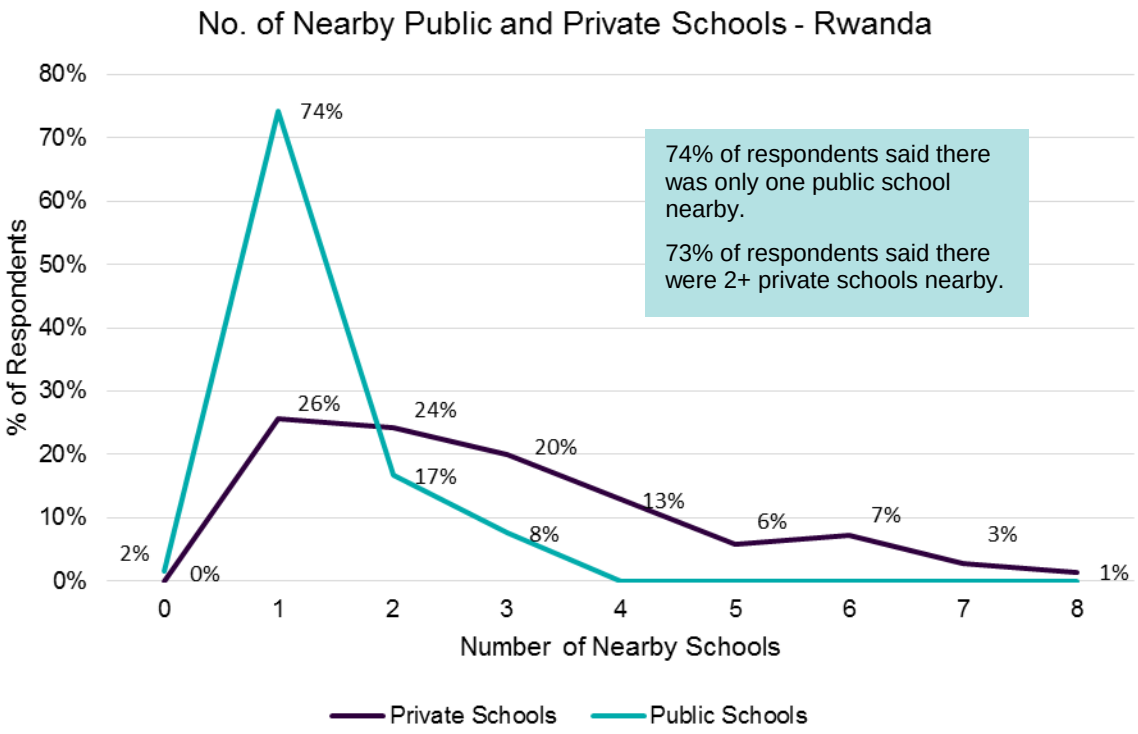
[12] Although this study does not directly measure parent income, proprietors and parents reporting the inability to afford school fees or additional relatively low costs of this sort aide our understanding of the income level of families served at financed schools.

[13] In Rwanda, the "Education for All," along with the "9-and 12-Years Basic Education" policies in 2009 and 2012 increased school enrollment, average class size, and the demand on public school teachers. In Uganda, the government launched universal primary and secondary enrollment initiatives in 1997 and 2007, respectively. This led to a significant increase in school enrollment rates nation-wide.

[14] Opportunity's SIL product can work to improve the quality of these schools once established but does not provide "seed capital" loans to recent start-ups.

Among Rwandan parents interviewed, 74% said that there was one public school nearby and 73% of parents said there were two or more private school options nearby. (See Figure 7.) When more private school options are accessible to parents, it reduces the strain on the public school system. When parents prefer schooling options that are close to home, it stimulates further demand for a growing number low-cost private schooling options. For EduFinance, this demand for low-cost, quality private schools also means a greater demand from proprietors for SILs to improve the quality—and competitiveness—of their schools.

Figure 7 Number of Nearby Schools, Reported by Rwandan Parents



3.2.2 Cost is Addressed by Market Competition and School Expansion

Proprietors are motivated to keep school fees affordable for low-income families for two main reasons. First, there are a growing number of private school options available to parents, thus driving greater competition and the need to keep school fees affordable. As a result, proprietors can increase their revenue by increasing enrollment at their schools. The following section outlines how proprietors have successfully increased revenue through sustained growth.

Families struggle to pay school fees on time. Families are charged an average of $42 (34,800 RWF) in Rwanda and $56 in Uganda per term for school fees. All parents interviewed in Rwanda stated that school fees were difficult to afford and 23% of parents in Rwanda and Uganda said that school fees were a factor when changing their child's school.[15] As addressed

[15] The continued struggle parents face to afford to pay school fee loans demonstrates the remaining relevance of the SFL as a tool to help parents access quality education for their children.

in Section 2.2, affordability is often an issue of on-time payment rather than amount for parents, due to the irregular nature of their income streams.

School proprietors understand that when school fees are too expensive, children are forced to drop out of school. As a result, proprietors look for ways to grow their school rather than increasing expenses. 100% of Ugandan proprietors interviewed said that the payment of school fees was the main reason children in their community are out of school. Rather than driving down enrollment by raising school fees, school proprietors look to grow enrollment, thus increasing revenue from school fees at their existing rates.

SILs help proprietors build more classrooms to accommodate increased enrollment without negatively impacting class sizes. This translates to healthy, sustained growth for the school and an increase in the number of children who have access to a quality education. Just over half (55%) of proprietors reported using an SIL to build more classrooms. Building new classrooms at these schools corresponded with an increase in enrollment, a decrease in average class size, and a decrease in the student to teacher ratio. (See Table 3.) Schools studied experienced an average growth in enrollment of 17% the first year and 18% the second year. Despite this increase in enrollment, average class size remained consistent year to year and the student teacher ratio decreased 13% between 2014 and 2016 from an average of 24:1 to 21:1. By comparison, the average class size for primary school students at public schools is 43.4 students in Rwanda and 51.1 in Uganda.[16] This shows that the school proprietors' focus on growing revenue through increased enrollment does not necessarily mean that the education environment will suffer as a result.

Table 3: Increase in Student Enrollment, Average Class Size, and Student:Teacher Ratio

Country	2014	2015	2016
	Average # Students Enrolled		
Uganda	321	352	385
Rwanda	97	136	192
Average:	209	244	289
	Average Class Size[17]		
Uganda	36	36	35
Rwanda	-	21	22
Average:	-	29	29
	# Students Per Teacher		
Uganda	22	21	20
Rwanda	26	25	21
Average:	24	23	21

3.2.3 Safety and Adequacy of Facilities is Addressed by Construction and Renovation of Facilities

[16] UNESCO Institute for Statistics: Average class sizes in primary schools (number of pupils). Using most recently reported data: Rwanda, 2012; Uganda 2011.
[17] In Uganda, the Ministry of Education recommends a maximum of 40 students per class.

The majority of proprietors report using an SIL to build or renovate school facilities. School proprietors in Uganda highlighted that school renovations give the schools a new outlook that attracts new students to the school.

Renovations such as perimeter fences improve the visual appearance and safety of school facilities. This was the case with St. Florence Secondary School that painted their fence and enclosed it with a new gate. The bursar explained that this gave parents an assurance that their children are now being kept safe while at school since they could not easily leave school premises without permission from the administration.

Routine repairs improve the visual appearance and adequacy of school infrastructure. Proprietors report using an SIL to complete renovations (39%) and purchase school supplies (17%). Common renovations include expanding the size of classrooms, or improving the appearance of facilities by plastering walls, finishing the windows (adding screen and/or glass), and adding doors.

After receiving an SIL, many proprietors chose to hire staff members to increase the security of the school. These include jobs such as gate keepers and security guards. (See Section 3.2.4)

3.2.4 Quality of the School is Addressed by Supplying and Staffing Adequate Learning Environments

When school proprietors use a SIL to make improvements to their schools' learning environments, they are able to positively affect the learning outcomes of the students at their school. Proprietors improve their schools' learning environments by improving the safety and adequacy of facilities (see Section 3.2.3), providing additional learning aides and materials, and hiring additional staff. These three areas of improvement align with parents' perceptions of the factors that have led to positive change in their students' academic performance over the last two years, namely the presence of qualified teachers at the school (78%), improved school facilities (14%), and good school administration (13%) as attributes that have led to positive change in their students' academic performance over the last two years.[18]

Improving school facilities and purchasing teaching materials benefits the learning environment for students. Ugandan proprietors noted, in particular, that building more spacious classrooms allows teachers to more easily manage and teach students. One proprietor also noted that spacious benefits also allow for learning materials to be more easily displayed. This can include renovations, such as plastering building walls, which makes it easier to attach posters or paint learning aides directly onto the walls. (See photo.)

Parents and proprietors notice an improvement in students' learning outcomes following infrastructure improvements made with a SIL. On the whole, most parents and proprietors observed positive change in their students' performance. One proprietor in Uganda commented that, "The pupils can now benefit from learning aides that are displayed in the classrooms which help them understand subjects taught more as they can be reminded through reading the charts." These findings largely correspond with the midline results from an evaluation conducted in Uganda in 2016, which found that girls attending financed schools showed 61% greater

[18] Data from Ugandan parents only.

improvements in literacy and 40% greater improvements in numeracy over girls at non-financed schools.

A newly-painted school in Uganda with Anatomy, Civics, and Geometry teaching aides

In Rwanda, parents, proprietors, and bank staff all noticed positive changes to student performance, as well. Parents noticed these changes through their children's grades and aptitude in English. Several parents even commented on how their children attending private school were helping their siblings who attended public school with their homework. Rwandan proprietors attributed these positive changes in performance to the increased availability of resources, improved infrastructure of the school, and ability to hire higher-quality teachers.

As schools increase enrollment and improve financial stability, they hire more highly-qualified teachers. SILs allow for healthy growth that maintains the financial sustainability of the business-side of the school. This allows proprietors to pay teachers' salaries on time, thus attracting higher quality teachers. The majority (70%) of responding proprietors said that they were able to pay their teachers on time, and parents cited the presence of qualified teachers as the main reason their children's learning outcomes had improved in recent years (78%).

Among interviewed schools, new teaching positions represented 22% of all new full and part time hires.Proprietors noted that the increase in teaching was commensurate with the additional classrooms built. As such, the ratio of students to teachers also improved over the duration of the School Improvement Loan. (See Section 3.2.2) In Uganda, a combined total of 40 teachers were hired between the 75 schools. The majority of these positions (78%) were full time. In

Rwanda, (with only 8 of the 10 schools supplying data), a combined total of 44 teachers were hired into full and part time positions – an average of five and a half new teachers hired per school. This is particularly impressive, given that in Rwanda the average number of teachers per financed school was ten in 2016.

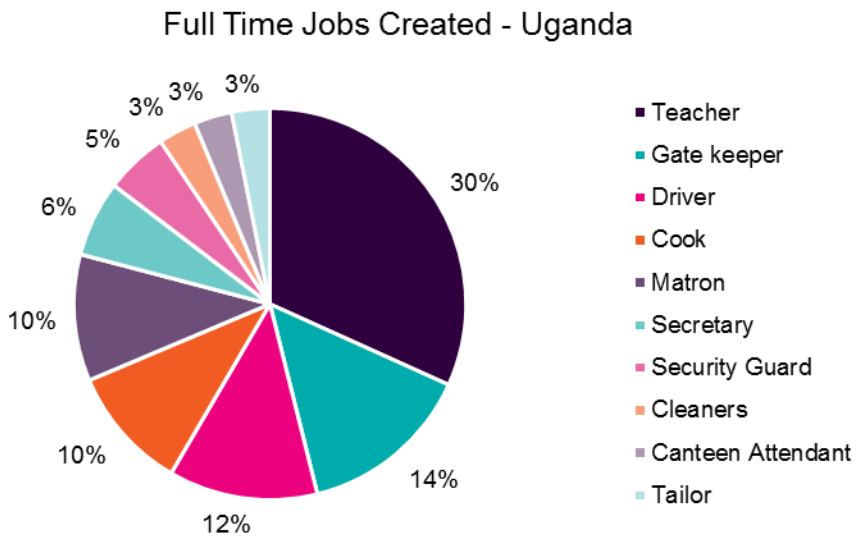
Additionally, this study found that schools in Rwanda are working towards gender-inclusive hiring practices for teachers. While historical information about the gender composition of schools' student and teacher populations was limited, several proprietors in Rwanda noted that their teachers are usually female. Over time, all but one of these proprietors was able to improve the gender balance of their teachers and hire more male instructors.

As schools increase enrollment, they hire additional staff to keep their growing schools operating smoothly. The following section outlines Opportunity's exploratory research to-date on how financing private schools through the SIL product ultimately leads to job creation in the community. Based on these limited sample sizes, we cannot claim any sort of ratio or algorithm at this point in time, but all research to-date confirms Opportunity's hypothesis that schools sustain and create jobs, thus fueling economic growth.

Growing private schools create jobs within their schools. An estimated 185 jobs (102 full time, 83 part time jobs) were created within the 75 financed schools studied in Uganda from 2014-2016 – an average of 2.5 new jobs per school.

Among full time hires, 70% were non-teaching staff. Other new full time positions created included gate keepers, drivers for the school vans, and cooks and matrons (as a result of constructing new boarding facilities). (See Figure 8.)

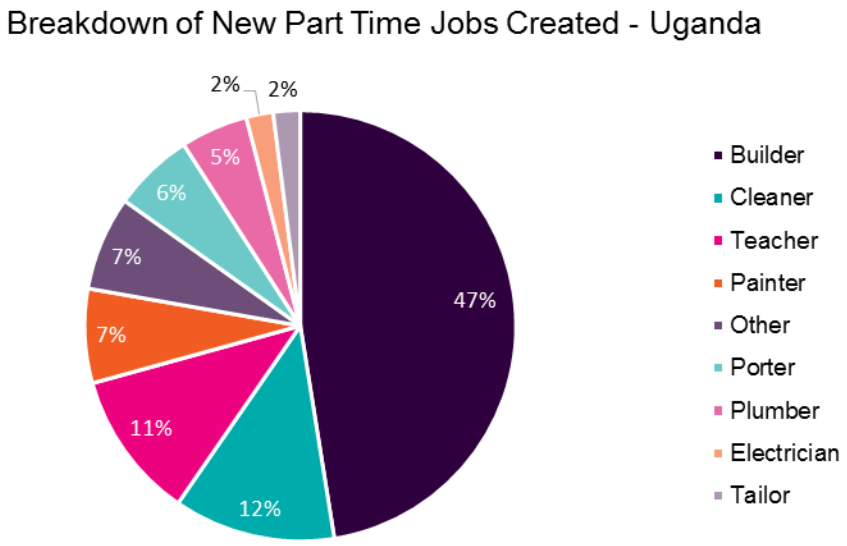
Figure 8 Breakdown of Full Time Jobs Created - Uganda



*2% or fewer jobs created for bursars, librarians, counsellors, and school nurses.

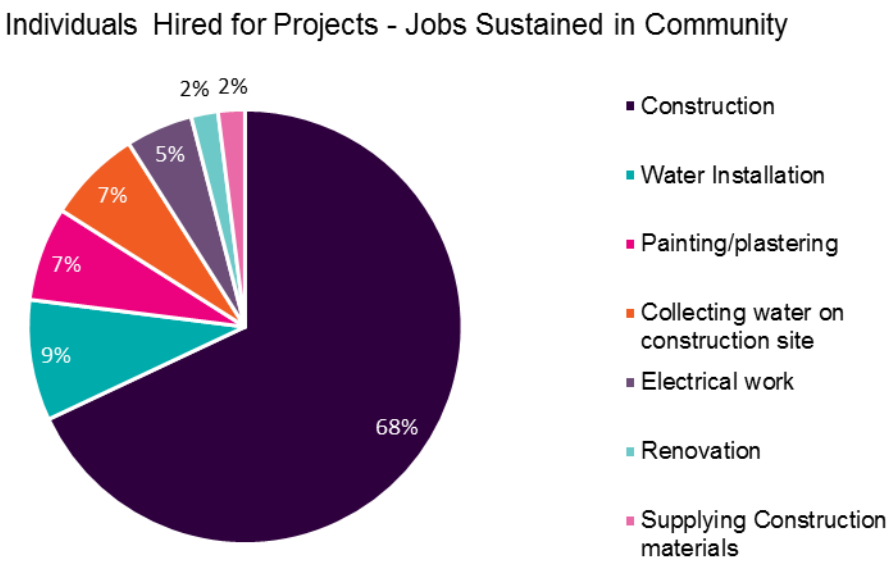
Part time hires included all individuals hired directly by the school to work on an ongoing basis. These hires included a mix of teaching and support staff, along with construction and maintenance workers. (See Figure 9.)

Figure 9 Breakdown of Part Time Jobs Created - Uganda



Growing private schools create and sustain jobs within the broader community by creating demand for certain businesses and thus stimulating economic growth within their communities. These businesses include retail shops dealing in school items like books and pens, food kiosks, and barber shops. Proprietors also mentioned that they get labor from within their communities including builders, painters, cleaners, plumbers whenever a school improvement project is undertaken. Rwandan proprietors also made a point to share that they prefer working with local when available for the provision of school supplies and materials. In Uganda, the 75 schools contracted a total of 44 individuals, all in jobs related to construction or renovation work. (See Figure 10.)

Figure 10 Project Hires, Jobs Sustained in Community - Uganda

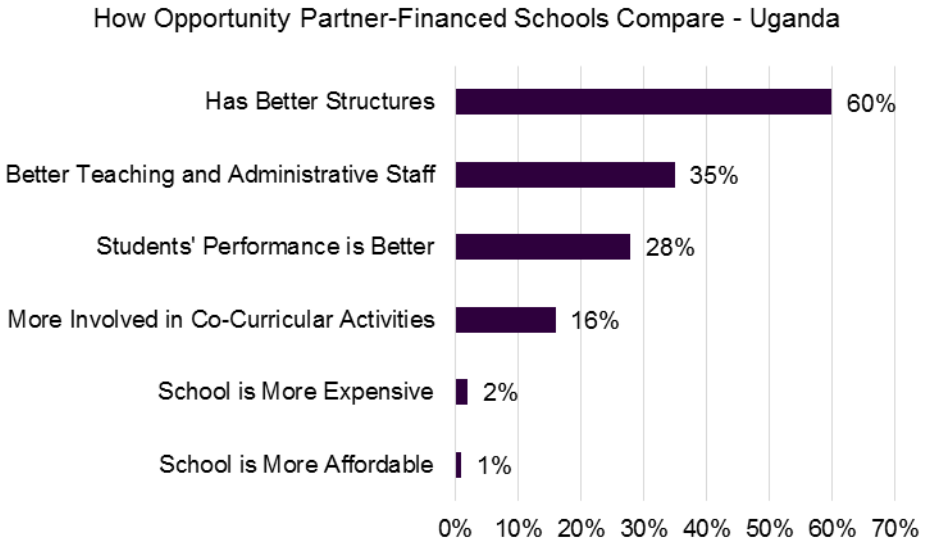


These job creation findings are comparable to previous research Opportunity has conducted – a solid step towards quantifying the creation of jobs as a result of SIL loans. These results are quite similar to a previous study conducted in 2016 in Uganda, which found that a SIL created an average of 3.9 new jobs and 7.9 temporary construction jobs (for 2.2 months) at the school itself, and an estimated 6.79 jobs in the surrounding community. As a whole, these studies demonstrate that schools have significant power to stimulate economic growth by creating jobs and purchasing materials and services from local businesses – the full effects of which Opportunity is just beginning to measure and understand fully.

3.3 Schools Using SILs are Valued by Families and the Broader Community

Parents are very satisfied with the leadership, facilities, and education quality at schools financed by Opportunity partners and view them favorably in comparison to non-financed schools. When asked how specifically the school compared with other schools in the community, 60% of parents in Uganda identified better facilities, which contribute to a good learning environment in schools. Other common responses included better teaching staff and academic performance at the school where they are sending their child. (See Figure 11.)

Figure 11 Opportunity-Financed Schools Compared with Other Schools - Uganda



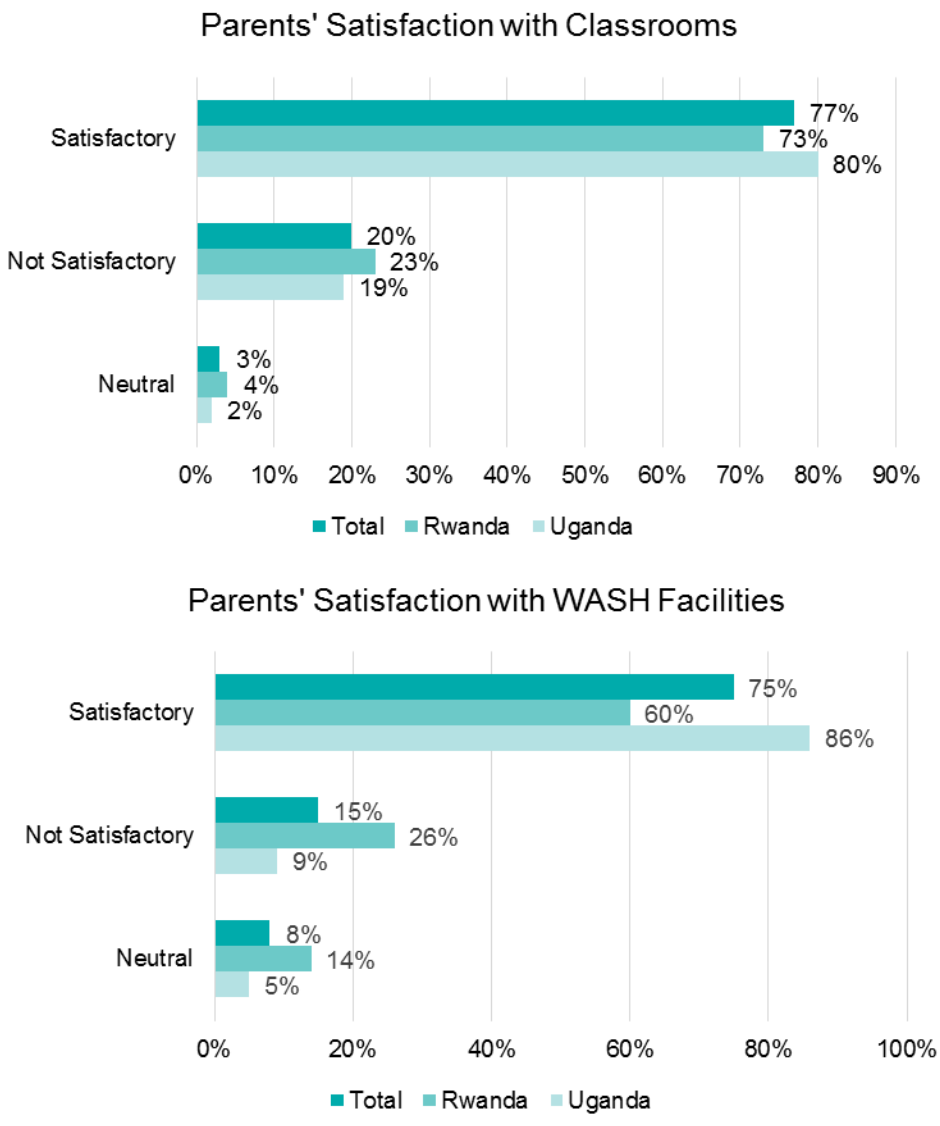
Parents in Rwanda and Uganda are highly satisfied with the leadership at Opportunity partner-financed schools. The vast majority (96%) of parents in Rwanda and Uganda expressed satisfaction with the leadership and management at the Opportunity-financed schools that their children attended. Parents feel that they are well-treated by the administration and appreciate the school leadership's transparency in sharing information about the school's academic progress and performance of their children.

In Rwanda, parents attributed their satisfaction to a cooperative and collaborative relationship with school leadership along with flexibility in paying school fees. Parents also believed that their children were being treated well and appreciated individualized "coaching" in school

subjects. One parent explained, “The administration of the school struggles for the success of each and every child attending the school through a coaching program that is given to pupils who show weakness in some lessons/courses.”

Parents are largely satisfied with the state of school facilities. The majority of parents were also satisfied with the state of classrooms (77%) and WASH Facilities (75%). (See Figures 12 and 13.) Parents expressing dissatisfaction made reference to the size of classrooms or number of toilets compared to enrollment, and the state of the infrastructure – commenting on the age of the toilets, or the lack of finished classrooms. (Including plastered walls, windows, and doors.) Parents in Rwanda also commented on the lack of classroom supplies.

Figures 12 & 13 Parents’ Satisfaction with Classrooms and WASH Facilities



Parents remain observant of their children’s school—thus demonstrating an ongoing need for the SIL product if local private schools want to continue providing competitive

services to their community. However, despite their overall approval, in Uganda 72% of parents believed that their child's school needed to make further infrastructure improvements, 26% believed that the school should hire more teachers, and 18% believed that school supplies were lacking. When asked specifically how Opportunity-financed schools compared with other schools in the community, Rwandan parents largely expressed gratitude for the attention teachers paid to the learning and progress of their children. They were also very proud, since their children were able to compete "…among big private expensive schools…" which demonstrated quality. Opportunity Bank staff noted that successful SIL clients are those who are motivated by a passion for education. They have seen how this translates into a higher quality of education than what is offered by local public schools, in particular: "National Exam was easy (for students of Opportunity schools) because the schools we are partnering with are at the top of the class, I was shocked when I saw that students from public school are still struggling … [where some public schools have] a class of 70 and there would be nobody who passes"

School proprietors in both Rwanda and Uganda also reported high levels of collaboration between their private school and local community leadership, with most proprietors saying that local leadership has been supportive of both emerging and established private schools. This relationship with local government officials reflects the mutual understanding of common goals between education stakeholders. Every proprietor reported a positive relationship with community leaders, with two school owners in Rwanda serving as community leaders in their own right.

SILs have also improved the relationship between school owners and District Education officers as well as the Ministry of Education. By receiving an SIL, school proprietors are able to make necessary improvements to their school to meet government regulations and standards. In fact, two school proprietors in Rwanda reported receiving a provisional operating license due to a lack of infrastructure, but an SIL is helping them meet the requirements for a permanent educational operating license. SILs have also proved helpful for proprietors as government regulations change suddenly—a great difficulty when proprietors have not been able to plan ahead financially for these changes. For example, a recent regulation in Rwanda now requires schools to separate certain subjects and grade levels into different buildings.

4 Conclusion

This research demonstrates that parents are highly engaged in the process of identifying nearby, low-cost, safe, quality private schooling for their children. Moreover, proprietors are in tune with these parental concerns, and use SILs to improve their schools accordingly. As a result, parents are highly satisfied with the quality of education their children are receiving, government officials are excited by the steps taken by the private sector to actively provide quality education to low-income individuals, and economic growth is stimulated in local communities. In this manner, Opportunity's SIL product is able to help children complete a quality education and make concrete steps towards alleviating poverty in the developing world.

Appendix 1: Data Sets

Table 4: Average Level of Schooling Among Parents: Rwanda and Uganda

Country	No Schooling	Only Primary	Completed S4	Completed S6	Completed University	Higher Education
Uganda (118)	8 (7%)	46 (39%)	43 (36%)	13 (11%)	3 (3%)	5 (4%)
Female (85)	6 (7%)	39 (46%)	28 (33%)	7 (8%)	1 (1%)	4 (5%)
Male (33)	2 (6%)	7 (21%)	15 (46%)	6 (18%)	2 (6%)	1 (3%)
Rwanda (72)	3 (4%)	31 (43%)	19 (26%)	11 (15%)	8 (11%)	0
Female (17)	2 (12%)	7 (41%)	4 (24%)	3 (18%)	1 (6%)	0
Male (55)	1 (2%)	24 (44%)	15 (27%)	8 (15%)	7 (13%)	0
Grand Total (190)	11 (6%)	77 (41%)	62 (33%)	24 (13%)	11 (6%)	5 (3%)
Female (102)	8 (8%)	46 (45%)	32 (31%)	10 (10%)	2 (2%)	4 (4%)
Male (88)	3 (3%)	31 (35%)	30 (34%)	14 (16%)	9 (10%)	1 (1%)

Table 5: Employment of Parents Served by Financed Schools

Country	Studying/ Training	Informal Economy	Self-Employed Retail	Self-Employed Services	Self-Employed Ag	Employed Public Sector	Employed Private Sector	Unemployed	Part Time/Casual	Other	Retired
Uganda (118)	1 (1%)	6 (5%)	21 (18%)	43 (36%)	16 (14%)	3 (3%)	16 (14%)	12 (10%)	0	0	0
Rwanda (65)	0	0	6 (9%)	11 (17%)	8 (12%)	5 (8%)	21 (32%)	9 (14%)	3 (5%)	1 (2%)	1 (2%)
Female (17)			4 (24%)	2 (12%)	2 (12%)	0	3 (18%)	5 (29%)	0	0	1 (6%)
Male (48)			2 (4%)	9 (16%)	6 (11%)	5 (9%)	18 (33%)	4 (7%)	3 (18%)	1 (2%)	0
Total (183)	1 (0.5%)	6 (3%)	27 (15%)	54 (30%)	24 (13%)	8 (4%)	37 (20%)	21 (11%)	3 (2%)	1 (0.5%)	1 (0.5%)

Table 6: Reason Parents Decided to Change Their Child's/Children's School – Percent of total respondents

Country	Distance	Lack of Qualified Teachers	Switched Private/Public	School Fees Too Expensive	Building Safety	Adequate Classrooms & Facilities
Uganda (118)	51 (43%)	18 (15%)	33 (28%)	35 (30%)	45 (38%)	25 (21%)
Rwanda (72)	27 (37%)	23 (32%)	15 (21%)	8 (11%)	0	0
Total: 190	78 (41%)	41 (22%)	48 (25%)	43 (23%)	45 (24%)	25 (13%)

Table 7: Nearest Public and Private Schools, As Reported by Parents - Rwanda

Number of nearest schools	Private Schools	Public Schools
0	0	1
1	18	49
2	17	11
3	14	5
4	9	0
5	4	0
6	5	0
7	2	0
8	1	0

Table 8: School Proprietors' Highest Level of Education

Country	Primary Only	Completed S.4	Completed S.6	Completed University	Higher Education
Uganda (OBUL)	1 (1.3%)	7 (9.3%)	2 (2.6%)	40 (53.3%)	25 (33.3%)
Rwanda (UOB)	1 (10%)	0 (0%)	1 (10%)	7 (70%)	1 (10%)
Total: 85	2 (2.4%)	7 (8.2%)	3 (3.5%)	47 (55.3%)	26 (30.6%)

Table 9: Percent of School Proprietor's Income Coming from Their School

Country	0%-25%	26% - 50%	51% - 75%	76% - 100%
Uganda (OBUL)	8 (10.4%)	22 (28.6%)	17 (22.1%)	28 (39.0%)
Rwanda (UOB)	4 (40%)	2 (20%)	1 (10%)	3 (30%)
Total: 85	12 (14.1%)	24 (28.2%)	18 (21.2%)	31 (36.5%)

Table 10: Proprietor Use of School Improvement Loan

Full time Job created	Primary	Secondary	TOTAL
Teaching staff	24	7	31
Non- teaching staff	60	11	71
Total	**84**	**18**	**102**

Table 11: Full Time Jobs Created – Teaching and Non-teaching

Country	Built Classrooms	WASH Facility	Built Staff Quarters	Purchase Supplies	School Renovations	Build Dorms	Build Exam Hall	Other
Uganda (75)	38 (54%)	16 (23)	8 (11%)	13 (20%)	33 (49%)	20 (29%)	7 (10%)	4 (6%)
Rwanda (10)	9 (90%)	3 (30%)	2 (20%)	1 (10%)	0	0	0	0
Total: 85	47 (55%)	19 (22%)	10 (12%)	14 (17%)	33 (39%)	20 (24%)	7 (8%)	4 (5%)

Table 12: Breakdown of Non-Teaching Full Time Jobs Created

Position created	Type of school		
	Primary school	Secondary school	Total
Gate keeper	12	2	14

Driver	10	2	12
Cook	9	1	10
Matron	9	1	10
Security guard	5	0	5
Librarian	1	0	1
Counsellor	0	1	1
Tailor	3	0	3
School nurse	1	0	1
Bursar	0	2	2
Secretary	4	2	6
Cleaners	3	0	3
Canteen attendant	3	0	3
Total	**60**	**11**	**71**

Table 13: Breakdown of New Part Time Jobs Created

Jobs	Type of school		
	Primary school	Secondary school	Total
Teachers	6	3	9
Builders	33	6	39
Porter	4	1	5
Plumber	3	1	4
Electrician	1	1	2
Cleaner	7	3	10
Tailor	2	0	2
Painters	5	1	6
Others	6	0	6
Total	**67**	**16**	**83**

Table 14: Individuals Hired for Projects – Jobs Sustained in Community

Project	Number of jobs	Percent
Construction	30	68%
Renovation	1	2%
Painting/plastering	3	7%
Electric installation/repairs	2	5%
Supply of construction materials	1	2%
Collecting water on construction site	3	7%
Water installation	4	9%
Total	44	100%

Appendix 2: Parent Use of Financial Products

Parents of students at financed schools are unlikely to make use of the EduFinance school fee loan product or other bank services. In Rwanda, only 11% of parents have a savings account with the partner bank. Of this 11%, none of the parents had accessed a school fee loan. However, 99% of respondents said that the school fee loan would be beneficial to them, specifically that it would reduce their stress over sending their children to school – demonstrating a high-potential market. Responses were comparable in Uganda, where 9% of parents interviewed had savings accounts with OBUL. Only one out of 118 respondents had accessed a school fee loan.