

Support to low fee private sector education

Scoping mission report

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Executive Summary

DFID Nigeria has commissioned a scoping mission to assess the current state of the education market in Lagos State, focused on low-cost private schools, and to outline the nature of any future programme to improve the performance of the market. From the outset, the mission adopted a making markets work for the poor (M4P) perspective.

The key findings of the scoping mission are as follows.

The education market in Lagos

The mission focused on education at nursery (ages 2-5), primary (6-11) and junior secondary (12-14) levels.

- Within these categories, the nursery (81%) and primary (61%) market is increasingly dominated by private schools. At junior secondary level, government provision (66%) still predominates.
- Most private schools are at the nursery/primary levels, are low-cost, unapproved, with 100-200 pupils (smaller than government schools), emphasise pre-school nursery classes in their offer, and charge fees in a spectrum ranging from N2,000 to N15,000. In number, private schools have been growing by up to 1000 per year recently.
- Private schools are seen widely to be 'better' than government schools, not because the teaching process is different (it's broadly the same) but because of their direct accountability and more productive working culture.
- In this context, while access levels are still problematic at junior secondary level (20-30% out-of-school), at a primary level, the proportion of out-of-school children is relatively low (close to 3%).
- The main problem facing the education system however is the low quality of learning achievement. Children are generally attending school, yes, but educational outcomes are poor, and not serving the best interests either of the children or Lagos as a whole.

What are the main reasons for this situation? What's prevented the education market system from addressing these issues? Putting an M4P 'lens' onto the education market highlights a complex market system with a number of inter-related constraints. Simplifying, these can be categorized into two groups:

Game-changing constraints

These are related to the 'rules of the game' that shape the behaviour of key players in the education market system. Specifically it means the values and norms growing out of the political economy which shape the stance of government in education and have limited its effectiveness in developing a more appropriate enabling role. This is manifested in, among other ways, the inadequate guidelines for private schools. It also relates to the expectations and power of parents.

In order for these to be addressed, processes of dialogue and advocacy need to be enhanced and more appropriate information be made available, allowing parents and schools to go

beyond their current limited horizons. Change here has the potential to permeate through the whole system.

Narrower supporting functions

The second set of constraints includes a diversity of factors, relating to, for example, finance, capacity development services and assessment. These are of secondary importance for a number of reasons. In some cases, (such as finance or assessment), significant change depends on change in the rules shaping the market. In other cases, there do not appear to be severe constraints (eg textbooks).

The programme

In order to improve the performance of the education system in Lagos, the above issues need to be addressed, especially priority game-changing constraints. A 'do- nothing' scenario, with no intervention, would imply a continuation of current trends, which would not deal with the system's key problems.

A 5-year education market development programme is proposed with an indicative budget of £15m. Its objective would be to enhance the performance of the Lagos education market system. The programme would:

- Focus directly on facilitating change in the environment around low cost private schools. It would seek to bring positive change to: (a) the supporting functions and rules impinging on schools and (b) the learning and knowledge base in relation to the education market and how to intervene to support systemic change.
- Bring change in the education market system by building on incentives and developing capacities to encourage innovation and change. This will be achieved by using development resources to address underlying constraints.
- While being unique in a number of respects, be comparable to other M4P programmes in relation to the challenges to be faced – a weak market system with a complex political economy and a diversity of players. The 'how-to good practices' which have emerged from these have equal relevance here to shape strategy and operations.

Two main organisation options can be considered:

- a project, contracted to a managing agent, and funded through an accountable grant; and
- the creation of a Nigerian company limited by guarantee, funded also by an accountable grant.

Each of these can be considered against a number of criteria including credibility/influence with stakeholders; potential for DFID influence/control; value for money, and timing.

Whatever organisational option is selected, the capacity and nature of the implementation entity would be similar. As would the intervention challenges it faces. A range of indicative intervention ideas are presented in the report.

In keeping with the analysis of constraints, the priority should be on interventions related to strategic engagement with government decision-makers, revision to guidelines, improved processes of public: private dialogue and relevant media development. Other interventions related to information for finance providers, school leadership development, assessment systems and demand-side financing are also outlined.

Glossary

AFED – Association of Formidable Educational Development
APEN – Association of Professional Educators
ARK – Absolute Return for Kids
CSD – Curriculum Services Directorate
DPESP – Department of Private Education and Special Programmes
DSF – demand-side financing
EFInA – Enhancing Financial Innovation and Access
ENABLE – Enhancing Advocacy for a Better Business Environment
ESSPIN – Education Sector Support Programme in Nigeria
GEMS – Growth and Equity in Market Systems
GER – gross enrollment rate
IFC – International Finance Corporation
JSS – junior secondary school
KG – kindergarten
LCPS – low cost private schools
MDA – ministries, departments and agencies
MDG – millennium development goal
M4P – making markets work for the poor/market systems approach
NAPPS – National Association of Proprietors of Private Schools
NEDS – Nigeria DHS EdData Survey
OND – ordinary national certificate
PrOpCom – Pro-poor Opportunities for Commodities and Service Markets
PTR – pupil teacher ratio
RAMP – Rural Agriculture Markets Programme
SABER – System Assessment and Benchmarking for Education Results
SAQMEQ – Southern and Eastern Africa Consortium for Monitoring Educational Quality
SAVI – State Accountability and Voice Initiative
SPARC – State Partnership for Accountability, Responsiveness and Capability
SUBEB – State Universal Basis Education Board
UBEC – Universal Basic Education Commission

1. Introduction

In October 2011, DFID Nigeria commissioned a team of consultants¹ to undertake a scoping mission on support to low fee private sector education in Lagos. The overall objective of the mission, as set out in the terms of reference, was to assess how DFID can support a making markets work for the poor (M4P) education programme in Lagos, including an outline of such a programme. More specifically, it aimed to:

- Assess the current state of the education market in Lagos State, with a detailed assessment of low-cost private schools
- Outline the structure of the proposed M4P programme, including intervention areas and budget required
- Develop a risk analysis including mitigation strategies.

In pursuit of these objectives, the team undertook a two-week mission to meet with key stakeholders in Lagos, including visiting a range of schools, and reviewing relevant documentation pertaining to education in Lagos. This report contains the key findings of the mission. Its structure follows the above terms of reference.

Section 2 summarises the context for the mission, including global trends in thinking and practice both in education and wider development fields, and more specific issues in Nigeria. In doing so, it clarifies the rationale for adopting an M4P approach to education in Lagos.

Section 3 provides an assessment of the current education market system in Lagos. It first sets out the M4P analytical framework used as the 'lens' for understanding the market. It then applies this framework to identify the current structure and characteristics of demand for and supply of education and the factors that are shaping this situation. By highlighting the key constraints facing education an agenda is set for any future programme to address.

Section 4 outlines some key features of a future programme. This includes its overall objectives, character and principles of operation and the main alternatives available in relation to programme implementation options. It also sets out a series of indicative intervention areas which a programme would be expected to consider.

Section 5 outlines the risk matrix, with mitigating strategies

Section 6 sets out key next steps in taking forward the main findings from the mission.

Annex 1, to provide some background for the mission, offers a brief comparison with SABER, the set of tools being developed by the World Bank which includes 'domains' on policy options relating to private education. Annex 2 lists stakeholders who have been consulted in the course of the task.

It is also appropriate to set out some caveats in relation to the report. First, it is a scoping mission – and not a programme design, and therefore makes no attempt to delve into detailed design issues. Rather it aims to provide a platform for any future programme design. Second, although there is a developing knowledge base on education in Lagos, much is not known, especially in relation to causal factors that impinge upon schooling. The report therefore needs to be seen within the time and resource constraints of the task. Finally, the report is for internal DFID use only; it is not intended for wider consumption.

¹ The team comprised Alan Gibson of the Springfield Centre (team leader), Joanna Härmä (independent consultant), Roger Cunningham (Cambridge Education) and Sarah Barlow (independent consultant).

2. The context: why take an M4P approach to education in Lagos?

This mission breaks new ground, certainly in the context of DFID and perhaps for development agencies generally, in taking a generic market systems approach and applying it directly to children's education. However, the rationale for taking this approach here springs directly from a number of identifiable factors. At the outset it is important to be clear why this mission has been tasked with approaching education in this way, and why this grows logically from consideration of these factors. The context for the mission set out in this section is therefore shaped by broader global trends in education and development, and by more specific issues in the Nigerian and Lagos context.

2.1 Wider trends in education – recognising the importance of the private sector

Within the education field, a number of trends can be identified over the last two decades.

Making public education work better

Following the UN Jomtien conference in 1990 the focus of attention was on basic education given the fact that a substantial proportion of children did not go to school, and even greater numbers did not complete a basic cycle. The emphasis was on basic education as a fundamental right and on the responsibility of governments to ensure education freely to all children, with 'ensure' being interpreted as 'provide'. The emphasis of donor support was on increasing the coverage of public education, a direction that was seen as synonymous with achieving the MDGs.

A renewed emphasis on quality

While the rush to boost enrolments resulted in increased participation, it also exerted enormous pressure on the system with a corresponding impact on quality. Specific problems include higher pupil teacher ratios, overcrowded classrooms, and a teaching force frequently poorly qualified and untrained and badly managed and motivated. More generally, public education systems have been beset by poor governance, are frequently captured by politicians and bureaucrats and are characterised by low levels of accountability giving rise to corruption, tolerance of low standards, and depressed public expectation. All of these factors have contributed to a sense of crisis of quality in schools – and of failure in donor support, a perception given voice in a number of reports².

The growth in private education

Chronic low performance of public education has given rise to the expansion of private education. Previously the option of the wealthier elites, increasing numbers of private schools charging low fees have opened to meet the demands of poorer sections of the population, who are either not satisfied with or not able to access poor and often dysfunctional government schools. In a number of urban environments, Lagos, Lahore and Karachi being three examples, enrolment in private primary schools now exceeds that of government schools: private schools have become the major provider, and the bulk of that provision is low cost and serves the poor³.

Recognising private schools – and rethinking approaches

Though the presence of private schools has been acknowledged for some time, international donor interest has been more recent. The influential World Development Report of 2004⁴ urged a rethink in donor approaches to 'public' services generally (not just education) and recognition of the pluralist reality of education systems. There are now examples of support

² Such as the 2005 EFA Global Monitoring Report: *The Quality Imperative* and, in the UK, in the House of Commons Committee of Public Accounts report *DFID's bilateral support to primary education* (2010)

³ The publication of *The Beautiful Tree* by James Tooley in 2009 threw further light on the low-cost private schools phenomenon.

⁴ *Making services work for poor people*

for public private partnerships through which government finance is used to support places in private schools, such as the Foundation model in Punjab, supported by DFID.

Growing interest and future challenges

Interest in private education on the part of donors is being guided largely by the view that engagement with the private sector can help create greater competition and efficiency among providers, promote flexibility in how education outcomes are delivered, offer better value for money by spreading risk and, in a context of limited efficacy in the public sector, open the door to developing more pluralist and practical approaches to education. Some of this interest is now emerging in the World Bank's set of tools and frameworks based on a more comprehensive view of education systems (SABER - see Annex 1) and the role of different stakeholders, including the state, within these. Although drawing on examples mainly from upper and middle-income countries, this does offer an indication of the forward direction of travel in education.

2.2 Education in Nigeria and in Lagos – poor performance but the private sector growing

Despite the possession of considerable oil wealth, Nigeria's education indicators are amongst the lowest in Sub-Saharan Africa. Currently it is estimated that there are 7-9 million school aged children not attending school, a disproportionate percentage of whom are girls. Within this overall bleak picture, there is great variation across the country with the south-west region (including Lagos) having the highest enrolment rates.

Since legislation was passed in 2004 establishing nine-year compulsory Universal Basic Education, the main sectoral focus of Federal and State governments has been an expansion of basic education to meet the MDGs. There has been a significant increase in investment in the basic education sector through State governments and through Federal sources such as the Universal Basic Education Commission (UBEC). However, this has had little success in improving performance. Access remains a problem, as do the low quality of education outcomes and the stark inequities in the system.

DFID support for education in Nigeria takes several forms. The Girls Education Programme, managed by UNICEF, works in four states and will expand to ten states, and plans are also being made for a teacher development programme. One key strand of DFID's support for education is the Education Sector Support Programme in Nigeria (ESSPIN), working in six states. ESSPIN's main focus is enhancing government as a provider of education. ESSPIN is especially important in Lagos.

ESSPIN's own research – and that of others – has shown that private schools are a major player on the Lagos education scene, dominating at the pre-primary and primary levels. In this context, it is clear that improving educational performance requires going beyond only state schools.

2.3 Wider trends in development – the emergence of market systems approaches

The experience of other development fields – particularly private sector development - in some ways mirrors that of education, although arguably at a slightly more developed stage of thinking and practice.

Recognition of weak achievement: the starting point for change in donor approaches to private sector development was recognition (in the 1990s) that much donor support for enterprise development was not proving successful⁵. On the one hand, direct support often distorted markets, at best creating isolated examples of short-term subsidised impact. On

⁵ Committee of Donor Agencies for Small Enterprise Development (2001); *Business development services for small enterprises: guiding principles for donor intervention*

the other, reform intended to change the framework conditions for development did not recognise that an 'enabling environment' was more than regulations but included information, appropriate services and, critically, the 'informal rules' that shape behaviour.

Recognition of changes in the real world: parallel with this acceptance of poor performance, donors began to realise that substantial reductions in poverty occurred where market systems were working effectively. Conversely, where they weren't, poor people suffered. Donor approaches, it was recognised, did not reflect this emerging reality.

Recognition of the poor in systems: from this experience, renewed emphasis was placed on how to (a) understand and (b) bring sustainable change to, the systems in which poor people exist. The market system

Box 1: Learning from wider experience with the informal sector

The excitement in recent years over the 'discovery' of low-cost private schools – especially inspired by the work of James Tooley and his team at Newcastle University (*The Beautiful Tree*) – has parallels with an earlier 'find'. In the 1970s, development agencies became aware of the informal sector in low income economies, the array of manufacturing and service micro-enterprises existing outside any regulatory framework, through the work of organisations such as the ILO and writers such as Kenneth King (*The African Artisan*).

As now, awareness of this source of enterprise and activity prompted much enthusiasm and a desire to, somehow, build on this energy. A wave of development projects focused on developing the micro and small enterprise sector and their associations.

What can development agencies learn from this experience that might be of relevance today as we become more aware of education's informal sector?

Three points stand out:

- While respecting the spirit of informal businesses, it is dangerous to overly-romanticise their potential. Many will remain stuck where they are; they don't have the capacity to grow.
- Don't focus on delivering directly to individual enterprises; energy and resources are lost by considering them as individual units.
- Consider the wider systems of which they are a part and seek to mainstream the informal sector within these. In the private sector development field, this learning took agencies first to sub-sector analysis, the value chain analysis and, most recently, to market system development (ie M4P)

framework and approaches to intervention consistent with it emerged from this rethink.

The broader message - markets as pluralist systems: at the centre of this learning and development has been a more practical view of markets as being comprised of multiple players undertaking multiple functions. Moreover, the relevance of this message for 'markets' in which there is a major public good dimension – such as education, health and water – became more apparent.

Learning from experience: trial and learning have provided evidence of impact and helped develop the approach. Much of this learning on systems approaches has been concentrated in the M4P approach and in particular in the set of (DFID-supported) publications produced in 2008⁶. There is now an emerging set of knowledge on the 'how to' of the approach, much of which has generic application.

For DFID, the number of programmes which explicitly or otherwise follow an M4P approach has grown and is reported to total £290m of programmes.

2.4. DFID Nigeria – taking a market systems approach in economic fields

Across an increasing number of initiatives around growth and economic development in Nigeria, DFID is pursuing a market systems approach. For example:

⁶ (1) A synthesis of the M4P approach; (2) Perspectives on the M4P approach; and (3) The operational guide for the M4P approach

- the Pro-poor Opportunities for Commodities and Service Markets (PrOpCom), which is just about to finish and will be reborn in a new Rural Agriculture Markets Programme (RAMP).
- the three DFID-supported GEMS (Growth and Employment in States) programmes in a range of systems including livestock and leather, construction, land and the investment climate.
- the ENABLE programme (Enhancing Advocacy for a Better Business Environment) focused on improving public: private dialogue
- the EFINA programme (Enhancing Financial Innovation and Access) aimed at financial services.

These programmes are at different levels of maturity but certainly in some – for example, ENABLE and PrOpCom - there have been positive indications of impact. In this context, adopting a similar approach to the challenge of making the education market in Lagos work more effectively builds on DFID's growing experience and provides coherence and consistency across its portfolio.

The above four factors together constitute a coherent basis for taking a M4P approach to examining the education market system in Lagos.

- Globally, there is increasing recognition of the importance of the private sector in education and this picture is mirrored in Nigeria, especially in Lagos.
- Among donors there is acknowledgement of the need for approaches to education to take into account private players and think of education development in a more pluralist light.
- The approach being adopted in this mission can be seen as part of this trend.
- More widely, taking an M4P approach to education can be seen as consistent with thinking and practice in other development spheres, where learning has 'taken' development agencies to more systemic approaches, in particular to M4P.
- This is also consistent with DFID Nigeria's own experience and current approaches.

3. The education market system in Lagos

This section analyses the education market system in Lagos, and is set out in the following manner.

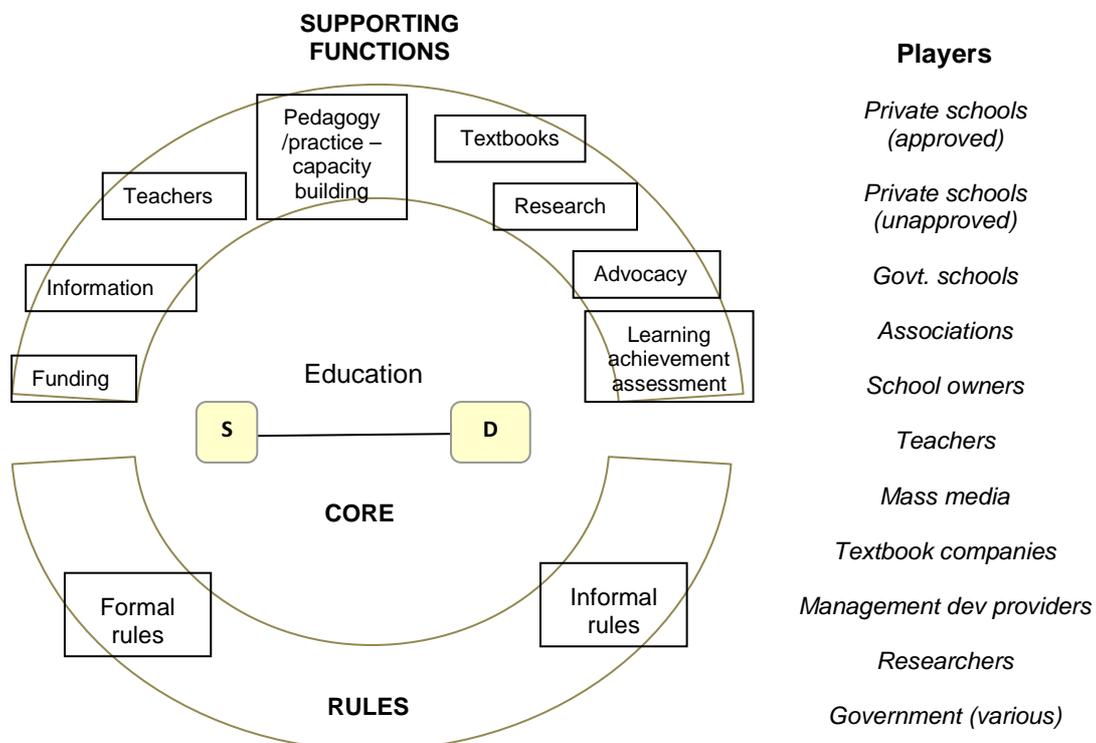
- 3.1 The analytical framework – the generic ‘lens’ used to understand the market
- 3.2 Delineating the market – establishing the parameters of the education system for the mission
- 3.3 The core of the market – key trends in relation to access and quality (learning outcomes); key features of the low-cost private school business model; private schools compared with public.
- 3.4 The rules – formal guidelines/regulations impinging on schools and informal rules – norms, incentives and values – that shape behaviour.
- 3.5 The supporting functions – eight sets of related functions ranging from financial services and information to textbook supply and capacity-building services.

3.1. The analytical framework

Figure 1 sets out the ‘market system’ framework in schematic form. The framework can be understood as a combination of functions and players. There are three sets of functions:

- *The core*: this is the central exchange in any market system between a provider and consumer for a product, commodity or service; the transaction may involve finance or some other implicit contract or understanding of deal. For education, the demand is from parents and children and the supply of school services is from schools.

Figure 1: The market system for education in Lagos: key functions and players



- *The rules*: the formal (written) and informal (values, norms and incentives) shaping behaviour. For education, formal rules relate in particular to the guidelines and regulations from Lagos State Government. Informal rules are a broader category dealing with the wider incentives and attitudes around schools, including, the political economy impinging on the Lagos State Government, behavioural norms in government schools, and parents' expectations of education.
- *The supporting functions*: the range of functions that enable exchange to happen, grow and develop. Supporting functions can often be considered as interconnected or supporting markets in their own right. In the case of schools, this includes financial services, information (for parents and for schools), support services related to school management and/or pedagogy, teacher training and advocacy.

With respect to *players*, a number of different entities are potentially active in systems. These may play the role of provider of a function or purchaser; ie for each function we are considering the questions of 'who does and who pays'. For education the list of players potentially includes private sector schools, government schools, teachers, school owners, private sector suppliers to schools (such as textbook publishers and banks), teacher training providers, information providers (such as the mass media, management development providers etc) and various parts of government (regulators, curriculum developers, inspectors etc).

The market systems framework forms one key pillar of the M4P approach. The other concerns the set of principles embodied in its approach to interventions. Among the most important of these are that development should:

- Be about addressing *causes* rather than *symptoms*. Causes (or underlying constraints) lie in the supporting functions and rules; impact in the core of the market is a consequence of changing the environment of rules and supporting functions.
- In focusing on underlying constraints, be able to achieve much greater and more lasting change than if focused directly on delivery (which is more likely to have limited, transient impacts).
- Be about not simply *impact* but also *sustainability* – indeed that sustainability should be central to any credible rationale for development.
- *Facilitate* change among market players, ie use resources to catalyse change and leverage wider impacts, all with a view to the system working more effectively without further donor inputs.

These principles are relevant when it comes to considering future programme options (see Section 4).

3.2. Delineating the market

The education market can be divided into several categories according to age.

- *Pre-primary*: kindergarten and nursery. This includes children in the 2-5 age group. Attendance at pre-primary education is not a legal requirement but is a key part of private schools' offer to parents (see below).
- *Primary*: this covers six years (ages 6-11), attendance is required for all children.
- *Junior secondary*: this covers three years (ages 12-14) and takes children up to the age limit for compulsory education

- *Senior secondary*: this covers a further three years (ages 15-17) but is not a legal requirement.
- Beyond school, are *vocational training* and other formal and informal providers of *technical education*, and/or employment.

For the purposes of the task, the mission defined the education market as the first three of the above categories; this covers all schooling up to the compulsory minimum leaving age as well as pre-primary, which is inherently linked and in practice often overlaps with primary. Senior secondary is excluded because it is a much smaller and more specialised market. Similarly, vocational training is effectively a different market and so is also excluded.

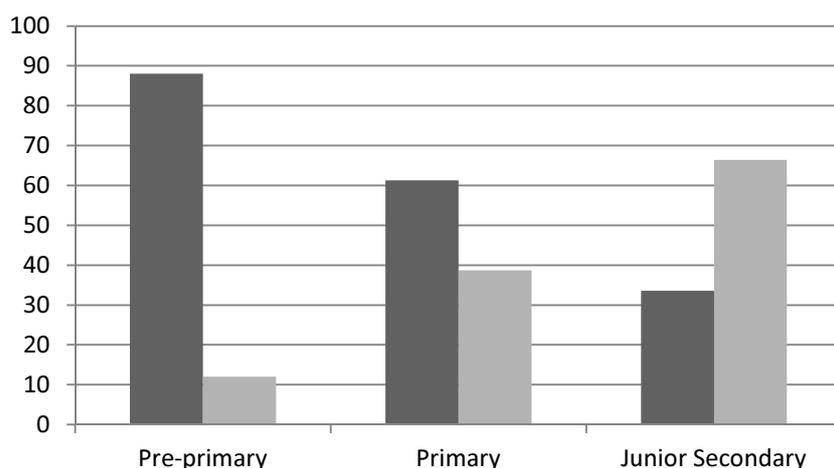
It should be noted that low-cost private schools (LCPS), the original category of school that has stimulated interest in Lagos education, is not a distinct definable category in its own right. ‘Low-cost’ is a subjective, relative term the meaning of which varies depending on one’s perspective; in practice most LCPS are in the pre-primary and primary category, most have an unapproved status, and most charge fees below that of their approved counterparts. However, there are overlaps between approved and unapproved and a range of fee options that make generalisations prone to error. DFID’s interest in private schools is clearly at the low fee (rather than elite) end of the spectrum – where the report refers only to private schools it should be taken that LCPS is the real concern.

3.3. The core of the market

Size and overall structure

The census of private schools in Lagos⁷ carried out in 2010-11 – the first comprehensive exercise of its kind in Lagos or any city with large numbers of private schools – offers considerable data on the size of the market. Figure 2 below gives the overall split between private and public for each of the main categories. Self-evidently, the private schools dominate at the pre-primary (88%) and primary (61%) levels while the position is reversed in junior secondary (34%) – a figure which is identical for senior secondary.

Figure 2: Percentage share of total enrolment by level and sector



In private schools the total number of children at pre-primary level is 484,109; 615,298 at the primary level and 158,296 at junior secondary. There are various estimates of the level of growth in the market. Lagos’ population – the underlying driver of growth - is variously

⁷ Härmä, J (2011); *Lagos private school census report: a DFID-ESSPIN report*; <http://www.esspin.org/index.php/resources/abs/lagos/296>

estimated at growing by between 275,000 and 600,000 per annum – with 10% of this at primary school age.

In terms of the number of schools in each category, the position is shown in Table 1.

Table 1: Number of basic education schools in Lagos (2010/2011)*

	Nursery/primary	Junior secondary
Government	991	308
Private unapproved	7,922	1,258
Private approved	2,313	999
Total	11,226	2,565

* Excluding pre-primary only schools and those serving senior secondary. Some schools serve primary and junior secondary levels, therefore the private school numbers should not be added to arrive at a total of separate institutions.

Access

Given this overall size, estimating the proportion of the school-age population which is out-of-school should be comparatively straight forward – but is not. The problem here is that there is no reliable estimate of the population denominator against which to compare the school census data. Lagos State Government and the Federal Government are currently locked in a dispute over the population figures, with resource allocation (and status) being the prize at stake. Lagos State estimates the population to be 20.2m while the Federal Government’s estimate is little more than half (10.5m) of this. Given that the school census data can be seen as accurate, the choice of population figure – the denominator - has major implications for the calculation of education access (Box 2).

Consideration of these factors suggests a potential range of out-of-school children rates at primary level of 3-20% (33,000 – 262,000 children)! However, although the lack of precision represented by official data is disconcerting, it is likely that the real figure is much closer to the lower (3%) end of this spectrum.

At junior secondary, however, the access problem is more pronounced. The NEDS⁸ survey estimated junior secondary access to be 69.6%; the census data compared with Federal Government estimates produces an estimated access rate of 81% access. In these circumstances, it would seem reasonable to estimate the number of out-of-school children to be 114,000- 179,000, equivalent to 20-30%.

Box 2: The data conundrum in calculating access

Calculating access, a basic indicator of educational performance, requires that (a) school attendance figures and (b) school age population is known. Unusually in Lagos, while the former is available, the latter is problematic.

The 6-11 age group population is estimated by Lagos State to be 2.4m (implying an access rate of 44%, 1.4m children out-of-school) and by the Federal Gov. to be 1.3m (79% or 260,000).

How to interpret these figures? Well, the former figure is simply wrong – there are not over a million young children on the loose in Lagos. But even the latter seems unreasonably high. Fortunately, three other factors can be taken into account in considering the most likely access figure.

- The DHS EdSurvey (NEDS): this household survey found gross enrolment rate (GER) in Lagos to be 97.4% at a primary level
- The rural – urban divide: urban enrolment is usually above national averages. Nigeria’s overall GER is 93% - the figure in Lagos would be expected to be higher.
- Observation – high levels of non-attendance at school would be very visible in low income neighbourhoods in Lagos. However, it is simply not the case that many school-age children – certainly not 21% - are ‘on the streets’.

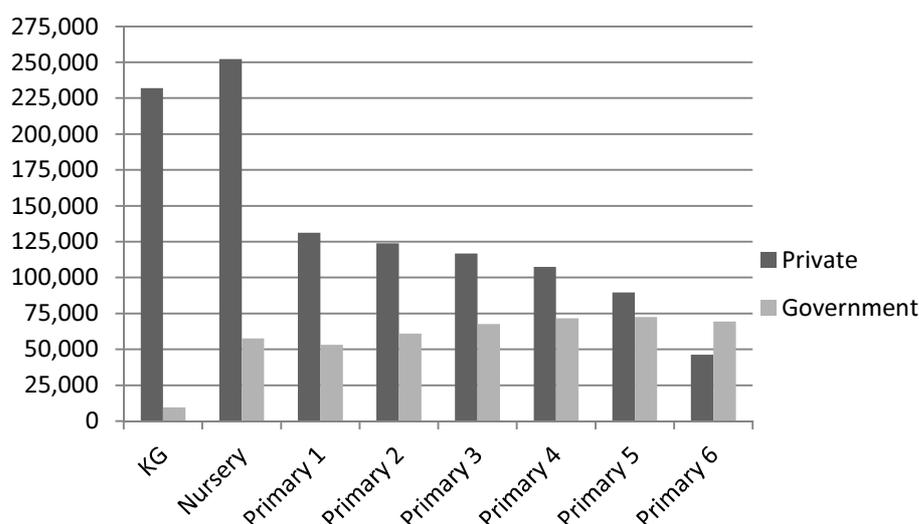
Triangulating on the basis of the above factors, suggests an access rate at primary level of close to 97% (the NEDS figure), or 33,000 children.

⁸ Nigeria DHS EdData Survey 2010

At both primary and junior secondary levels, access for boys and girls is comparable.

These aggregate pictures of access disguise a more complex reality, and one which throws light on the comparative advantage of private and public schools. Figure 3 shows the enrolment figures for pre-primary and primary schools by year: clearly, the proportion of children attending private schools declines, with private school's 96% share of the kindergarten market falling to 40% by primary 6.

Figure 3: Enrolment by sector and level/class



What is happening here? Although there is no hard research on these issues, a number of factors can be cited.

- Private schools are absorbing the growth in the Lagos population at the primary level. In the 2009-11 period overall growth in the primary school age group was likely to have been 60,000-100,000. Over the last four years, the number of private schools has grown at 800-1000 per year. Enrolment in government primary schools did grow by 7,000 in the two years to 2011⁹ but school census data shows that, in some places, the school roll is falling markedly – and children are leaving the government education system in large numbers (Box 3).
- There appears to be no real constraint to children from private schools transferring to government schools. The transfer process is managed by the State Universal Basis Education Board (SUBEB) and, officially, children from unapproved schools are not allowed to transfer. In practice, however, there are informal processes through which children can be transferred (“funny things go on”

Box 3: Government schools in Makoko empty out?

What impact has the growth of low-fee private schools had on government schools?

In the low-income area of Makoko it seems clear that one impact has been to reduce the number of pupils at primary level dramatically. Attendance figures at the three government schools, who occupy the same site, are as follows:

- 2008/09 – 2401
- 2009/10 – 1860
- 2010/11 – 1607
- 2011/12 – 1500 (est)

Attendance has declined by almost 40% in three years.

While these figures are an indictment of the state of/perceptions of government schools, one positive note is that it has allowed pupil - teacher ratios to fall to 30:1, ironically, potentially offering the chance of better schooling.

⁹ Annual School Census Report 2010/2011

according to one official) and what might have been a hindrance to transferring to government schools does not appear to be so.

- Many private schools, having just started, have not seen ‘their’ children come through to higher classes; when this happens, a higher proportion in private schools can be predicted.
- At junior secondary level (1) the quality of government schools is regarded as better than their primary schools counterparts and (2) there are fewer private schools, with barriers to entry being greater (more expensive). Consequently, more children currently attend government schools at this level.
- The major decline in enrolments in primary 5 at private school can be explained by the fact that many private schools do not offer a primary 6, having started the primary 1 curriculum in nursery 2 (ie a year ahead of when they ‘should’), and their children go to junior secondary a year early.

Quality

Assessment of quality can be done with respect to analysis of learning outcomes or proxy indicators of quality. On both counts, at a primary level, the quality of private schools is generally above that of government schools.

- In terms of learning achievements, the 2010 sample survey conducted by ESSPIN compared three sets of schools - Public-ESSPIN¹⁰, Public-Other and Private – for Years 2 and 4 using literacy and numeracy tests. Table 2 shows the results, with private schools being significantly better performing than government, in some cases twice as well.
- The pupil teacher ratios (PTRs) is often regarded as an important indicator of quality. These are substantially lower in private primary schools (12:1) compared to government schools (30:1), but Lagos public schools do not experience the substantially higher PTRs reported in many African countries, where the sub-Saharan average is 45:1 (UIS 2010). Evidence on the impact of the PTR on learning achievement is mixed and is at best associated with marginal increases in performance, particularly in the ranges experienced in Lagos. Parental preference however trumps evidence, in developed as well as developing contexts.
- Less tangibly, but most important of all, there is undoubtedly a widespread perception among parents that private school quality betters that of government schools; parents perceive that teachers spend more time on task, so even ‘unqualified’ teachers may be passing on more learning than ‘qualified’ teachers that may not be doing much actual teaching.

These relative differences between public and private performance in relation to quality, however, disguise a more basic issue: while private appears better than government, in reality it is more accurately ‘less bad’. Nigerian educational performance as a whole is extremely poor, as demonstrated by the government school result (Table 2). While there is no international data to compare Nigeria with other West African countries, as there is with the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SAQMEQ), examinations of teacher competency carried out through DFID-ESSPIN in six states has shown that the quality of inputs, (ie. teachers’ subject knowledge), is extremely low. In Kwara State, to give an example from the only state to make the results of this examination public, only 75 out of 19,000 teachers achieved the benchmark score (80% across all subject tests).

¹⁰ Schools about to receive some support from ESSPIN

In one state (Enugu) where private school teachers were included in the sample, there was no difference between the performance of public and private school teachers.

Another proxy indicator of learning within the Nigerian schooling system as a whole is the percentage of students (coming from both public and private schools) earning a minimum of five credits including general mathematics and English language on the West African Senior Secondary Certificate in Education, conducted by the West African Examination Council. Only 23% of candidates in Nigeria who sat for the examinations in June 2010 (2011 data are not yet available) earned five credits, while the figure is 39% of candidates in Lagos State, the fourth highest in the country after Abia, Anambra and Bayelsa States.

Overall, improving poor learning outcomes is probably the key challenge in educational performance, especially at the primary level, where access levels appear to be relatively high.

Table 2: PRY2 and PRY4 children numeracy and literacy tests (% score) – selected levels

		Public-ESSPIN			Public-Other			Private		
		Boys	Girls	All	Boys	Girls	All	Boys	Girls	All
PRY 2	Numeracy 1	49	54	52	50	49	49	66	66	66
	Literacy 2	42	44	43	33	33	33	67	73	70
	Numeracy 4	22	23	23	23	25	23	48	48	48
PRY 4	Literacy 4	33	31	32	30	36	33	65	67	66

Source: Draft Annual Education Sector Performance Report 2011

Key characteristics of the private school business model

What does the core of the market look like? In particular, what does the growing mass of private schools look like, especially at the primary level where their numbers are greatest?

First, and an obvious point, private primary schools are not homogenous but cover a spectrum of types. In simple terms these can be differentiated with respect to three main criteria: government approval (Y/N), state of physical surroundings and quality of education (teacher competence, process and materials). Schools at the top end are approved and largely untroubled by government, are in buildings which are reasonably safe and sanitary with classrooms with concrete floors and which are likely to be owned by the proprietor and tend to have better teachers. At the other end are unapproved schools in rudimentary rented buildings (sometimes little more than huts), often not weather proof, more likely to be visited by government and with less qualified teaching staff. Somewhere in the middle of this spectrum lie the majority of schools. Primary schools are likely to have 100-200 pupils in attendance – with numbers tending to be smaller for schools at the lower end of the spectrum. This is in contrast to government primary schools whose average size is 467 pupils.

Fees are one manifestation of this differentiated market. At the bottom end, these may be as low as N2,000 per term (\$38 per year); at the upper end anything from N15,000 (\$280 per year) to hundreds of thousands. In between are many schools in the N5-10,000 category (\$90-180 per year) bracket.

Second, schools are well aware of their position in this spectrum, and think consciously of the price they charge, taking into account the ability of parents to pay and the options they have in other schools. Apart from the upper end, this is a price sensitive market.

Third, beyond physical appearance, there is a considerable common ground between the teaching process from one school to another. With some variations, schools follow the national curriculum, have similar text books and the same, rote-learning teacher-centred pedagogy. This also extends to government schools; what goes on in classrooms here is similar to what happens in private schools. This *sameness* in approach may tend to reduce differences between schools in relation to outcomes.

Fourth, differences between government and private schools cannot be attributed to process but is more likely to be a function of the more direct accountability that schools (to their paying customers) and teachers (to their proprietors and parents) face. Consequently teachers have more time on-task in the classroom, and are more likely to be diligent in their approach.

Fifth, with some exceptions, schools tend to be very localised in their orientation. Pupils live locally, as do staff. Schools rely on word-of-mouth to market their services. Recruitment is undertaken through a notice on the school door. These are, in many ways, classically informal sector enterprises, serving a local market adequately well, with limited real aspirations to be more than this. Schools are nearly all individually-owned – successful primary school owners tend to aspire to start their own secondary school. There are few chains of schools. Although private schools are in competition, in the context of a growing and informal market this is ‘soft competition’, with very few schools going out of business. Similarly, competition with government schools is not seen to be direct – although many government schools, for their part, are suspicious of private schools.

Sixth, in some ways, private schools all have a similar and simple business model. Income is dependent on number of pupils multiplied by fees. The main expenses are salaries, followed by rent. Although payment schedules are a problem at lower-end schools, the schedule of income is relatively predictable. Some schools are now able to access working capital to finance the summer lean season where no fees are payable. Most schools strategies exhibit a number of characteristics:

- Emphasise pre-primary classes: numbers (and income) here tend to be high and bringing in children early establishes loyalty through the school cycle. Schools’ ‘offer’ for children here is as much about childcare as teaching.
- Teachers as a temporary and low-cost resource: although some stay longer, many teachers stay for 2-3 years only, often using the experience as a stepping stone to further study or employment while the schools hopefully gain from the energy and application of a ‘bright young thing’ for a limited period. Teacher salaries are a fraction - anything from 10-30% - of their government school counterparts, depending on qualifications.
- Cramming the curriculum: early learning is a major determinant of achievement in subsequent schooling levels. A major feature of private schools is that they offer pre-primary education, so by Year 2 a private school child is likely to be in their fourth year of schooling, as opposed to the second year for the overwhelming majority in government schools. Many private schools make a virtue of ‘completing’ the full primary curriculum by Year 5, a strategy which allows them to communicate a sense of progress to parents who also, if their children subsequently go on to a government school, will result in a year’s less fees to pay¹¹.

¹¹ A similar story from Pakistan; the differences between public and private schools are so large that it will take government school students between 1.5 to 2.5 years of additional schooling to catch up to where private school students were in Class 3. *Pakistan: Learning Achievement in Punjab Schools. World Bank 2008*

Seventh, setting up and running a school is seen to be an acceptable and increasingly popular business activity, both socially worthy and financially profitable. At all levels in Lagos society, there are now thousands of school-owners. Rough calculations show that, even at the bottom-end, this can be an activity that offers good returns and a reasonable livelihood. And for the mass of nursery-primary businesses in the middle range of the market, proprietors can make higher amounts. Three examples illustrate the range of returns in the private primary market, each school operating in Makoko, a low income area of Lagos.

- School 1: at the top end, is a pre-primary and primary school, with approved status, which has been in business for 26 years. It has 300 pupils, a teacher pupil ratio of 1:17 charges fees of N5,500-9,000. It makes an estimated (pre tax) profit of N3,996,000 per annum (N13, 327 per pupil), equivalent to \$26,600. As an approved school its profit will be subject to various taxes and levies.
- School 2: is an unapproved pre-primary and primary school which appears to be well managed and has been in business for 11 years. It has 180 pupils, a teacher: pupil ratio of 1:15 and its fees are around N4,500. It makes an estimated annual profit of N737,000 (N4,095 per pupil), equivalent to \$4,900 (see Box 4).
- School 3: is operating at the lowest income level of the market and appears to be struggling to survive. It is an unapproved school which has been in business for approximately 10 years, has a teacher: pupil ratio of 1:18, and is suffering from diminishing pupil intake. Its fees are in the Naira 2,500-5,000 range. It makes an annual profit of approx N170,500 (N3,217), equivalent to (\$1,100). As an unapproved school it may be the subject of rent-seeking visits from government

It is clear that, even though operating at different levels of the market, private education can be and is a profitable business.

Finally, where do the poor – if at all – fit in to the private school business model? In the absence of detailed information on the socio-economic background of pupils, much is

Box 4: How a successful unapproved school works

The school started in 2000 on the current site which is leased on annual basis. They are not approved but have completed the name search part of the approval process. They have had various visits from government and have responded to suggested improvements from them – such as building additional toilets. They are members of AFED – which it sees as a protector from government.

It lists three key challenges: a) parents making irregular payments; b) proposed rent increase (by 400%) by landlady; c) regular flooding of school site.

The details of its operation are as follows.

- 180 pupils (last term) – range of fees from N4-4,500. Some level of drop out when parents can't afford fees, but always replaced by new entrants.

- 12 teaching staff (including Head). Proprietor also teaches sometimes. Teachers paid N9-10,000, Head paid N14,000

- Teacher: pupil ratio of on average 1:15 (excluding the owner)

Revenue:	Fees: 180 x 4250 x 3:	2,295,000
Recurrent costs:	salaries: (11 x 10k + 1 x 14k) x12:	1,488,000
	rent/lease: 35,000:	35,000
	utilities (estimate)	35,000
		1,558,000
	Profit/owner income:	N737,000 (\$4,900).
	Profit per pupil:	N4,095.

conjecture here. However, in common with most businesses – and perhaps in contrast to development agencies – private schools do not generally highlight ‘the poor’ in considering their pupils. Although there may be examples where fees are waived, this is rare - more common is that payments slip and children leave without paying the full amount owed. But in general, parents/children pay and therefore are pupils, or they don’t pay in which case they are not. As in any market, ability to pay confers on poorer parents/children the validity of the paying customer – and, with that limitation, they are always likely to be valued. In this context, three points can be made:

- Poorer children will tend to predominate in free government schools.
- Poorer children are likely to gravitate towards schools at the lower end of the private market – however, there may still be considerable choice here, depending on the locality.
- Poor children are less likely to be present at schools charging higher fees - but fees are only likely to be a rough measure of quality.

What’s the problem at the core of the market?

Given the above analysis, what then is the problem at the core of the market? At one level, like any informal market, the wider education system is delivering something in Lagos which is valued, and doing so substantially without external support.

- With the proviso that there is insufficient known about out-of-school children, access appears to be a relatively small problem at the primary level – the vast majority of children apparently are in a private or public school.
- A range of learning outcomes are also being delivered, with some schools (private) performing better than others (usually public).
- At a junior secondary level, access is more problematic with 20-30% out-of-school.
- Pupils from the poorest backgrounds are likely to have access to public schools or to private schools at the lower end of the fees spectrum, and these will generally be of lower quality.

The problem with the core of the market is not that there is nothing there; it is that what is there currently is not *enough*, either in terms of the learning it offers children individually to enhance their life prospects or collectively in terms of the capacity it develops to contribute to overall economic development. Although there is a paucity of comparative data on outcomes, there is sufficient evidence to indicate that the quality of learning being delivered in schools is generally very low. While, to some extent this is a judgement call that has to be made – it is one with which few are likely to disagree.

Given this, the question to be addressed is this: what’s stopping the market from developing to be more than it is now? What are the constraints that are hindering improvements in quality and access, preventing the market from moving on from its current path of (under) performance, especially from the point of view of the poor? To answer these questions we need to consider the supporting functions and rules impinging on the core of the market system.

3.4. The rules

Rules can be divided into two categories: informal and formal rules

Informal rules

These relate to unwritten but often powerful factors – attitudes, values, norms and incentives – that drive the behaviour of key players in the education market system. Four sets of players are selected here for more detailed analysis.

The Lagos political leadership

The overall stance and role of the State government with respect to education is shaped by the wider political economy of the State currently. This has been subject to considerable change in recent years. Traditional leadership and politics in Lagos has emphasised patronage-based power and area-based machinery and force to deliver state elections. The current leadership, however, has emerged in response to the concerns of a resurgent middle-class and a demand for the Lagos government to meet their interests and for Lagos to assume a leadership role in the country (and to be seen to be doing so).

A new if still implicit social contract has emerged which, on the one hand, seeks to deliver in areas of priority – such as security, roads and congestion – and, as a quid pro quo, raises taxes from its citizens (the tax take has grown more than 14-fold in recent years). Unlike the past, the new ‘rules of the game’ shaping political behaviour emphasise responsiveness to a new constituency. Although the forces of traditional politics are still in evidence (and the new way is hardly a ‘done deal’), there is a new opportunity to engage with government over tangible policy issues.

It is less clear what this means for education. None (or few) of Lagos’ middle class will send their children to state schools – and, candidly, in this narrow sense state education and what it delivers may not ‘matter’. And the current government stance seems to owe more to past political times – on the one hand issuing forth the rhetoric of government as a provider and on the other not coming close to spending the allocated budget (only 57% of budget was spent in 2010, much less than in for example health); ie the approach has been largely about giving the appearance of responding.

However, despite these points, education may offer an opportunity for engagement. The government’s openness to consider new ideas that are relevant to its constituency may mean that open discussions over developing its ‘enabling’ role in education might be possible. There is anecdotal evidence that the leadership is becoming concerned about the performance of public schools and the impact on the economy of a poor performing education system. The challenge would be how to frame a message that shaped a role for government that was both technically valid (to develop the education market) and politically attractive. Certainly, without change here, the chances of developing a more functional market system based around collaboration between public and private sectors are much diminished.

The Ministry of Education

The Ministry’s traditional stance in relation to the private sector has been to disapprove and to seek rents and control. The underlying position of the Ministry has been that education should be delivered free by the state. These positions reached their zenith in 2008-09 when an effort was made to close many private schools, an effort which was resisted (physically and successfully) by schools and parents.

Now, however, there appears to be some loosening of positions in at least some parts of the Ministry. The new guidelines (see below) are so impractical that no school is likely to pass them without some generosity in interpretation by inspectors. There is rather loose talk of the need for an ‘enabling role’ to be played by government – and of having the same platform for both public and private providers. Co-existence rather than hostility is the ethos; quietly there is acceptance that Lagos needs its private schools (including those who are unapproved). There may be the beginnings of a new realism in the Ministry, although the denials and

double-standards which run through much of the discourse on Lagos education will take some time to dispel (Box 5).

Box 5: Duality, fantasy and ambition in Lagos education

The evolution of low fee private schools in Lagos has shaken up previous certainties (for example over the appropriate role of government) but also revealed a strange duality: on the one hand, the way the world actually is and on the other, a parallel world, representing the way things should (officially) be.

<u>The official view – the way the world should be</u>	<u>Reality – the way it is</u>
<i>“We support government schools”</i>	Most civil servants send their children to private schools
<i>“The government will provide free education for all”</i>	It can't! To do so would require that the State education be at least doubled.
<i>“The quality of government schools is better than low-fee private schools”</i>	No it's not! In terms of learning outcomes, as well as input measures, low-cost private schools are better.
<i>“The Ministry Guidelines are useful”</i>	No! The Guidelines are a major constraint to the development of a more inclusive sector
<i>“Teachers in government schools are better because they're qualified”</i>	There's no evidence of any benefit from formal teacher training - and teaching standards are very low.
<i>“Lagos is a mega-city with 20m plus inhabitants”</i>	No – evidence suggests that it's more likely to be half this figure.

Despite these marked contrasts, Lagos' ambition remains strong. The objective on the Lagos State Ministry of Education is “to be the model of excellence in the provision of education in Africa”.

If some of the outright hostility of the past has reduced, the challenge for the Ministry – it could be argued - is a pragmatic and a technical one. Especially if the overall stance of government were to change, kudos for the Ministry might lie in developing a role that is effective and deliverable.

Parents

Parents have little in terms of objective information through which to judge education options, and so make use of informal methods to navigate school choice. In many places in Lagos there are many schooling options available, and so parents must use some means of selecting a particular school. This decision appears to be made according to a combination of three criteria: perceived quality and proximity to the home, with price as an overarching consideration.

- ‘Good quality teaching’ – parents use visible proxies to make choices, such as school building quality and whether the teachers are present and teaching, and treat children kindly. They also want to see demonstrably that their children are able to read, write and add up, and have informal comparison sessions in their communities to ‘test’ children. Beyond this, parents lack the necessary knowledge and information to make finer distinctions in terms of quality.
- Closeness to home: parents in reality do not often consider schools that are perceived to be far away.

- Price: although parents do not cite this factor, it clearly does influence choice - with some schools charging as little as N2,500 per term and obviously relatively poor facilities still experiencing a demand.

One factor which parents say is important to them, while their choices often run counter to this stated priority, is schools approval status. Parents have at best a hazy awareness of the approval status of their chosen school, but when asked if it was important to them during one household survey, 80% responded that it was important¹². Approval status does not give an accurate assessment of a school's quality – although for schools (and parents) further up the fees table, approval has been cited as being an important consideration to be regarded as a 'proper' school.

School-owners

School-owners often cite their passion for education or their desire to 'do something' for their community as key reasons for setting up their schools. While doubtless these are real motivating factors, there is little to suggest that Lagos' school-owners behave much differently from other entrepreneurs. For example, they set prices according to what the market will bear, develop a business approach that can work, strive to keep costs down, learn from the example of competitors and pursue customers who are recalcitrant in paying.

The incentive basis for school growth and development therefore does not appear to be a constraint.

Formal rules

A range of formal rules created by government apply to private schools. Some of these are concerned with 'normal' charges that might apply to businesses of this sort. It is known that the State Government instructs all ministries, departments and agencies (MDAs) to earn revenue from businesses, including private schools. This includes rules regarding signage, mobile advertisements, environment (e.g. fumigation of buildings) and other issues. Business rates apply to schools for all charges such as water, electricity and the like.

However, the key document for private schools in Lagos is the State Government's *Guidelines on the Establishment and Operation of Private Nursery, Primary, Secondary and Vocational/Remedial Schools in Lagos State*. This document sets out the key inputs necessary for a private school to become approved by the State Government; the approval application process is handled through the Department of Private Education and Special Programmes (DPESP) in the Ministry of Education, and on their advice approval is granted by the Honourable Commissioner for Education.

The guidelines were revised in late 2010 and published in 2011 (however they are dated 2010). Technical assistance was sought by the DPESP from ESSPIN but most recommendations from ESSPIN and

Box 6: The inappropriateness of the guidelines

The revised guidelines impose a number of requirements that are impractical and in some cases absurd. Some examples include the following

1. Making it illegal to run a school past 1pm, even at the senior secondary level. Parents want longer hours for small children so that they can go to work and have childcare taken care of – an impractical requirement
2. Making it illegal to establish a school within 500 metres of a swampy/water-logged area. If this rule was applied then it would mean that thousands of children would be banned from school (and several government schools would have to close)
3. A library and a large hall are required at the nursery level – an impossible, unnecessary and expensive space
4. Sick bays with full-time registered nurses are required – an expensive and impractical imposition.
5. Only one plot of land is required for a primary school of six classes while two plots are required for a nursery school of two-four classes.

¹² Härmä, J (2011c); *Lagos household study: a DFID-ESSPIN report*.

from the private school associations were ignored and the 'revised guidelines' are hardly different from the previous document. Among the positive changes made in the revised guidelines were the following:

1. All mention of requiring IT facilities before JSS level have been dropped.
2. Rented premises – it is now accepted that some schools will exist in rented buildings.
3. It is now accepted that schools can run a foreign curriculum at the primary level providing certain subjects, such as Nigerian history, are taught, especially important for the (poor) immigrant community from Benin
4. Head teachers in primary schools are no longer required to have 10 years of teaching experience.

Overall, there are five main issues here. First, the guidelines are inappropriate and impractical (see Box 6), only of real relevance to elite schools, and certainly not grounded in the reality of low cost operations (were these to be applied to public schools few if any would pass). Second, they are concerned with appearances and ensuring a list of suitable inputs without any regard to outputs or learning outcomes. Third, the guidelines reinforce a binary view of schools (good/bad, approved/unapproved, formal/informal) which fails to match the

Box 7: Peter's arduous journey to approval

Peter opened his school in 2001 with 3 pupils. Now ten years after starting he is in on the brink (he hopes) of gaining approval status. In this 10-year journey there have been a number of key costs and investments.

Initially many of these were concerned with investment in the school's infrastructure.

However, from 2007, there have been a series of costs concerned with gaining approval from the Ministry. He estimates these specific financial costs to be around N300,000 (\$2,000); the overall transaction cost in relation to lost time and effort over a 4-year period will be much more than this.

Now, with approval and formality in his sights he wonders at what benefits this will bring – being obliged to pay more tax appears to be the first!

What had to be done	Year	Cost	Financed how?
Lease plot of land for 2 years	2001	40,000 p.a.	School income
Lease plot of land for 3 rd year – landlord increased rent	2003	100,000 p.a.	School income
Build the first plank building	2001	300,000 p.a.	'soft loan' of 100,000; 200,000 personal sources
Buy plot from the landlord	2003-2004	2,500,000 over 2 years	Personal sources, instalments over less than 2 years.
Surveys and drawings – various rounds due to requirements unknown at the start	2002-2003	200,000 total	Personal sources; these were in chunks of 30-40,000.
Buy materials over one academic year, store them; do sand-filling in the plot.	2006-2007	1,000,000	Personal sources/school income
Build the present block-built building. Building built in 6 weeks summer holiday	2007	4,200,000	2,000,000 loan from Afribank; loan from friend 800,000; 1,400,000 loan from wife.
Registered name 'Daisy' with Corporate Affairs Commission	?	80,000	School/personal sources
Name Search, Ministry of Education	?	25,000	School/personal sources
Re-registered new name ('Daisy' was already taken at MoE) with Corporate Affairs Commission	?	80,000	School/personal sources
'Special Permission' granted by MoE in recognition of the fact that 'he is trying'	2007-2010	25,000 p.a.	School/personal sources
'Special Permission' with increased price	2011	75,000 p.a.	School/personal sources
Other receipted fee, MoE	2011	25,000	School/personal sources
Procure yearly tax clearance certificates for the corporate entity, himself and all his staff. Tax Administrator's fee	?	42,000 p.a.	School/personal sources
Fee for copy of official State curriculum	Every 3 yrs	22,000	School/personal sources
Fee for copy of approved textbook list	Every 3 yrs	5,000	School/personal sources

reality of a spectrum of quality. Fourth, given the virtual impossibility of complying with the 'letter' of the guidelines they are an invitation to discretion and therefore to rent-seeking. Fifth, they take no account of the gradual way in which schools improve, failing to provide them with a more inclusive, graduated pathway to improvement, and incentives for doing so. Currently, the rationale for schools to go through the approval process is not clear (Box 7)

3.5. The supporting functions

The number of supporting functions relevant to the education market could be interpreted in such a way as to make it an unhelpfully long list. Eight key functions have been selected here because they were raised regularly in conversations with stakeholders. Other functions have not been examined in in-depth either because they were not deemed to be sufficiently important (eg maintenance services for schools) or they were too implausibly 'big' to consider for the mission and/or other DFID-supported initiatives are focusing on these. Land markets, for example, have not been looked at in depth because (a) these were not mentioned by many school owners, (b) 43% of unapproved schools are on land owned by their proprietor and (c) the GEMS 3 programme is looking at urban land markets.

For each function identified below, the current situation is outlined and then any underlying constraints to development identified. Often, as will be seen, functions overlap but this is to be expected and is illustrative of the interconnectedness of market systems.

Advocacy

Effective advocacy and regular dialogue are important in (1) ensuring government has a continually updated understanding of the position and priorities of private (including low cost) schools and is able to provide a more enabling environment for the education market as a whole and (2) helps private schools better understand government policy and regulations. The strength of a dialogue process can be assessed by the degree to which each side genuinely listens to and influences each other, and ultimately, the degree to which positive systemic change results.

The advocacy market for low cost private schools in Lagos, has at its core the Ministry of Education (and possibly a number of other Government MDAs, as well as the Governor), and on the other side, private schools and their associations.

Constraints to the development of advocacy include the following:

1. A scattered (and therefore weakened) representative structure: associations' role is to represent the interests of, and be accountable to, their members but, in classic informal sector style, the private school sector is divided. There are 18 associations representing 56% of private schools in Lagos (ie 44% are not members of any association). There are two key players; AFED, the Association of Formidable Educational Development (representing 25% of all schools), and NAPPS, the National Association of Proprietors of Private Schools (representing 23%). The other 16 associations represent just 8% of all schools between them. NAPPS membership tends towards the 'approved' higher fees end of the market, while AFED focuses more on the unapproved, lower income end. Both associations have been recognised by the Ministry of Education, but have strained relationships with Government and with each other.
2. The limited capacity of private schools associations: while AFED showed significant strength when it successfully protected its members against the Government's move to close down schools in 2008, with regard to the more nuanced role of public – private

dialogue it and (to a lesser degree) NAPPs have weak understanding and capacity¹³. Their attempts to influence the Ministry's recently published Guidelines for private schools, was ineffective with, by AFED's assessment, over 80% of their input being 'ignored'. In addition, dialogue on these Guidelines was largely facilitated by ESSPIN, a donor funded project. Both associations are under resourced (low membership fee collections) and have weak organisational and advocacy capacity and linkages. For example, neither is a member of the Chamber of Commerce (or any other private sector association), despite the clear overlap in interests and opportunities for capacity development. This is in part because neither has fully recognised its members as small businesses.

3. The limited availability of research, sometimes generated/commissioned by associations, but often undertaken by research bodies or other service providers. Until recently, there has been a significant absence of information and data on the private school market. The private schools census and two related sample studies undertaken by ESSPIN have shed some light on the market. However, the capacity and interest to generate ongoing and credible research, and to use this to improve understanding of this market, is relatively underdeveloped.
4. Media coverage of private schools. There is a relatively vibrant independent media in Lagos, which is interested in covering issues of interest to its listeners. However, as yet it has not actively explored the potentially fertile subject matter around low-cost private education. Nor has it been targeted and managed effectively by the associations as part of their advocacy efforts.

Information

Like most markets in low-income environments, the education market in Lagos is information-poor. This manifests itself in a variety of ways but two of the most important are: on the demand-side, parents being unaware of the potential of schools to offer better education to their children and therefore raising their own expectations; and on the supply-side, low-fee private schools being unaware of new opportunities or techniques in the education field.

For parents, whose main source of information on education is other parents in their community, the main question is why doesn't their main external source of information – the mass media - cover education issues in more depth? Mass media for most low-income parents means radio using pidgin as a medium. Commercial pidgin radio stations have grown massively in Lagos and have some of the highest listenership. The group behind Wazobia, for example, possibly the biggest pidgin station, has recently launched new stations throughout the country (eg in Kano) as well as a 24-hour news station, linked to the BBC.

These are vibrant and dynamic broadcasters, and open to any new programming ideas and to content that might be of relevance to their listeners. With other priorities and no obvious angle, low-cost education has not presented itself as a key subject area – but this could quickly change were the opportunity made clear to them and guidance provided on how this could be addressed. One important strand of improving information flow to parents therefore – and raising demand-side pressure constructively - is to address these constraints in the radio market.

¹³ Indeed, a recent attempt by AFED to inveigle their way into a meeting on private schools convened by the Governor resulted in such a breach of protocol that two of its members were reportedly held in custody for two days.

For schools/school proprietors and head teachers, information requirements are likely to be more specific - for example relating to new teaching ideas, technologies and business models. Potential sources of this information are also likely to be directly involved in the education market, and could include, for example, associations (who generally have an information function) or research organisations. However, these organisations are currently unaware of, don't know how or are uninterested in playing this information role.

Funding

While low cost private schools rely on school fees for their income, many believe that access to increased funds will enable them to improve the overall quality of their schooling product and increase numbers of pupils (70% of proprietors report that finance is their biggest obstacle – in common with many small business sectors). Proprietors who have accessed short term credit have used it to manage their cash flow (irregular fee payments and to cover holiday periods). Longer term credit is used for infrastructure, expansion and equipment purchases. In addition, funding is seen as a necessary pre-condition for the investment required to meet the Ministry Guidelines for private schools. Credit is rarely able to cover the costs of acquiring land.

Two types of finance can be considered: supply-side finance from banks directly to schools and demand-side finance, which essentially is a form of public transfer to users of schools.

Supply side finance

The Lagos financial market currently provides limited finance to small businesses and low cost private schools are no exception. 29%, however, have accessed a loan, primarily short term (3-6 months). The two main options (excluding informal lenders) available to proprietors are:

- a) microfinance banks/MFIs – short term loans, maximum loan size of N500,000 (but it takes time for clients to work up to this amount). These are primarily used to manage cash flow – therefore are not suitable for infrastructure and won't facilitate school expansions.
- b) commercial banks – finance is available primarily for approved schools – and therefore favours the higher income schools. The bulk of commercial banks lend to individuals, depending on personal collateral, rather than the business performance and potential, to assess a loan. They have not adopted lending methodologies to suit the business models of various market segments - loans are short term with traditional repayment terms. However, at least one bank has taken a sector approach to private schools, and offers both short term and longer term loan products (see Box 8)¹⁴.

While the banking sector is very liquid, banks are currently risk averse. As a result most commercial banks are not actively considering new markets, such as SMEs, and are therefore not developing new approaches and products to suit different sectors.

¹⁴ IFC also theoretically provide 'commercial' loans for schools but in reality, given the scale and nature of their operations, they can only deal with high fee, elite schools. They have only one investment in Nigeria – a school are whose annual fees are around \$8,000.

Box 8: First City Monument bank (FCMB)

FCMB offers two credit products to the (approved/legally registered) private sector school sector:

- a) a working capital loan (maximum term of 90 days), up to a maximum of N5m, with an interest rate of 18-20% (plus a 3% flat fee). Repayment terms have been structured to meet school fee payment times. Nationwide 350 loans of which approx 140 are in Lagos;
- b) an expansion loan (developed following a wholesale loan from IFC) up to a maximum of N500m, with an average term of 4 years, an interest rate of 18-20%, and a structured payment system. These loans have to be secured, and are intended for buildings (new and expansion), new equipment and vehicles etc. Nationwide 50 loans, of which 10 are in Lagos.

FCMB has also developed a mechanism for assessing the viability of schools, which helps address poor record keeping by many of the school proprietors. However, schools which have taken loans from FCMB have fees ranging from N15,000 – N2.5m per term – and there is therefore only a slight overlap with the main target market for this programme.

There is a growing interest in ‘impact investment’ in both Nigeria and from international organisations. Alithea, a Nigerian investment company, which is working to develop its impact investment portfolio, has taken an interest in low-cost private schools. Alithea believes that the sector has good potential, but limited information has contributed to perceptions of high risk – and Alithea requires a high level of external support to invest in the sector. DFID is planning to launch a new facility, which will support impact investment internationally (IMPACT (Investment Mobilisation Prosperity And Catalytic Transformation)). There may be opportunities to link with this to facilitate wholesale investments in Nigeria, which in turn would be used to develop and fund appropriate finance products for sectors like low cost private schools. In addition, CDC also has a remit to support innovative private education schemes, but would need partners to make such investments.

Given the current situation, a number of factors can be highlighted that act as constraints to further finance being provided to support low fee private schools.

1. Risk-averse banks: the high level of risk aversion is primarily caused by a) external shocks (eg links to European financial markets); b) Central Bank policy to increase commercial bank reserves; and c) the past turmoil in the financial sector and subsequent substantial restructuring. Several banks have recently merged or been taken over by other banks and will likely need a settling down period before they consider new strategies and markets. Recent growth in credit to the private sector has slowed to 9% as opposed to a projected 19%.

There are exceptions to the above – Diamond Bank, Skye Bank and FCMB have developed products suitable for SMEs. Information about the sector, its potential, and how to develop appropriate products appears to have been a driver of change within these institutions. Support from international funders has also helped.

2. The policy and regulatory environment for private schools: banks will generally only lend to legal entities. The Guidelines recently published by the Ministry of Education are difficult for schools to comply with – and non compliance means that they cannot be approved and cannot be registered as a business. In this way, the Guidelines have actively constrained the size and attractiveness of the private school market for lenders.
3. Limited information available on private schools: a prevailing perception that schools are unprofitable, unreliable, unregulated and generally high risk, contributes to the financial sector’s hesitancy in considering the sector as a good investment option. Banks need reliable information to help overcome these perceptions, but Government, the

representative associations, and media etc are all fairly silent on the sector, and have failed to address this information gap.

4. Weak business/financial management – private schools have a fairly simple business model, but many, particularly at the lower cost end of the market, don't keep good business records, and lack good management and leadership skills (39% of unapproved schools reported keeping proper accounts). This is a common characteristic of small businesses, affects the development and growth of these schools, and also impacts their ability to access finance.
5. Commercial banks tend to require collateral, especially for longer term credit. 43% of unapproved schools own their own premises; the remainder are unable to provide the required security.

Demand side finance

These are mechanisms through which government and/or other funders can finance/support the purchase of education services. They are seen to be justifiable because of the rights character of children's education - ie the importance of providing appropriate services to children regardless of their circumstances – and because of their potential to empower purchasers of education, making them the key decision-makers in the system. In other countries these have taken the form of cash payments or vouchers and have been used to achieve specific policy goals. Demand side finance (DSF) is most commonly used to improve access/attendance, but can also be a mechanism for improving educational outcomes (eg the government funded cash transfer programme in the Punjab). Currently there are no DSF mechanisms available for low cost education in Lagos.

There are two main constraints here:

- a) Political and resource objections: the Ministry of Education has clearly stated that it has no plans to provide any kind of direct support or subsidy to private schools. There are few signs – even with a major change in government's stance on education – of this changing in the immediate future, undermining the potential for sustainable DSF.
- b) Technical: the 'how to' of DSF is extremely challenging. Box 9 lists some of the key questions that need to be considered. Even with political will, if these are not addressed

Box 9: Outline technical questions in considering demand-side financing (DSF)

Beyond the first, and perhaps most important, question of (1) *political will and resource capacity*, among the key technical questions that need to be addressed in Lagos (as anywhere else) include:

- 2) *Will this address the specific market problem/constraint?* DSF may allow more resources to flow to schools but may not directly address issues such as information, capacity or rules-based constraints?
- 3) *How will it be targeted?* – available to all (easier but how affordable?) or focused on the most disadvantaged (what criteria?, how verifiable?)
- 4) *Which schools will be eligible?* – those of a prescribed minimum quality? (how definable?), public schools? (can they accept vouchers/cash? – if not, how to avoid a pupil exodus?)
- 5) *How can transaction costs be reduced?* – giving grants/vouchers in a manner which is efficient and fair is technically and organisationally taxing.
- 6) *How to avoid corruption?* – although new technology may help to 'personalise' vouchers and enhance security, the incentive for fraud is strong.
- 7) *What should be the value of the voucher/grant?* – account for whole fee? (in which case schools might be made homogenous, restricting choice) or be a smaller amount that can be topped up (how to stop schools adding the voucher to their existing price?)
- 8) *Will it operate in a geographically distinct area?* – if yes, how to stop migration? If no, how affordable?
- 9) *How to promote better standards (not just better access)?* – if other issues are not addressed, why shouldn't the market sink into a new (if higher cost) equilibrium of low expectations and performance?
- 10) *Does the capacity exist to manage effectively?* – the most commonly-cited DSF schemes (eg Colombia, Chile, Brazil) are in middle-income countries with an adequate level of state capacity: can they work in weaker institutional environments?

successfully, DSF schemes may absorb resources, generate few additional benefits and result in distortion and displacement. Currently, there is no technical capacity or experience in the Ministry of Education in relation to DSF.

Teachers

Teachers are obviously a key input into the performance of schools and the functioning of the teacher labour market has implications for how the education market system works (Box 10). Currently, the Lagos teaching labour market is defined by the regulatory rules set for it. On the one hand are teachers trained formally in government training institutes and working in the highly regulated (and unionised) government school environments. Starting salaries are around N50,000 and staff have complete job security. On the other side of the regulatory divide are teachers who have a range of qualifications – usually ranging from OND to degree – but only a few of whom are qualified teachers. They work in private schools, have little formal employment security and are accountable to their head teacher/proprietor and to parents. Salaries are around 10-30% of their government counterparts' level. Whether for trained or untrained there does not seem to be any shortage of teachers *per se* in Lagos.

Despite the obvious difference in training and rewards, research from ESSPIN has shown that there is little difference in the technical competence of teachers – with no real difference in the level of subject knowledge between public and private¹⁵. Indeed, the general perception is that the working culture in private schools nurtures a more responsive and responsible approach from private school teachers; in contrast, the prevailing view of the government teaching environment is that it is dysfunctional and self-serving. Indeed, past strikes in government schools live long in the minds of many parents.

Improving the teaching resource, both in terms of quality and relevance to the new education reality of mixed public and private providers – would require that the formal and informal rules that currently shape the teaching labour market were addressed. This would be a

Box 10: Acknowledging reality in the education labour market

The dual/binary nature of the labour market in education invites easy if sometimes over-simplistic judgements.

On the one hand, some argue that teachers in state schools represent the professionalisation of teaching, who, with their organisations (unions), are guardians of standards and proper conditions. On the other, others argue that state teachers represent a narrowly-focused interest group, motivated mainly by pecuniary (rather than educational) concerns, who have largely captured the state system and been instrumental in its steep decline.

In this context, support for pluralistic education might be interpreted either as an 'attack' on teaching and as advocacy for 'cheap labour' and de-professionalisation, or alternatively, as the beginnings of the development of a teaching resource that is more practically relevant to the hard market realities of Lagos.

This report has alluded to but not investigated in detail the structure of the teaching labour market. However, three points can be made.

- The current structure appears to be a legacy of the past; it is artificial and out of kilter with the new (pluralistic) reality of education. There is a Canute-like quality to supporters of the status quo.
- Private schools, while not offering guaranteed security of employment, in a context of large-scale under-employment among graduates, offer useful work and, for many, a chance to progress to other academic qualifications.
- Improving the performance of the education system as a whole, with schools conscious of the need to serve ever-more demanding parents and demonstrate achievements clearly, should highlight the need for greater investment in and rewards for well-performing teachers, and a step beyond the limited, threadbare *modes operandi* of many schools.

¹⁵ In general, teachers' subject knowledge is low. In Kwara State, to give an example from the only state to make the results of this examination public, only 75 out of 19,000 teachers passed a test of primary 4-level material.

major task – particularly since all teacher training is done by government institutes and the recent opening up of tertiary education has not, as yet, touched teacher training.

Capacity-building services

This refers to services aimed at supporting schools development of their teaching and non-teaching capacities. This could take the form of written information and guidelines – say on financial management for schools – or be specialised seminars or even short-term programmes. The existing supply of these services appears to be sparse:

- There are no specialised information guides on the ‘how to’ of school management
- There are very occasional seminars on schools management and leadership at conferences organised by associations¹⁶
- Publishers tend to organise annual seminars for private school teachers (during the first term) around themes such as ‘effective teaching techniques’ but these events – which can attract up to 700 participants - are linked closely with their textbook products.
- More widely, there are providers of generic small business/enterprise management development programmes. Lagos Business School is probably the biggest of these; its ‘owner-manager’ programme is, in theory, relevant to schools but with fees at N1.3 m (\$8,000) is outside the price range of most school owners. The activities of lower-cost providers of these services have not been investigated – but are unlikely to be extensive.

School management and leadership is known to be important in developing more able and successful schools – but it is not necessarily a need that is recognised by school proprietors. But this is a thin market currently and, given the weak nature of the supply and demand-sides, it will be some time before it develops. More immediately the most realistic scope for development might lie in enhancing existing channels of information.

Textbooks

Textbooks are an important determinant of learning, and their influence becomes more critical where teaching is weak. Much depends on the quality of the book in terms of its appropriateness to the learning needs and literacy skills of the pupil. The textbook industry is competitive, with most printing being outsourced to Asia and with incentives for writers and publishers to produce relevant and affordable materials.

There is a marked difference between how government and private schools get their textbooks, and in how they use them. Government schools receive books from the Curriculum Services Directorate (CSD). At primary level, these textbooks only cover the six core curriculum subjects. The CSD selects the books every three years from samples that publishers provide. A single book is selected for each subject and each grade, which effectively becomes the standard text. Other books deemed suitable appear on an approved list. Schools are responsible for collecting books, distributing them to children and collecting them back at the end of year. However, the system does not appear to be working well, with schools struggling in making the final step in the chain and putting books in front of children.

In contrast, private schools choose which books they want to use from the approved lists. Publishers engage directly with private schools to assist their selection. Schools either purchase the required text on behalf of parents and sell them on to them, or require parents to buy the books themselves. There would appear to be much greater use of books by pupils in private primary schools. The process works well. Poorer parents will inevitably have

¹⁶ For example, the series of presentations at the 2010 conference of the Association of Professional Educators of Nigeria (APEN)

greater difficulty in buying books. In addition, there may well be a second hand market. Schools serving poorer areas may opt for cheaper books.

There is also evidence that some publishers are responding to the emergence of private schools by developing books especially for this market¹⁷. As schools become more assertive and established, more of this kind of innovation can be expected.

Research

The research function in education refers to the capacity to (a) analyse the sector as a whole, (b) understand different players and their role within it (c) throw light on the position of the poor and the extent to which the market's development has been inclusive; and (d) assess the impact of different initiatives.

A market system which is developing – and in which many market functions are still weak – needs to have a capacity to learn. The many information constraints on demand and supply-sides inhibiting the flow of finance, and undermining advocacy processes, can only be met with a more developed research capacity.

Currently, the research function in the education system is weak. ESSPIN has led the way with respect to research and there are few local research organisations, in academia or elsewhere, and still less recognition from potential users of research or the need for this.

Assessment

Knowing how learners are performing at selected stages of schooling is a pre-requisite to assessing how the system is doing and setting an agenda for improvement. A key characteristic of constantly improving education systems is their ability to do this¹⁸ providing information on performance for schools and for parents. Two types of assessment can be used to drive improvement: periodic sample surveys of learning achievement and public examinations or tests.

Other than the regional West African Examination Council examinations sat at the end of both Junior and Senior Secondary stages, there are no international comparisons that can show how Nigerian or more specifically Lagosian children do compared to others. Within the Lagos State education system itself there are processes of examining performance at various stages (both the primary and junior secondary end-of-term examinations monitor learning levels against the curriculum). However, aggregate results are not published or analysed to show any year on year trends and, as a result, the efficacy of tests for schools is limited.

The unified examinations are only applied to the public schools; there is no similar process in private schools. The only external 'independent' test of learning being undertaken by pupils from private schools is the Common Entrance Examination used to select candidates for entry into Federal Government Colleges and other model schools, but this is at the end of the primary school process, external to the school and not taken by all pupils. Recognising the potential value of achievement tests, AFED has developed an end of primary school examination but the implementation of this seems to have stalled.

The 'ideal' situation in a pluralist education system, of common tests across both public and private schools, doesn't happen because of a number of factors. There is no obvious 'host' – with independence, credibility and competence to house such a function, let alone the systems and resources to manage it effectively. AFED would be seen by some as lacking independence, and the government currently sees its role as focusing only on government

¹⁷ For example, OHA publishers sells its 'Step by Step' series only to private schools (mainly approved).

¹⁸ Barber, M (2010); *How the world's most improved school systems keep getting better*; McKinsey

schools – where the culture of using tests to assess pupil progress appears to have eroded. Across both public and private sectors, the notion of using test data to ‘empower’ parents with objective information on performance and boost accountability to them, is not widely voiced – even though parents do understand and value examinations. There are therefore basic capacity and incentive issues preventing the ideal situation from being realised.

Overview and summary of priority constraints

In section 3.3 above it was concluded that the key problem in the core of the education market, although in part access, was chiefly its low quality in terms of learning achievement. From the preceding analysis, it is clear that there are a number important factors that lie behind this situation, constraints that need to be addressed if the education system is going to be substantially more than it is now. There is a danger that this analysis will be interpreted as a long list, with each factor identified being of equal importance. In practice, more detailed consideration of constraints also takes into account the potential for interventions to bring about change in pursuit of a future vision – and this is done in Section 4.

At this point, however, it is possible to identify two categories of constraints, with the first being of higher priority than the second.

Priority 1: game-changing constraints

These are related to the ‘rules of the game’ that shape behaviour of key players in the education market system. Specifically it means the values and norms which shape the stance of government in education –and which are manifested in, among other ways, the Guidelines – and the expectations and power of parents. In order for these to be addressed, processes of dialogue and advocacy need to be enhanced and more appropriate information be made available, allowing parents and schools to go beyond their current limited horizons. In terms of Figure 2, the priorities are formal rules, informal rules, advocacy and information. Change here has the potential to permeate through the whole system.

Priority 2: narrower supporting functions

The second set of constraints includes a diversity of factors. These are of secondary importance for a number of reasons. In some cases, (such as finance or assessment), significant change depends on change in the game changing constraints (rules). In other cases, there do not appear to be severe constraints (eg textbooks).

This, of course, is a simplification – change in development is seldom straightforward and sequential. And bringing change in one part of a system invariably has ripple effects throughout an entire system. It is possible and justifiable to work different constraints at the same time. Nonetheless, it is the case that fundamental change in the education market system is not really possible without addressing the priority constraints identified above.

4. A programme to develop the Lagos education market

This section outlines key considerations for any future programme to develop the education market system in Lagos, and is set out in the following manner.

- 4.1 The case for intervention - set against a 'do nothing' scenario
- 4.2 Overall nature of any programme – the objectives, principles and characteristics of a future programme, drawing on examples from elsewhere.
- 4.3 Indicative interventions: setting out some of the specific interventions that a programme might undertake
- 4.4 Organisation options for implementation: the main alternative programme organisation vehicles that could be considered

4.1 The case for intervention

A good starting point in considering any future programme is to project what is likely to happen without any intervention, to develop a 'do nothing' scenario. What would doing nothing mean for education in Lagos? First, it would not mean the imminent collapse of low-cost private education in Lagos. The very essence of low-cost schools is their self-reliance, drive and energy and the incentives to continue to develop are not dependent on external infusions of aid. So, it would be expected that the trends currently in evidence would continue. This would mean, for example:

- more low-cost private schools claiming a greater share of the market (at the expense of government schools) with access levels at primary school still being high
- for a small number of low-cost private schools, an increase in capacity, with new investment in buildings and improvement in quality
- incrementally, more interest from supporting markets – more bank finance, more textbook innovation and more interest from the media.

However, this continuation of current trends is unlikely to address the severe problems of poor quality and learning achievement which are at the heart of the weak performance of the Lagos education market system. Fundamentally, the system would still be firmly on the same path of underperformance and mediocrity in which it currently exists – the low-level equilibrium which characterises most informal sector markets - with children (especially the poorest) under-achieving.

To address this malaise will require action to shift the existing way in which the education market functions. The case for a DFID-supported programme is that it can act to facilitate this fundamental shift.

4.2 The overall programme

Objective and theory of change

Figure 4 sets out these objectives and flow of logic underpinning the programme¹⁹. The overall focus of the programme would be to enhance the performance of the Lagos education market system, manifested in improvement with respect access and (in particular)

¹⁹ This flow of logic is consistent in all M4P programmes

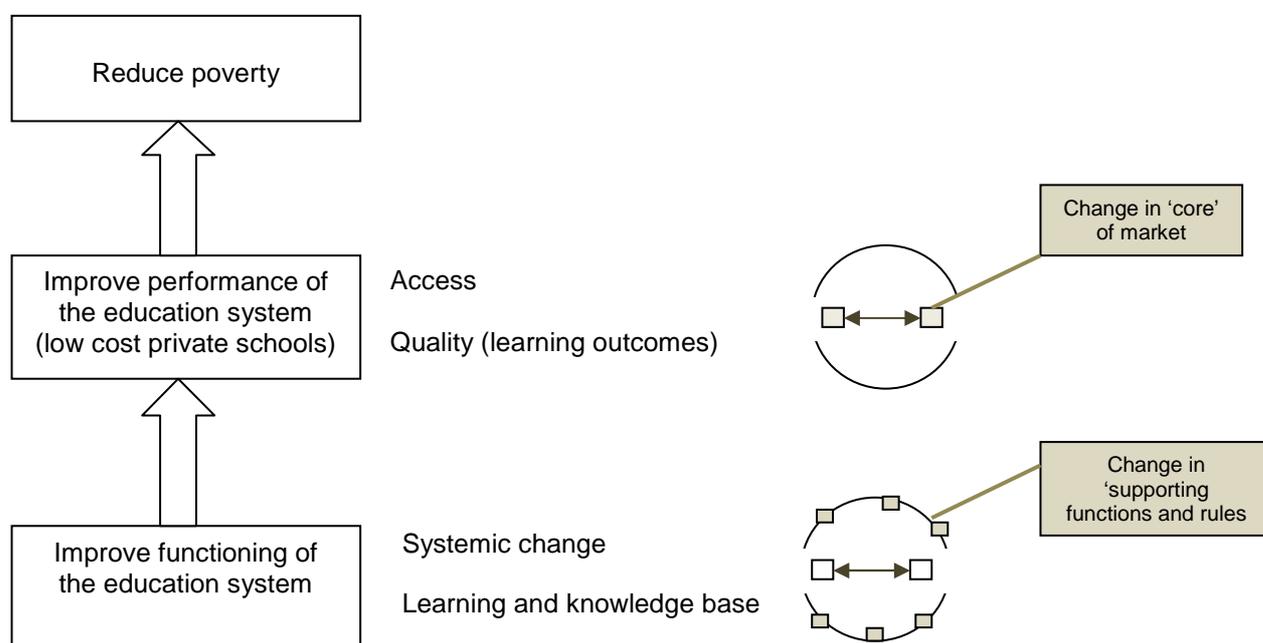
learning outcomes. This change would be achieved by improving the performance of low-cost private schools; (ie at the core of the market).

Key measures related to access would include indicators on enrolment and drop-out rates. For quality/learning outcomes the focus would be on numeracy and literacy and build on the testing that ESSPIN currently undertakes. Typical proxy measures for quality are all, to some degree, problematic. For example, the number of qualified teachers is not a useful indicator in Lagos (with no relationship between teaching qualification and performance at primary level) and pupil-teacher ratios is a relatively blunt indicator of quality.

In terms of how change would be assessed at this level, there are two main options: (1) annually (or 2-yearly) to conduct an independent study (of the type ESSPIN has undertaken) – directly by the programme, or (a better option) through/with a tertiary education institution. This would have the advantage of building an assessment capacity within the system. (2) an assessment process built around the standardised annual examinations currently run only in government schools. While this would have the advantage of building on an existing process, this process currently only applies to government schools, government shows no interest in extending it to all schools, and the process is of questionable accuracy (see Intervention 7).

In order for the above changes to take place, the programme would focus more directly on facilitating change in the environment around low cost private schools. It would seek to bring positive change to: (a) the supporting functions and rules impinging on schools and (b) the learning and knowledge base in relation to the education market and how to intervene to support systemic change.

Figure 4: Objectives and underlying logic



Specific indicators at this level would relate to different types of systemic change being addressed, and so simple indicators generalisable across all type of change are difficult to specify. However, given that this is a market system, it will be desirable to look at changes not just in terms of what has happened but the perceptions of other players in the system. In particular, as in any market system, the perceptions and experience of ‘consumers’ (ie parents), can be important proxies for market development. These can be assessed using market research measures. For example, monitoring parents awareness and understanding

(both definable) of regulatory changes, new school categories and school performance. Measuring change at this level would be the immediate priority of the programme²⁰. More precise indicators would be developed during the design process.

The nature of the programme

The nature of the programme – and its underlying logic – draws on four related factors.

1. Although, thanks to the work of ESSPIN, this is a market that has been researched rigorously and this has allowed us to draw initial conclusions about how to intervene, there are still many aspects of it that are unknown. This means that the programme must have a learning and research capacity to inform its interventions and must be able to adapt as it proceeds.
2. Given the ambition of the programme – changing the rules of the game for education decisively – the severity of some of the constraints that need to be challenged in pursuing this and the programme’s pioneering nature (the first time – anywhere – this perspective has been taken to this kind of environment), it is important to ground objectives in realism. In some cases the programme will undertake interventions which will not result in immediate ‘pick up’ by other market players. In those circumstances it will at least have undertaken research that will provide a basis for more successful intervention.
3. The complexity of the market system does not lend itself to easy answers! Change in the education market system of Lagos will be brought about by building on incentives and developing capacities to encourage innovation and change. It will be achieved by using development resources to address underlying constraints revealed through the analysis brought by market facilitators. Unfortunately – for this would be easy – it is not a system where stimulating valid change is simply a function of how much is invested or where level of ambition is correlated with size of spend.
4. While this programme is unique in a number of respects, the situation being faced – a weak market system with a complex political economy and a diversity of players – is comparable to that faced in other M4P programmes. The ‘how-to good practices’ which have emerged from these have equal relevance here.

Given these factors, this would be an education market development programme²¹. In keeping with its rationale and theory of change, it would be charged with the task of facilitating strategic change in the education system. It would be accountable against objectives contained in the theory of change. It would have a duration of five years, with appropriate reviews and assessments within this period. More detailed intervention plans would be developed as the programme is initiated, discovers more about the market and engages with key players.

In order to deliver these changes, the programme’s functioning would be guided by a number of general characteristics, all of which have emerged as good practices in adopting an M4P approach.

- Flexible – able to adapt its programme in the light of new information and opportunities
- Closeness and credibility with different players – able to engage with and make a successful ‘offer’ to the range of players within education – government (different parts), private sector school operators, financial sector players, mass media companies etc.

²⁰ It is anticipated that at this system level, there will be considerable scope to learn lessons from other DFID-supported M4P programmes in Nigeria.

²¹ ‘EdMark’ (inevitably) might be one option for the programme name.

- Independent – able to be (and be seen to be) a neutral party, external but relevant to market players.
- Driven by knowledge and insight – using research to guide actions and to open the eyes of different stakeholders to new realities and opportunities.
- Manage risk – developing and managing a programme of interventions that prompts change at different points in the market system but recognises that not all the activities undertaken will be successful.

Within these broad operating principles, interventions would be guided by a number of considerations:

- a focus on identified systemic constraints - actions would have to be led by a clear view of the underlying *cause* they were seeking to address
- bringing sustainability into each intervention – similarly, actions should be guided by a view of how they will contribute to a better functioning education system operating without ‘artificial’ support
- a do-no-harm ethos – the risk of undermining the existing functioning of low cost schools – imperfect but valued by parents – needs to be carefully considered when interventions are considered to ensure that, overall, there is a net benefit
- a strong emphasis on monitoring – given the innovative nature of many of the interventions, measuring (and learning from) these will be important; and
- (with some exceptions) working with players in the education market system – as a facilitator the programme would generally work with a partner who would have an interest in continuing/developing that activity in the future. However, there will be some types of intervention where, because there is no obvious partner and/or these are new and important activities, the programme would have to lead.

One key consideration for the programme would be achieving a balance between, on the one hand, developing sufficient profile to have credibility in engaging with key stakeholders and, on the other, not becoming so prominent as to crowd out the efforts of other players/activity and create an unhealthy market dependence on the programme. Another, related challenge is to develop close cooperation with (1) ESSPIN and (2) other DFID-supported state-level (and other) programmes.

The link with ESSPIN is especially important. It will be necessary to draw on its networks and knowledge. ESSPIN’s main mandate is to work with the government as a provider of education. However, its growing awareness of the significance of low cost providers has taken ESSPIN to a broader view of the education system and the enabling role of government. In practice, ESSPIN has moved into some of the space a new programme would be expected to occupy. Complete delineation of responsibilities between a new programme and ESSPIN would be impractical, especially in relation to dealings with government. Some overlap, therefore, would be inevitable but this is quite manageable given goodwill and cooperation. As a broad principle, the new programme would tend to deal with government in its ‘enabling’ role; ESSPIN’s focus would primarily be on government as a provider.

With regard to other programmes, while none of these deal with education specifically – in principle at least - some do cover the supporting functions and rules in education, for

example, public: private dialogue (ENABLE), voice (SAVI) and land markets (GEMS 3). It is expected, however, that the programme will complement activities in these areas – rather than duplicate them.

How would a programme – with the above features – bring positive change to the education market, especially with respect to learning outcomes? As stressed earlier, there is no ‘quick-fix’ direct delivery solution here – so no credible alternative to the path of change outlined in the report. That said, the connected nature of the constraints identified means that an accumulating momentum can be built up over the programme period, with the pace of change increasing over time. Some change can be expected relatively quickly – for example, better media exposure on education. While there is a logical sequence to some of the interventions outlined, some priority constraints can be addressed in a parallel manner. And, in part because of the solid base of ESSPIN research and networks, the programme can begin with some early key interventions. However, it is over the programme period as a whole and (especially) beyond this that the programme’s emphasis on sustainability – on causes not symptoms – can be expected to deliver. Lagos’ education market is, of course, an entrepreneurial ‘space’ and so predicting the precise speed of response within this cannot be known exactly. But, drawing on the experience from other M4P programmes²², substantial and sustainable impact and therefore strong value for money can be expected over the programme’s life.

Finally, at this stage, given the nature of the programme a budget envelope in the region of approximately £15m over five years is considered appropriate.

4.3 Indicative interventions

Given the overall nature of the programme (above), what then would a programme do? This is a question which can only be answered in outline, indicative terms. The essence of the approach is that actions are led by market analysis. More detailed and comprehensive market research could be expected to develop an education market development strategy and within this specific, priority areas for intervention.

With the proviso that these are preliminary and indicative only (and not comprehensive), a number of potential intervention options can be cited. These draw directly from the analysis of constraints contained in 3.5 above. As highlighted earlier, there is no ‘silver bullet’ to instant systemic change here; however the cumulative impact of these interventions would be to move the education market significantly. Interventions are, roughly, ordered in line with priority. Table 3 identifies the key elements of these; the text below highlights the challenge and opportunity for each idea, focusing in particular on those aimed at the game-changing constraints highlighted above, as well as the demand-side finance intervention idea.

Intervention 1: strategic engagement exercise

This would be aimed at the window of opportunity created by the current political economy to facilitate (a) a change in the Lagos State Government’s stance on education and (b) a process of changing the nature of the education debate in Lagos.

The message to senior decision-makers (eg the Governor) might have several elements.

- Four facts:
 - (1) The current state of education in Lagos is poor and this is hampering economic growth and wider development
 - (2) Low-cost private education is growing and is important (and for clear reasons)
 - (3) In this context, government’s approach isn’t working – Lagos needs all its schools and they need to work better.

²² For example, the positive end-of-project assessment given on the recently completed PrOpCom programme

(4) This is a situation faced not just by Lagos but by other mega-cities

- In that light, there is a need for government to change its approach – and in doing so set an example for others to follow
- The essence of this change is to develop government in a more enabling role to promote a cohesive and pluralistic education system
- This is not a straightforward task – it is new and pioneering, but, if the status quo is untenable, is the only credible option.
- The new programme would be able to assist in helping government make and lead this change

In order for this message to be delivered successfully the intervention would have to take into account a number of factors:

- A well-researched message: sufficient research would have to be required to say ‘this is where Lagos education is’ now – and to do so with authority;
- Outlining options for the future. The programme might learn from the experience of FinMark in South Africa which, in a different but difficult politicised environment, used scenario planning to outline strategic options for the future (in the case of financial services) and allow decision-makers to arrive at the best option. For example, one could think of options encompassing the status quo, the state as provider, a pluralist market (with minimal state) and pluralist market (active state).
- A polished message. While traditionally in development efforts, dissemination is a secondary concern, this intervention is all about communication and influence. This is likely to take a number of forms – a succinct report (with a short and long version), stakeholder presentation of the report, workshop discussions etc. The ‘how’ of the report presentation is therefore important as well as the ‘what’ of the message.
- The programme ‘offer’ contained within this. Although care would have to be taken not to sway stakeholders with promises of support - it is important that they arrive at an owned view of the future – as part of the engagement, government should know the type of support that could be offered.
- A targeted message. Understanding of the key stakeholders (government, political, private, media etc) will allow arguments/data to be framed in a manner which is accessible and practical. (To follow the FinMark example above, their engagement process involved presentations with up to 20 different groups).

The end point for this ideally would be a commitment – perhaps with public pronouncements – on the way ahead for education in Lagos and the role of government in shaping this future. The prize here is to gain sufficient interest as to open doors for all succeeding interventions²³. In doing so, the programme would be announcing itself on the Lagos educational scene and hopefully establishing an image characterised by insight, dynamism and effectiveness.

Intervention 2: School guidelines revision

The existing guidelines, although a marginal improvement on the past, represent an outdated and inappropriate binary view of education – good/bad, in/out, formal/informal – that will not provide an environment that gives the right kind of practical incentives for improvement. The guidelines are therefore important – they define the parameters of the system.

²³ FinMark’s successful scenario analysis engagement with stakeholders might be a useful model to learn from.

The challenge is to change to a graded system of school classification²⁴. This would include all private sector schools (and ideally the government sector – but this is unlikely initially) and place them all within a grading system (A,B, C, D etc). This would be based on objective criteria related to conditions, class size etc. Ideally this would also reflect performance – especially related to learning achievements - but this would be difficult to achieve initially.

In developing this intervention, a number of considerations would need to be borne in mind:

- Developing guidelines in an inclusive manner. In particular, this would be focused on facilitating a process between stakeholders to arrive at owned and valid guidelines. While this will be the key thrust, given the ‘newness’ of the task, substantial technical inputs are likely to be necessary, especially with the Ministry.
- The parameters of the guidelines. This would include for example the extent to which grading dealt with performance. Discussions would also have to include the process through which inspections take place – but, given resource constraints, self-assessment could also be included. In any case, self-assessment would be encouraged so that schools began to consider where they are and how they might improve.
- Disseminating information to schools and to parents, especially the latter. If the meaning of school classification becomes known, this can be a key criterion for parents as they weigh up school options.

The guidelines, important now, assume a pivotal importance in the future, becoming the main set of framing rules that shape the behaviour of key players. They become the most obvious (not the only) rules to reflect the strategic repositioning achieved in intervention 1.

Intervention 3: Public: private dialogue enhancement

The flipside of a focus on regulations is developing advocacy mechanisms and capacity. A more fluid and functional public: private market system will require better and less confrontational processes of exchange. For this to happen, associations must improve their own performance, and move beyond the resist mode to more constructive engagement. This will, in turn, require that they become more representative of members, have better links with other associations, including those (such as chambers of commerce) which have a broader mandate (not just education) and with the media and research organisations.

Support here is therefore likely to mirror the approach taken by ENABLE in other spheres, and applied to the specific situation of Lagos education. This might include:

- Capacity-building with respect to skills and knowledge of association members on education in Lagos and the role of associations
- Networking/linking with relevant information sources (researchers) to help develop evidence-based messages as well as media groups and other associations.
- Advice on advocacy processes, dialogue, developing messages and use of media
- Working with service providers from interconnected markets who can support associations in the longer-term

Intervention 4: media development

Commercial pidgin radio stations in Lagos reach the broad mass of (poor) people in a way in which no other medium can. They appear to be flexible and dynamic and open to new

²⁴ ESSPIN put this idea forward in the guideline revision process.

programming ideas in subject areas that are of relevance to their audience. Stations are fairly well-resourced, technically competent and with transparent motivations. Initially working with one or two radio stations, the opportunity is to (a) open their eyes to the changes taking place in education as a ripe area for a variety of programming, especially if changes include new announcements from government; and (b) provide initial support to help them take advantage of this quickly. In practice, this might include:

- Awareness briefings on changes (and opportunities) in the education sector
- Market research on potential listener (parent) interests in education
- Impact assessments in relation to listener perceptions and impacts
- Linking them with potential sources of information on different aspects of education – eg researchers, associations, individual schools, government etc
- Providing ideas/ technical support (if necessary) on programming formats related to education – phone-ins, panels, township meetings etc.

The purpose of the intervention would be to catalyse the media into taking education into their programming menu, and help them to do so. In doing so, awareness and understanding, the demand-side of the education market, would be developed.

Intervention 5: information for financial services

There is a slowly evolving interest from financial organisations in low cost private schools as a target for investment. This interest comes from both Nigerian sources (although there is currently a block on 'risky' investments) and from international sources, including softer impact investment funds. It would seem that there is no shortage of capital interested in schools²⁵.

The constraint, however, would appear to be a lack of awareness of investable projects. Although in some ways the business model of private schools is relatively easy to understand, potential investors do not have a sound information base on the sector, its structure and trends within it, or on individual schools. The confused nature of the current regulations also acts as a disincentive to investors.

The challenge to be addressed is then how to address the information blockage at the heart of the financial sector's current hesitancy. This would involve engaging with a number of stakeholders – finance organisations, associations, government, researchers – and commissioning (ideally with their inputs) appropriate research, and disseminating in a practical way.

Intervention 6: a learning achievement assessment system

The 'market' ideal in education – of schools responding to the positive pressures from a discerning and reasonable parent client group - requires that parents have more and better information on which to base discussions and decision-making. This means that, beyond their currently localised sources, they have objective information on school learning achievements. Similarly, schools themselves, to understand their overall performance and the progress of individual pupils need to have an objective basis for doing so.

Both public and private sectors understand the benefits of a functional assessment system. The challenge is how to develop this? This is both a political challenge (which organisation could be seen to be independent and credible?) and a technical one: the how to of tests and the system through which tests are undertaken and the results disseminated to schools and parents. Given the sequence of other interventions, this might not be seen to be an immediately 'do-able' priority.

²⁵ Notwithstanding the potential impact of the current eurozone crisis

Intervention 7: Management and leadership development

While there are many basic problems associated with teacher training, the vested interests and structure of the teacher labour market is likely to make intervention difficult, at least in the short-term. However, as with any business, developing the proprietor or head teacher is known to be critically important in shaping the performance of schools.

There are no small business/management development programmes focused on the education sector currently – and in any case existing providers of these are aiming at enterprises some way above the level of most low cost private schools. This might not be an immediate priority.

The more relevant and immediate challenge is to consider developing existing channels of information on leadership and management for schools. This means engaging with associations, with textbook publishers or (conceivably) with the media to consider how information flow can be developed. On the one hand – for technical information related to financial management - this might lend itself to the development of templates and guides. For broader management and leadership questions, this might be concerned with seminars and workshops.

Intervention 8: Demand-side finance

There are a number of arguments in support of a large-scale DFS intervention. First, the conceptual rationale is compelling, providing a funding mechanism that favours the disadvantaged. Second, it might provide the kind of ‘big splash’ change that the education sector needs to shift it from its current underachieving path. Third, it might fit with DFID programming priorities – being a coherent, large-scale financial commitment focused on one specific purpose.

However, these arguments are outweighed by a number of factors which make large-scale DFS neither justifiable nor feasible at this stage (see Box 9).

1. DFS does not emerge as a priority from the constraints analysis of ‘what’s wrong’ with the current education system. Rather, this highlights the more immediate need to focus on game-changing constraints related to formal and informal rules, advocacy and information, none of which are directly addressed through DFS.
2. There is no political appetite in the Lagos state government for the state financing of private schools and there is no precedent for the state acting as a purchaser in the education market (see Box 11). If DFS is to be more than a short-term gesture, state involvement is necessary. On the contrary, the only pronouncements made on state financing are negative.
3. There is no technical capacity in government in relation to DFS. Wider experience of DFS shows that those countries where it is being implemented with some success (Chile,

Box 11: Why Lagos is not Punjab

Within DFID’s portfolio of activity in the education field, the work in Punjab stands out because (a) much of it has involved engaging the private sector within a new, pluralistic/public: private view of the education system and (b) it is seen to be successful.

Given this, it is relevant to consider why a new programme doesn’t copy this experience; why don’t we ‘do a Punjab’ in Lagos?

The team considered this carefully. However, in practice the institutional environments of Lagos and Punjab are completely different. The Punjab Education Foundation (PEF), in existence since the 1990s, quasi – independent but supported by the state, is able to engage with the private sector (fund and support it) such that it can play a combination of purchaser and provider roles and shape the whole education market.

In Lagos, in contrast, the capacity and incentives to play this role are not present in the government, and there is no (current) interest in/precedent for an entity such as the PEF.

Therefore while aspects of the Punjab experience can be learned from, seeking to copy the PEF model is unlikely to be successful.

Brazil etc) have more resources and technical capability than in Lagos (as well as political support). There are more immediate (and achievable) challenges to be faced in relation to government's role in education.

4. There is an absence of experience and insight into the substantial obstacles to be overcome – targeting, which schools, transaction costs, corruption etc – that could form the basis for any large-scale DFS.
5. The nature of DFS mean that any substantial intervention here would inevitably tend to diminish other interventions and reduce their efficacy.

This last point merits some explanation. The dangers of 'flooding' the education space with cash/vouchers and, in doing so, undermining the key virtue of LCPS – their spirit of self-reliance and self-help - should not be underestimated. Perhaps it is inevitable that, as the phenomenon of the private schools of the Lagos slums receive more exposure, the beginnings of 'development tourism' are noted²⁶, with visitors to schools now a regular occurrence. In that context, it would be logical but unfortunate if schools started to slide into the familiar path of development dependency.

Given the above objections to a large-scale DFS scheme, any intervention initially could only be on a small-scale trial basis. The purpose of the intervention would be to:

- trial a demand-side financing scheme (voucher or conditional cash),
- monitor the results of this in-depth on participating schools and parents but also including the spillover impacts on other schools and parents

By the end of the period, there would be a documented experience on demand-side financing that could, if necessary, be taken forward with the government (as the only credible funder in future) or not continued. As well as the many technical challenges of implementing such a programme²⁷, the wide potential for distortions would have to be considered carefully. Certainly it would be important that the intervention was only implemented after other activity had begun – otherwise there would be a danger of other efforts (and the whole programme) being sidelined.

The above intervention ideas are indicative only – and the team considered a number of others. However, they give an indication of the nature of activity that is envisaged.

²⁶ Anecdotally, it seems that in some instances schools are changing their behaviour in response to this exposure – for example, adapting responses to what they believe their listeners want to hear

²⁷ Absolute Return for Kids (ARK) has an action-research voucher programme in Delhi which is expected to start generating data in 2012 – which might be a useful source of learning

Table 3: Indicative intervention summary (initial ideas) for an education market development facility in Lagos

Name (and priority)	Constraint (s) to be addressed	What	With whom	Projected outcome	Pros/cons
1.Strategic engagement exercise	Constraints in the wider political economy (informal rules) related to (private) education	Process of researched and targeted activities on options facing Lagos re education Aimed at range of stakeholders – esp governor and government.	Led by and in name of programme – key starting point and value-added.	Changed perceptions of the education system in Lagos and the role of different players (especially government)	Priority set of constraints concerned with key drivers of behaviour for government. Building platform for prog; flows into all other activity Essential intervention- few cons.
2. School guidelines revision	Inappropriateness of current guidelines; binary view of market.	Process of engagement, capacity-building and technical assistance.	Private sector dept in Min of Ed – and with associations and researchers.	Change to 'graduated' system, reflecting market reality and providing pathway to improvement	Pros – central point of govt stance viz private sector. Some signs in govt of move in this direction. Cons – just published, reluctance to change, needs change in pol econ?
3.Public: private dialogue enhancement	Dialogue process between advocacy organisations and gov are undeveloped.	Development of regular public: private platforms; linkages between advocacy, media and research players	AFED and NAPPs - and perhaps other educ-specific or generic BMOs	More productive public: private relationships (eg manifested in improved guidelines)	Pros – necessary complement to political economy work and 'lubrication' for new ed system Cons – BMOs very divided, weak capacity, volatile
4.Media development related to education	Info base for demand-side pressure on schools limited. Commercial mass media unable to tap into prog. potential	Engage with key media player (one or two initially) to provide technical support for programme innovation	Commercial radio station using pidgin medium	Vibrant and popular programming increasingly reflects new realities of education system, empowering parents	Pros – complementary to other interventions. Indirect Cons – finding appropriate partner. Media 'take' on education system reform – outside control of project!
5.Information for financial services	Financial market for education is limited by poor knowledge/info on risks and potential.	Research on business models and sector as a whole, communicated in appropriate form	Conducted with research organisations and/finance companies – possibly associations?	Detailed and published information on financial business models and sector size/trends.	Pros – not being addressed elsewhere,; low distortion Cons – enough incentive to stimulate investment?
6.Learning achievement assessment system	No functional mechanism to assess learning achievement in private schools (and not really in public).	Engage stakeholders to develop new system and institutions to govern and administer learning assessment.	Government and associations (AFED?)	Demonstrated and documented experience on learning assessment system, linked to school classification.	Pros – required (ideally) in conducive education system; government system in existence; need recognised in AFED Cons – independent host not clear; major capacity limitations – realistic?
7.Management/ leadership development capacity	School management is weak. Processes for school (non-ed) capacity development are weak	Develop easy information packs for standard info. Work with provider(s) to develop appropriate progs	Associations, textbook publishers and more specialised mgt. development orgs.	Range of sources of useful information increased. New, more intensive programmes trialled	Pros – possible to spread risk by working on different types of information. Cons – mixed donor history of working with (BDS) providers
8.Demand-side finance	Low levels of finance is one cause of poor performance	A demand-side initiative (with information – eg on school performance)	Led and managed by programme as action-research initiative – since govt commitment is unlikely initially.	Improved quality from more finance Demonstrated/documentd experience on demand-side finance	Pros – sound logic, 'empowering' Cons – high distortion potential, difficult technical task, danger of overshadowing wider prog, no credible partner (sustainability), danger of govt sc exodus

4.4 Organisation options

Whatever organisational option is selected, the nature of the entity will be the same. Staff numbers would be limited to a small number of professionals (less than 10) providing strategic direction, specific technical guidance in intervention design and implementation, and monitoring and evaluation. Depending on the final emphasis of the programme it might be necessary to have technical specialists – for example in guideline development, communication or demand-side finance – but technical resources would generally be bought-in.

The two main organisation options for the implementation of the programme are:

- a conventional project, contracted to a managing agent (or consortium of consulting companies), and funded through an accountable grant; and
- the creation of a Nigerian company limited by guarantee, funded also by some form of accountable grant.

The latter structure was adopted by EFINA, a financial sector development organisation based in Lagos, which was created by DFID and other funding partners. It is not within the remit of this report to go into detail regarding how these two structures might work (the modalities of the company limited by guarantee option are particularly complicated), but the following highlights the pros and cons of each option, according to the key criteria of a) credibility/influence with Government and private sector stakeholders; b) potential for DFID influence/control; c); value for money, and d) timing.

This discussion draws on debates and experience within DFID going back ten years over the best implementation vehicles for a market development facilitator – in particular from the wave of local trusts and projects instigated in South Africa, Kenya, Tanzania, Uganda and Bangladesh, all (nominally at least) with the same ‘making markets work for the poor’ objective. One potential option which is not considered in-depth here is the expansion of ESSPIN. ESSPIN has, *de facto*, moved into some of the space that might be expected of a new programme. However, it is not set up to be a market facilitator – rather it is established to support government and so is not independent (indeed it needs government permission to release census information) and does not have the capacity to deal with a wider set of stakeholders in education. Strategically, and operationally, ESSPIN cannot play this role.

a) Credibility/influence

The main advantage of the company limited by guarantee option is its independence (from the funder(s) as well as Government and private sector stakeholders) and which in turn, can lead to a high level of credibility and influence. If the Board includes senior, well connected and respected individuals, the potential for influence increases substantially. Given the difficult political economy issues surrounding Lagos’ low cost private education sector, a credible reputation as an independent player, and strong Board facilitated connections will be extremely helpful²⁸.

A conventional project on the other hand is more likely to be associated with its funders, and is less likely to have a Board of Directors. These factors may limit its partnerships, connections and ultimately its influence.

However, it’s important to note that one key factor contributing to any organisation’s credibility, whatever its organisational and governance set-up, is the credibility of its Managing Director or CEO. Experience suggests that the experience, technical know-how, and personality/interpersonal skills of this individual are a key driver of success – and usually more important than the organisational set-up.

²⁸ The flip side of this argument of course is that a weak Board – as happened with ComMark in South Africa - is damaging

b) DFID control and oversight

With appropriate measures in place, DFID can retain good fiduciary oversight and control of either type of organisation. With a conventional project approach, DFID also retains a high and relatively immediate level of control over the project – to the degree it wishes and feels appropriate – and can rapidly mandate changes in direction and in staff, if necessary. However, with a company limited by guarantee, the potential down-side of greater independence and improved local credibility, is the reduced strategic and legal oversight DFID will have²⁹.

In many instances this is not a problem – in fact the expertise to deal with the issues is more likely to lie within the company. However, where there are basic concerns related to strategic direction and capacity, DFID's influence is more limited. The initial experience with EFINA, where misunderstandings regarding the strategic purpose of the organisation, poor corporate governance, and relationship issues, hampered the organisation's ability to fulfil its remit, has highlighted a number of important lessons – these include the importance of clear ToRs for the organisation and the Board of Directors, and that Board members have sound corporate governance capacity.

It can be argued that there is reduced reputational risk for DFID, in circumstances where something major goes wrong, with a company limited by guarantee structure. In this case the structure (and Board of Directors) could act as a buffer, at least diluting (but not eliminating) the link to DFID.

c) Time to establish and start delivering results

Experience from EFINA, FinMark, and the Tanzania Financial Deepening Trust, suggests that it takes more time to establish a functioning local entity – whether a trust company limited by guarantee structure - than a project. However, key lessons from EFINA's initial experiences, would help mitigate problems and delays, and would likely speed up the process. In addition, many conventional projects experience teething problems and don't manage to hit the ground running.

d) Value for money

The cost of staffing a company limited by guarantee may be lower, at face value, than a project managed by a consulting company. However, the effort involved in initial recruitment (probably by DFID staff) and help with start-up and ongoing management (by DFID staff and the organisation itself) make any savings marginal in reality. In addition, a consultancy company is often more likely to be able to identify and recruit appropriate staff than DFID/a new Nigerian organisation. It could be argued that a company limited by guarantee is more likely to transform into a sustainable entity. However, it is not clear that the desire for sustainable impact in the education market requires a sustainable entity; indeed they may (after a period) be a hindrance on market development. Similar organisations, such as FinMark in South Africa, are still largely dependent on donor funding.

²⁹ DFID policy is to not allow staff to join the Boards of organisations receiving DFID grants – except in exceptional circumstances and for limited periods.

5. Risk Assessment

The key risks related to the programme stem primarily from uncertainty over the political economy and the degree to which key parts of Government can be persuaded to see low cost private education as an important facet of the education system, particularly at primary level. In addition, the programme is taking an innovative approach, and while it will learn from experience elsewhere, to some degree it will be testing new approaches. As shown below, a range of measures will allow the programme to manage these risks.

Risk Description	Impact/ Probability	Risk Mitigation
Political economy risks		
Lagos State Government does not adopt a genuinely enabling approach to the private sector education market, and is unwilling to revise its Guidelines	Medium /Medium	The programme will address political economy issues explicitly and early. Analysis of the political economy will be commissioned before the commencement to help develop strategies for influencing the State Government. Close cooperation between ESSPIN and the new programme will be important – along with clear communication to Government that the new programme will not negatively impact funding for Government schools. Demand side finance interventions (if pursued) will be designed and implemented once above work has been undertaken. Learning from experience within Nigeria and elsewhere will inform approaches.
Demand side finance interventions increase exodus of pupils from Government schools – thereby increasing Government’s resistance to low cost private schools (and this programme)	Medium/ Medium	
Fiduciary risks		
Multiple interventions and partners increases fiduciary risk level. Specific risks relating to the modalities of a demand side finance intervention – eg mis-use of incentives and poor targeting.	Low/Medium	The emphasis of programme’s approach will be on catalysing change through innovation, not by providing funding per se, thereby reducing opportunities for mis-use of funds. Programme will draw on the wider experience of M4P programmes, and of demand side finance interventions. Pilot, monitor and learn approach will also help minimise risk.
Sustainability risks		
Linked to political economy risk – that improvements are not sustained.	Medium/Low	Programme’s M4P approach built around centrality of sustainability. Long term influencing strategy will be adopted early on - for Government to take over demand side financing if it proves effective – reliant on new Lagos politics and drive for innovation.
Specific sustainability risk that support for demand side funding, initially provided by programme, is not taken over by Government when DFID funding ceases	Medium /Medium	
Reputational		
Informal (illegal) nature of bulk of low cost private schools, combined with poor conditions for children.	Low/Low	The nature of many of the regulations impinging on schools are a key reason for the system’s damaging binary character – and the programme’s approach is in part to address these issues. Important to ensure that wider lesson learning and communication are part of programme design – DFID’s work is to address these problems, not condone or continue with them. Improving performance also means improving the management of key resources – teachers.
Affordability of low cost private schools reliant on very low salaries of teachers.	Low/Low	

Implementation risks

Desired impact of programme does not reach the poorest.

Medium/Low

The aim is to make the education market system work effectively for the poor. While others are also likely to benefit, the focus will be on the primary target group. The programme will be based on initial robust analysis of how the poor make educational choices and what impacts these. Piloting and learning approach will ensure constant checking that poor are impacted positively.

ESSPIN support to Government schools will continue at primary level.

Robust measurement of results will be used to adapt programme approach if required.

6. Next steps

Given the preceding analysis of the education market in Lagos, and the outline of the proposed programme, there are several steps in taking the scoping mission forward.

Filling information and analysis gaps

Amidst many gaps in analysis, two stand out as being particularly important, where additional study are required as part of the next stage.

1. How – and where - do low income parents/children fit within the market currently? This includes analysis of the socio-economic status of children in government schools private schools; the reasons for parents' choice; the source of information to inform choice; the degree of movement between schools; reasons for non-attendance for out-of-school children.
2. How do generic political economy considerations apply to the specific context of education? The analysis identifies a window of opportunity offered by the prevailing (overall) political economy: are there specific issues, advisers, messages and arguments that need to be taken into account in considering education?

Developing the strategic case

Building on the analysis contained within this report, a strategic case for a 'design and implement' programme is required. This has the advantage of placing more of the design responsibility in the hands of an implementing agency, rather than having a slightly artificial distinction between design and implementation.

Developing terms of reference for the design and implement process

Terms of reference would set the framework for the next task in terms of, for example, hierarchy of objectives, overall sector strategy, the process of implementation, some specific intervention areas, sequencing, partners, skills and resources required, monitoring and evaluation (and learning) and governance and accountability structures.

Engaging with government for the next stage

The State Government is obviously a key partner for a future programme, as is clear from the analysis and interventions presented in the report. Engaging with government at an early stage to bring them into the mission's key findings and discuss the fundamental implications for the government's role in education is a real priority. This will require careful consideration of what DFID's message is for the State Government, and how this message should be communicated, and who are the key influencers. As one part of this process of engagement, this report will be revised to a format that is more relevant for a government audience.

Annex 1: M4P and SABER – a 1-page comparison

The analysis contained within this report is shaped by M4P – a generic approach to inclusive market system development applicable to basic services systems. While M4P is not an education-specific approach it is applicable to education. M4P provides the ‘lens’ underpinning this report’s analysis and conclusions.

From within the education field recognition that the education landscape is changing has resulted in new thinking. Most prominent here is the SABER³⁰ initiative, led by the World Bank (with DFID support). Relatively new and still evolving, SABER is a set of frameworks, tools and research that provides support to partners (primarily governments) in developing policy on education. One of its policy domains is engaging with the private sector.

How does M4P compare with SABER? Initial analysis suggests common ground and some differences between the two approaches.

Similarities: both recognise that:

- The wider education system is comprised of *multiple functions*. M4P places the education transaction (school-pupil) at its core with rules and supporting functions providing the context for this. SABER identifies a range of functions in education systems – standards, inspection, information, regulations, education support, non-education support etc.
- The wide education system involves *multiple players*. The key actors here are government and the private sector but can also include associations of schools, trade unions, foundations/not-for-profit organisations and academic institutions.
- Education systems can be seen as *combinations of players and functions*, with different options in relation to ‘who does and who pays’ (who purchases and who provides); ie both see education as a *pluralistic system*. SABER sets out this out as a spectrum of options along an ‘Engaging the Private Sector’ scale, outlining options in relation to the public: private relationship (varying with respect to contracting, funding, management).

Differences

- SABER makes an (implicit) assumption of a level of capacity and functionality in government that may be appropriate for middle/high-income countries – from which most of its examples are drawn – but is unrealistic for low-income contexts. M4P emerges from environments often characterised by widespread institutional weakness and failure.
- SABER’s starting point is government, and government playing the role of provider or purchaser – but in reality often government may struggle to do either.
- M4P is precisely about bringing analytical clarity to the tangled messiness and complexity of unorganised, divided and dysfunctional markets, often with formal and informal operations in parallel, and containing interconnected market systems. SABER’s view of education systems is more ordered and functionally precise.
- M4P provides an intervention direction that draws from other similar contexts and a growing body of ‘how to’ experience. SABER’s intervention guidance, inevitably, is relatively blunt.

From the above, it is evident that, though each has a different starting point, there is a broad, common ‘view of the world’ in SABER and M4P. This provides a good basis for collaboration and cross-learning and in particular for the adaption of SABER to the realities of contexts such as that prevailing in Lagos.

³⁰ System Assessment and Benchmarking Education for Results

Annex 2: Stakeholders met during mission

Pre-mission

Mark Napier, CDC, London

Sebastian Ling, DFID

Gemma Wilson-Clarke, DFID

Paul Atherton, DFID

Pauline Dixon, Newcastle University

Mission

Head teachers/owners from nine private schools

Head teachers from two government schools

Mr Olugbenga H Abdulai, OHA Publishing

Mr Darlington Agholor, Institute of Industrial Technology

Mrs Folosade Adefisayo, Corona Schools

Mr Ben Arikpo, SPARC

Mr Adesina Fagbenro Byron, Lagos State Coordinator, DFID

Mrs Dada (President) – and three colleagues, AFED

Mr Daramola, Department of Private Education and Special Programmes (accompanying the team on several meetings)

Mr Simon Foot, consultant

Mr Gboyega Ilusany, ESSPIN

Mr Zano Mataruka, IFC

Mrs Idris Tini (and three colleagues), Directorate of Curriculum Services

Ms Tokunbith Ishmael, Alithea Capital

Mr Iyke, Talent Plus Resources International

Ms Modupe Ladipo, EFINA

Ms Nanre, Lynx

Mr Felix Obanubi, SAVI

Mr George Ogonnaya, First City Monument Bank plc

Ms Comfort Ogunye, Female Leadership Forum

Ms Oladujoye, Commissioner, Ministry of Education

Mrs Olutoyin, ISAD

Mr George Omagbemi, Cool FM

Ms Patricia Seex, Private Sector Advisor, DFID

Mr Ifeanyi Peters Ugwuoke, SPARC

Mrs Gloria Vincent, NAPPS

Mr Andre Wegner, Alithea Capital