The Business of Education

A Look at Kenya's Private Education Sector

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Foreword

This Discussion Paper focuses on private education in Kenya. Over the years, demand for education at all levels has greatly outpaced supply, a gap that has been reduced by private schools catering to the needs of a wide range of socioeconomic groups. This gap will widen further unless the private sector's role is expanded, but private educational institutions face a number of serious constraints primarily stemming from lack of adequate finance and, in many cases, limited management skills. The Paper focuses on conditions under which private financial institutions and IFC might play a useful role in the sector.

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Abstract

This case study surveys the educational services provided by the private sector in Kenya, identifies the major issues and discusses a possible role for the World Bank Group, especially IFC.

The demand for all types of education at all levels has greatly outpaced the capacity of the public school system. This has allowed “edupreneurs” to provide academic and vocational education, catering to many socioeconomic segments of the population. Although enrollment in private schools has been increasing rapidly, the supply-demand gap continues to grow. Many private schools wish to expand, but faced prohibitive constraints, primarily related to scarcity of financial resources and inadequate management skills. Development institutions, including IFC, can help alleviate these constraints, provided that they are ready to comprehensively address the particular issues faced by private educational institutions.

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Executive Summary

The involvement of the International Finance Corporation (IFC) with private schools has been recent and, so far, limited. In view of the great need for education in LDCs and the significant impact of education on development and poverty alleviation, IFC has started looking more closely at this sector in order to define an appropriate strategy in support of its developmental objectives.

To contribute to this effort, the Economics Department of IFC, with support from the Sub-Saharan Africa Department, Division 1 (CAFD1), and in collaboration with the World Bank, recently undertook a preliminary study of Kenya's private sector education system with the objectives to: (i) increase IFC's knowledge in this area; (ii) identify the major issues facing the sector's operations and growth potential; (iii) suggest a possible role for the World Bank Group, especially IFC, in alleviating some of these issues; and (iv) use the study as a pilot for a follow-up broader study of private education in several developing countries.

Major findings of the study are summarized in the following paragraphs.

Effective demand for schooling substantially exceeds supply. If present trends continue, the gap will certainly widen because of population growth, and the Government's fiscal difficulties and civil service inefficiency, which prevent the public sector from providing the quality of education demanded.

Private schools can help bridge the gap between supply and demand. The number of private schools and enrollment have been rising rapidly. There are now over 600 private schools in Kenya, including twelve universities and numerous secondary and post-secondary vocational and technical schools.

In spite of this rapid growth, there still is unmet demand, evidenced by long lists of students waiting for admission to private schools and the almost universal desire of these schools to expand.

Private schools cater to students of a wide range of income classes in both urban and rural areas. Female enrollment in private schools is quite high and many of the vocational schools are owned and operated by women.

With respect to academic quality, private schools range from low to high, depending, in part, on the schools' resources and on the ability-to-pay of their clients. In recent years, indications are that on national examinations the best performing secondary schools have consistently been private.

Practically all private schools surveyed finance operating costs out of student fees. Capital costs have been financed through various means, e.g. own resources (including personal loans from extended family and friends), internal cash generation and, in a few

cases, short-term loans from financial institutions. Community or parochial schools have also received grants from within and outside Kenya. Many of these schools are now looking to expand but are faced with a shortage of adequate facilities available for lease, high real estate prices, and scarce and expensive credit.

As with all businesses, management of private schools ranges from the successful to the not-likely-to-survive. Some of the private schools in our survey apply sound management practices:

- Effective cost control and low receivables through prepayment of fees.

- Strategic partnering, e.g., with highly respected, mostly foreign, educational and occupational agencies which set and mark examinations and certify graduates.

- Niche market focus, especially in the vocational area.

- Economies of scale by spreading fixed costs across a large number of units.

- Gradual expansion to ensure debt servicing capacity.

- Reducing the cost of expansion and the related debt-burden through renting premises or use of quasi-equity and internal cash generation.

Other private schools have weak management and even some of the better-run schools face several important issues:

- Limited managerial and financial skills, for which academic or teacher qualifications are not a substitute.

- Limited availability of funds.

- Prohibitive credit terms—interest rates of 30-35 percent (20-25 percent in real terms) and no medium- or long-term loans.

- Many school administrators do not know how to prepare elementary financial statements nor do they have credit histories with which to demonstrate capacity to meet debt-service obligations.

- Private schools operate in a rather imperfect environment. For example, the supply of appropriate buildings and equipment (e.g. computers) for leasing is almost non-existent and the overall legal and institutional framework is, at best, cumbersome.

- Widespread poverty and limited employment opportunities which increase the divergence between a family’s ability and manifest willingness to pay for education.

Many of the constraints faced by schools translate into risks for both the borrower and the financial institutions which may consider investing in private education institutions. IFC in particular, could face any of the following:

- In view of the relative scarcity of funds and the large number of schools wishing to expand, IFC/AEF could be deluged with loan applications. These would be costly to process and could adversely affect IFC's image if the majority were to be rejected either on merit or because of sector over-exposure.

- Most probably, the least risky would be the high-fee schools with sophisticated management, catering to Kenya's relatively rich, elite class. Should IFC invest in such schools, to the exclusion of those catering to the low and middle income classes, IFC would again be subject to criticism.

- Should an IFC-funded school fail, it would be pragmatically difficult and, perhaps, politically incorrect for IFC to repossess its assets and risk the accusation of "denying children their education."

In spite of these issues, or it might be argued because of these issues, there could be a role for both the World Bank and IFC to support the improvement of the educational system. The former would intervene in the area of government policy and in improving public education systems whereas IFC would be involved in supporting private schools and other commercial operations related to education.

If IFC were to become more involved in education, it would probably need to deviate from traditional practice and tailor its activities to the peculiarities of the education sector. In Kenya, for example, IFC involvement would necessitate technical assistance, perhaps in collaboration with the World Bank and other institutions or NGOs, to improve the management of private schools. IFC has already sponsored similar training programs with small and medium enterprises elsewhere.

Another issue relates to the small size of most schools, each one too small for IFC financing. It might be appropriate to address this issue by establishing lines of credit through financial institutions dedicated to education-related projects. It may be necessary, however, to provide technical assistance to some of these institutions, to enhance their capability to deal with private school investments. A related option may be to sponsor venture capital funds to invest in the equity of education-related start-up businesses.

IFC could investigate possible involvement not only with education projects but also at businesses providing ancillary services, e.g. leasing, textbook publishing, construction of school facilities, student loan programs, and computer learning centers.

The study demonstrated that the private sector is already making a significant contribution in providing educational services to Kenya's people, although its potential is much greater. IFC might help the private sector realize this potential. However, this is a new area for IFC and caution is appropriate.

I. Background

From antiquity until about one century ago, almost all education was provided by private organizations or individuals and paid for by the recipients. Education provided by the state is a recent phenomenon. It came about for various reasons: partly because of growing beliefs regarding equal opportunity, with education perceived as promoting egalitarianism; partly because education was expected to improve a person's character; and, partly because there was a rising recognition of education's significant contribution to nationalism as well as to economic growth and development. Many governments adopted the notion that education was too important to be left to the private sector. It was thought that the private sector would cater primarily to the well-to-do, whereas education was viewed as a "right" of every citizen that only the government could provide adequately and equitably.

The World Bank, recognizing the importance of education, has, since 1962, been supporting efforts by borrowing countries to improve the educational services provided by the public sector. However, the demand for education of all types and at all levels has been growing so rapidly that almost no state, rich or poor, can provide it to the degree that students and their families want. In many countries, public education systems have suffered in recent decades from severe fiscal constraints and loss of internal efficiency, creating opportunities for the private sector. Where states insist, on political grounds, that education remain the state's exclusive responsibility, the result is an impasse. Such policies have led either to rationing of school admittances, usually favoring the well-to-do, or to mass education with diluted resources, resulting in poor quality. Other states tolerate the existence of private schools but at the same time maintain policies that make their operation less than optimal.

Rationale for the Study

World Bank Group lending to privately-owned schools has been very limited in scale. In the 1970's the World Bank made loans to the Republic of Korea, which in turn on-lent some of the loan proceeds to private Korean universities. Since 1994, IFC has made three loans to private schools. The first investment was in Uganda, to support the expansion of a primary/secondary academy catering to upper income levels. In Pakistan, it entailed the expansion, modernization and curriculum improvement of a school system in several cities catering to middle- and low-income families. The expansion of a primary school to secondary level was recently approved in Kenya. These investments have triggered a still modest but rapidly increasing flow of requests for further support of private schools at all levels, in various countries. The Bank and IFC recognize the potential contribution of private education to development, but also realize that these are relatively uncharted waters for many, including IFC. For this reason, IFC's Economics department, with support from CAFD1 and the Africa Region of the Bank, undertook a preliminary study of Kenya's private education sector with the objective to: (i) increase IFC's knowledge of this sector; (ii) identify the major issues facing the sector's operations and growth potential; (iii) identify ways to promote private investment in education; (iv) suggest a possible role for the World Bank Group, especially IFC, to alleviate some of these issues; and (v) serve as a pilot for a follow-up, broader study of private education in several developing countries.

Sources of Data

The study serves as an exploratory or pilot exercise. There was no model to follow, only very modest budget resources were available, and all field work had to be completed in a two-month time period in mid-1996. The study used existing information where available, but also developed two sets of new data. First, a questionnaire survey of about 50 private academic and vocational schools was undertaken, spanning all levels of education. Second, preliminary business plans were prepared in collaboration with the owners of six private schools or colleges. The questionnaire survey sought to obtain a general understanding of the nature of the supply of privately owned schools and colleges, the resources being applied by such institutions, the demand and characteristics of their clientele, and the issues owners faced in their operations. Because of time constraints, the majority of the schools surveyed are located in or near Nairobi. Thus, it is very much a "convenience" and not a random sample. In terms of tuition levels, the survey covers the range, except for the very small and very inexpensive nursery schools for which it was difficult to contact the proper officials. Also, several of the prestigious, high-tuition schools chose not to participate in the survey. While the survey generated useful information on a broad scale, the initiation of the six business plans afforded an opportunity to look through the eyes, so to speak, of six school owners with respect to: (i) their growth potential and the relevant constraints they face; and (ii) their capabilities in managing growth and generating or obtaining the necessary finance. Institutions participating in the business planning exercise included: a university, a secretarial college, a diverse group of six schools covering the range from a nursery to a technical institute under single ownership, two primary schools with kindergartens, and a nursery school. The findings of the survey and the six business plans were complemented by data from the privately published "Kenya Education Directory, 1996/97 edition," public expenditure reviews (PERs), the 1994 Second Welfare Monitoring Survey [WMS-2] of a sample of over 10,000 households from all regions of Kenya, and other sources. The WMS-2 data provide key insights into the behavior of households as investors in the human capital of their members.

II. Kenya's Education Market

Kenya's school enrollment indicators have been somewhat above average for Sub-Saharan Africa as a whole. Growth in enrollments at all levels surged through the 1960s and 1970s, encouraged partly by the abolition of public school fees and the provision of free milk in primary grades. Also, enrollments in *harambee* or community schools, whose growth was never restricted by the central government, grew rapidly during this period. Growth slowed and then reversed in the 1980s, with the gross primary enrollment rate falling from 115 percent in 1980 to 91 percent in 1993. Gross enrollment rates in secondary schools continued to rise from 20 percent in 1980 to 29 percent in 1990, before declining to 25 percent by 1993. Meanwhile, enrollment rates in higher education grew from less than 1 percent in 1970 to about 3 percent in recent years.[i]

Data on the number and enrollment of private schools is incomplete and conflicting. The privately published *Kenya Education Directory, 1996/97* lists about 280 private primary and 300 private general secondary schools. Depending on average school size, these numbers would suggest that only a very modest 2 percent of primary and 11 percent of secondary school students are in private schools. However, no directory is likely to be able to list all private schools in the country. Furthermore, WMS2 data show that households report sending 35 percent of their children to private schools at the primary level and 32 percent at the secondary level. By comparison, about 14 percent of Tanzania's secondary school students are in private schools, where over 50 new private schools opened last year.

Demand for Private Schools

Our survey showed that the demand for private education has been increasing at all levels and for all types of education, academic, technical and vocational. Furthermore, supply has not kept up with demand. These conclusions are based on three indicators:

- A significant increase in the number of private schools and in student enrollments in such schools.
- The existence of long and growing waiting lists of students hoping for an opening in a private school or schools of their choice.
- The nearly universal desire of private schools to expand their operations to meet owners' assessed growth in demand.

Our survey showed that enrollments in private schools have accelerated dramatically since the 1980s, while they have stagnated in public schools. For the schools included in the survey, enrollment of male students increased by over 900 percent between 1980 and 1996 and of female students by nearly 600 percent (Table 1).

Unmet demand for private schools is evidenced by long waiting lists of students that have met the schools' admission criteria but for whom there was no room in the school (Table 2). Many schools require a deposit to keep students on the waiting list. Still, over 2,000 students were on waiting lists for the 29 schools in our survey that provided relevant data. The existence of excess demand is further corroborated through conversations with parents. They stated that it has become much more competitive and difficult to enroll their younger children in private schools, than it had been for their older children.

Table 1 Growth in Private School Student Enrollment,* 1980-96

Year	Female	Male
1980	975	527
1985	1,396	787
1990	2,757	1,853
1996	5,615	4,845
% change 1980-1996	576	919

* Includes academic and vocational schools in the questionnaire survey. Technical schools excluded because of unavailability of historical data.
Source: Private School Survey, August 1996.

Ninety percent of the schools in the survey indicated plans or at least desire to expand in response to growing demand. The survey does not reveal the accuracy of the market assessment on which such plans are based. Nonetheless, this indicator, together with growth in enrollment and the size of waiting lists, reveals sizeable excess demand for educational services that parents believe can best be addressed through private schools.

The following factors account for some of the growth in demand:

- *Population Growth*. Kenya's population is now growing at about 2.7 percent p.a. Although lower than the staggering 3.9 percent of a few years earlier, it still generates a rapidly increasing student-age population.

- *Fiscal Constraints Faced by the Public Sector.* Recent reviews indicate that public expenditures on education, recurrent and investment, have fallen in real terms since 1989, even though the education share, as a percentage of Government outlays across all sectors, has actually been increasing. A recent study found that "the Government contribution to the financing of secondary education per student has declined in real terms by 10 percent over the past five years" (Karani). Only in post-secondary education is the establishment of new Government-owned institutions still taking place today. Recurrent expenditures absorb most Government revenue, leaving very few resources to invest in expanding public schools.

Table 2 Number of Students on Waiting Lists to Enroll in Private Schools, 1996

Academic Schools	# on waiting list	% of Enrollment	Technical Schools	# on waiting list	% of Enrollment	Vocational Schools	# on waiting list	% of Enrollment
Arya Girls Secondary	30	35	Wote Training Institute	0	0	Nairobi North Polytechnic	20	7
Brookhouse School	0	0	Universal College	"yes"	n.a.	Nanyuki Commercial College	0	0
Cavina School	50	70	Technical Institute	50	13	Kenya Industrial Training Centre	0	0
Kianda School	420	74	Kenya Institute of Freight Forwarders	103	65	Skyways Travel Services Institute	n.a.	n.a.
Loreto Convent	25	16	Oshwal College	n.a.	n.a.	Kimlea Girls Technical Training Centre	200	222
Mara Road Nursery	40	42	Kenya School of Export & Import	n.a.	n.a.	Kibondeni College	350	219
Materi Girls Centre	600	313	Nairobi College	0	0	Ridgeway Academy of Arts	100	116
Premiere Academy	180	113	Kenya School of Professional Studies	100	8	Valley Secretary College	12	8
Ravals Secondary School	n.a.	n.a.				Virginia Slims College	14	54
St. Hannah's Preparatory	n.a.	n.a.						
St. Lucie Kiriri Girls	50	25						
Serare School	0	0						

Source: Private School Survey, August 1996.

- *Better Image of Private Schools.* Although some of Kenya's public schools are excellent, the highest individual scores on Kenya's school examinations have, in recent years, been attained by private school students. Equally important is the perception among parents and students that, with some exceptions, private schools provided better quality education and are more efficiently managed than public schools. In addition, some widely publicized incidents of rape, violence and pregnancy among public school students have heightened public perceptions of inadequate attention given to proper behavior and morals in public schools.

- *Public Schools Are Becoming More Expensive for Parents.* As public schools and universities see their per-pupil subsidies cut back due to Government budget constraints, they are left with little option but to generate their own income through raising fees, especially for recurrent cost financing. As Table 3 shows, parents now pay for about two-thirds of the cost of public secondary schools, while the Government finances only about one-third. Also, the costs borne by parents of public and private secondary schools have become very similar.

Table 3 Financing of Secondary Education by Main Source, 1994

		Contributions Per Student (US$)	**All Students** (US$ Million)
Public Schools	Parents	182	102
	Government	100	56
	Other	3	1.7
	Total	286	159
Private Schools	Parents	190	12
	Other	4	0.3
	Total	194	12
Grand Total			171

Source: Prof. Karani, et. al., Table ii.

Unit costs in public secondary schools are, on average, nearly twice those of private secondary schools[ii] (Table 4).

Table 4 Cost of Secondary Education, 1994

		Number of Schools	**Enrollment** (‘000s)	**Unit Cost** (US$)	**Total Cost** (US$ million)
Public Schools	Day	709	155	198	31
	Boarding	1,063	232	352	82
	Day / Boarding	779	170	335	57
	All 3 types	2,551	557	304	170
Private Schools	Day	79	17	93	1.6
	Boarding	110	26	234	6
	Day/ Boarding	87	19	151	2.7
	All 3 types	283	62	170	11
Total		2,834	620	294	182

Source: Prof. F. Karani, et. al., Table I.

Although monetary costs are expensive for middle and low-income families, opportunity cost of time is the major cost in education. This is especially important in rural areas where children contribute labor to household welfare. If public school efficiency deteriorates to the point where time in school is wasted, the corresponding opportunity cost may prompt parents to look to private schools for better use of their children’s valuable time or take them out of school altogether.

Indications are that strong demand for privately owned schools and colleges will continue, even if the financial cost to parents is slightly higher than at public schools. None of the factors mentioned above appears likely to change significantly in the next few years.

Characteristics of Private Schools Surveyed

Some of the principal operating characteristics vary between academic, technical and vocational schools as shown in the brief description for each type of school below.

Private Academic Schools. Twenty academic schools were included in the survey, primarily in the Nairobi area. Even though the first private schools date from the early part of the century, more than half of those surveyed started operations after 1980. Enrollment growth for male students rose by nearly 900 percent between 1980 and 1996, and for female students by over 500 percent during the same period (Table 5). The majority (62 percent) of the schools are co-educational, while 27 percent are all-female and another 11 percent all-male.

Annual operating costs of academic private schools, presented in Annex 1, vary a great deal, both in total and on a per student basis. Based on survey data, total operating costs range from US$26,520 to US$649,943 per school while costs per student vary from US$120 to US$3,250, (exchange rate: Ksh 55 = US$1.00). Teacher and administrative salaries constitute the largest single cost item for all schools. Three out of four academic schools surveyed are classified as "for-profit" while the remainder are classified as "non-profit" or tax-exempt. Many of the latter are affiliated with religious or ethnic community organizations. However, all religious and community schools accept students of all races and religions. It is worth noting that while some of the most expensive schools pay no taxes, some of the lowest cost schools are tax-paying even though they tend to be patronized by lower income groups.

Table 5 Enrollment Growth in a Sample of Academic Private Schools, 1980-96

Year	Female	Male
1980	898	467
1985	1,312	627
1990	2,507	1,623
1996	4,567	4,173
% change 1980-1996	509	894

Source: Private School Survey, August 1996.

Private academic school fees range from US$55 to US$1,818 per term. Schools in the survey are classified in Table 6 below according to the fees they charge per term. This distribution is skewed toward the high end because many of the low-cost schools, especially in the rural areas, were not included in the survey because of this study's budget and time constraints.

Table 6 Sample Private Academic Schools and Universities by Fee Category

Highest Cost 700 to 1850/term (US$)	**Medium Cost** 180 to 300/term (US$)	**Lowest Cost** 50 to 150/term (US$)
Aga Khan Academy	Kianda School	Arya Boys Secondary
Arboretum School	Loreto Convent (Msongari)	Arya Girls Secondary
Brookhouse Senior School	Loreto Convent (Valley Road)	Mara Road Nursery
Cavina School	Materi Girls Centre	Ravals Secondary School
Daystar University	Pindolia Academy	St. Mary's Academy
Nairobi Academy	Serare School	
Premiere Academy	St. Hannah's Preparatory	
St. Lucie Kiriri Girls		

Source: Private School Survey, August 1996.

Private Technical Schools. Eight technical schools were included in the survey, all located in Nairobi. The oldest and largest, with over 10,000 students, was established in 1967 and the newest in 1992. About 14,000 students are enrolled in these technical schools, including 600 students from neighboring countries. The schools offer programs in business studies including accounting and finance, secretarial skills, computer classes, library science, legal studies, and shipping and transport management. Many of their graduates take examinations administered by examining bodies in the United Kingdom or elsewhere, which in essence validate the competence of the students in their respective fields of study.

Overall annual operating costs of the technical schools vary from US$42 to US$665 per student, as shown in Annex 2. The variation is not simply between schools, but also within schools, depending on the type of course being pursued. Annex 4 shows an example (Kenya School of Professional Studies) of how diverse the courses are: law, accounting, computing, supplies management, marketing, and secretarial.

Student fees vary from US$146 to US$900 per term. An additional considerable expense to the student is the cost of examination fees required to receive certification from bodies such as the Kenya Accountants and Secretaries National Examination Board, the Kenya Library Association or the United Kingdom Chartered Institute of Marketing. Kenyan associations typically charge from US$187 to US$727 per examination while the United Kingdom Accounting exams cost US$600 to US$800 per examination. Although course and examination fees appear high in relation to Kenya's per capita income, and constitute the main reason for dropping out, waiting lists numbering in the hundreds suggest that demand is very high. The high costs result in the majority of technical school students coming from mostly middle- and high-income families.

Private Vocational Schools. Eleven vocational schools located in and around Nairobi were included in the survey. Enrollments have increased spectacularly since 1980, particularly for female students, a reflection of the demand by women, many of them recently urbanized, to be able to generate incomes in their new environment. The number of female students in these schools has risen by over 1,300 percent while that of male students by over 110 percent (Table 7).

Table 7 Total Enrollment of Students in Vocational School, 1980-96

Year	Female	Male
1980	77	60
1985	84	160
1990	250	230
1996	1,048	672
% change 1980-1996	1,361	112

Source: Private School Survey, August 1996.

Vocational schools offer courses in catering, hairdressing, dressmaking, air travel services, food management for cafeterias, secretarial, carpentry, and machining. Operating costs, as shown in Annex 3, vary from US$100 to US$869 per student per term. The variation depends in part on the course. Fees range from under US$100 to

US$900 per program which are of varying duration. Most students are in low and middle income families.

Private Universities. There are three accredited private universities and another nine are registered with the Government's Commission of Higher Education, compared to five state-owned universities. Although enrollments in the private sector have been growing rapidly, to about 4,500 in 1994, enrollments at the state universities are far more numerous, at about 43,000. In addition, there are about 450 private institutes, colleges, academies and schools, compared to 37 public institutions, called either "institutes of technology" or "technical institutes" operating in various parts of the technical, vocational or career training field, usually at a post-secondary level (another 600 and some "youth polytechnics" tend to operate more at the post-primary level.)

Socioeconomic Characteristics of Private Schools

In their insightful comparative study of Kenya and Tanzania in 1980, John Knight and Richard Sabot found that "It might be expected that the greater importance of private schools in Kenya would produce greater inequality of access to secondary places. This, however, overlooks the role played by the size of the system. Kenya's "failure" to curb expansion [of non-Government schools] contributed to a more equal distribution of secondary schooling."[iii] Knight and Sabot's survey work went on to find that it was "the greater importance of the fee-charging private sector" in Kenyan education in 1980 which gave the system its size by providing "easier access for the children of the poor and uneducated there than in Tanzania."[iv]

Fourteen years later, the WMS-2 of 1994 found that private schools cater to families of all income levels, not merely the well-off, as Table 8 below clearly shows. Especially in rural areas, among the youth who attend secondary school, the percentage attending private schools is actually higher among the poor than among the wealthy. There are possibly quite different reasons for this important finding on the greater tendency of the rural poor to patronize private schools. One is the ability of private schools, as a whole, to adapt their service lines to all pocketbook sizes, even small ones. The second explanation is the fact that children from higher income families are more successful in accessing the more space-constrained, selective and prestigious government-subsidized public schools, which are often boarding schools, thus crowding out the less affluent.

Table 8 Private School Share of Total Secondary School Enrollments by Income Quintiles, Rural and Urban, 1994

Income Quintile	No. in Private Secondary Schools	No. in All Secondary Schools	%
	Rural Areas		
1	12,107	33,407	36
2	21,309	65,295	33
3	28,495	95,318	30
4	30,259	115,540	26
5	31,671	122,907	26
	Urban Areas		
1	7,059	14,751	48
2	9,446	24,705	38
3	10,321	28,872	36
4	12,061	31,484	38
5	21,839	46,226	47

Source: Second Welfare Monitoring Survey [WMS-2], Central Bureau of Statistics, Kenya.

According to a Ministry of Education study[v] mean per student costs in public secondary schools amount to US$300 p.a., compared to a mean of only US$190 in private secondary schools. Thus, many private schools are significantly less costly to operate than the average public school. School costs are met by a combination of fees charged to parents, subsidies provided by Government (to public schools), and by grants from benefactors. Table 9, based on WMS2 data, shows that while in urban areas private schools charge higher fees than public schools, the reverse is true in rural areas, where private schools are able to operate while charging lower fees than public schools.

Table 9 Average Secondary School Fees (Ksh)

School Type	Urban	Rural
Public	6,184	6,622
Private	8,741	5,830

Source: WMS2, 1994.

It is sometimes argued that many of the lowest-cost private schools provide a very low-quality education and, consequently, poor parents are defrauded by such disreputable schools. This argument deserves careful attention. The large cost-cum-quality differences among schools reflect market segmentation due to large differences in household purchasing power and preferences. It even occurs to some extent within the state school sector. Nonetheless, a strong case can be made that a wide quality-price range is efficient and responsive to the variety of felt needs. First, of the private school owners interviewed, most reported that their students' average scores on national examinations were equal to or better than the national average. Second, students attending low-cost schools are at least getting some secondary education which they would otherwise be denied, given the binding space constraint in the government sector. Attendance in low cost, low quality private schools is a result of free choice. Consequently, there is no a priori reason to believe that consumers are not making a rational benefit/cost/risk calculation when they decide to enroll and re-enroll their children or themselves in such schools, given that they have the public school option available to them. It makes little sense to deny lower income groups such choices, simply because educational standards in some inexpensive schools have lower quality standards than more expensive schools patronized by higher-income groups.

The question has been posed of how can the poor afford school costs, especially when Kenya's GNP per capita has declined from US$450 in 1980 to US$260 in 1995. The answer lies primarily in two factors. First, Kenyan households have more real disposable income for education than conventionally assumed. In terms of purchasing power parity, Kenya's 1994 GNP per capita was US$1,310—five times the figure estimated in traditional national income accounts.[vi] Secondly, disposable income in Kenya is not devoted to nearly as many uses as in industrialized societies. Many large but standard household expenditure items are not found in most Kenyan households, such as: home mortgages, insurance, income tax, loan payments, utility payments, etc. The sum of these is significant, so that disposable income for food, clothing, education and health is relatively substantial.

The 1994 WMS2 survey into the affordability of education expenses provides insights for the average household. The survey reported the national per capita annual income as Ksh 27,403, or US$ 498 with an annual per capita expenditure of Ksh 21,961, or US$ 399. Meanwhile, at the household level, mean expenditure was Ksh 88,717, or US$ 1,613. It also reports that while food accounted for 59 percent of expenditure, health and education took only 5 and 3 percent respectively. Table 10 shows the annual household expenditures for the various levels of education for those households which actually had at least one child enrolled in school.

Table 10 Household Expenditure per Enrolled Child, by Level of Education, 1994

Level	**Nationwide** US$	**Nairobi** US$
Pre-primary	11	46
Primary	16	70
Secondary	184	270
Vocational	139	197
University	410	657

Source: WMS II, Basic Report, 1996, Table 4.11.

The average expenditure of only US$16 per enrolled primary school child appears affordable. However, at US$184, the expense of sending a child to secondary school is likely to prove burdensome for the average family, although much of that expense will pay for the cost of boarding rather than classroom instruction. Thus, the cost of day secondary school is significantly less than this, and therefore affordable.

The Supply Response of the Private Education Industry

The rapid rise in enrollments in all types of private schools indicates that supply has increased rapidly to respond to the rise in demand for education. The survey questionnaires and the initial business plans prepared for this study indicate how some, though not all, private owners are proving innovative and adaptive in responding to the growing demand for education.

The Key Role of Financial Management. The business plans and survey interviews revealed a wide range of managerial innovation and skill in operating within the existing market for education services in Kenya. Some examples of good financial management include the following:

- Virtually all owners insist on prepayment of fees at the start of each term, thus minimizing accounts receivable. Some schools apply late payment penalties to strengthen payment discipline and protect school income.

- Some schools have established installment payment plans for parents who wish them, but a fee is added to the installment, again, to protect school income.

- To protect the school against damages, some schools require the payment of "caution money" when a student is enrolled initially. Since this deposit is only returned when the student graduates, it becomes a source of quasi-equity during the student's enrollment.

- Many technical and vocational schools lease rather than buy space. In some cases, they do so to keep down their debt levels and save on debt servicing costs but in other cases, they cannot find adequate facilities at affordable prices or cannot obtain the necessary financing.

- Virtually all private schools started small. Thus, costs resulting from the inevitable errors which were made while developing the business model, did not spell financial disaster.

- Over time, some school owners achieved economies of scale by spreading their fixed costs over a greater number of students or by operating a set of schools, including nursery, primary, secondary and technical schools.

- Several owners insure against inflation risk and monetary instability. Even a hairdressing school warned prospective students that fees are subject to change according to the dollar:shilling exchange rate at the time of registration.

Strategic Partnerships. Rather than attempting to create internal capacities in all areas, many private schools successfully establish partnerships with independent outside bodies, at least for certain strategic functions.

- For example, since the credibility of the final examination certificate is so important to the client and to employers, most private schools which lack adequate recognition collaborate with highly respected, mostly foreign, educational and occupational agencies which set and mark examinations and certify the graduates.

- On the other hand, conditions are apparently not ripe yet for partnerships to develop in other areas which would seem appropriate for this management strategy. For example, even though many Kenyan parents have a strong preference for boarding schools, we did not hear of schools partnering or contracting with companies to provide boarding services for the school. Rather, the prevailing practice is for boarding to be managed by the school.

Resource Management. Most private schools in the study controlled operating expenses through measures such as maintaining economical class sizes. However, in other cases staffing ratios were set at unsustainable levels, threatening the solvency of the operation. In general, however, private owners respond to consumer preferences. Examples abound.

- While public primary and secondary general schools are required to adhere to a standard national curriculum, which has come in for heavy criticism,[vii] some private academic schools are responding to parental demand for alternative curricula and examinations, including some which are set and marked abroad, and which command wide recognition.

- Other private schools advertise strict discipline and structured learning which many parents seek.

- The vocational and technical schools surveyed offer a wide variety of courses in every field from crafts to information technology. Some of them could probably take in students with training vouchers, financed by the current IDA Credit for the training of micro-entrepreneurs, in the Jua Kali or informal sector.

- In terms of cost and quality, different private schools can be found in all segments of the market—from the highest quality and most expensive, to the worst and cheapest—responding to the demands of varying pocketbooks.

Adopting Technologies to Obtain a Competitive Edge. Some private owners seem to be responding to competitive pressures by providing superior value for money. Aside from the cost management already mentioned, private owners are keen to adopt newer technologies, both for instructional purposes and in institutional management.

Product Differentiation and Related Pricing Practices. The higher average cost and fee levels and the extraordinary range of costs and fees in academic schools, compared to the technical and vocational schools (Annexes 2 and 3), appear to reflect supplier decisions to adjust products and prices to serve a highly segmented market. So, on the one hand, some schools provide a premium service, for which higher income households pay a premium price. At the other end of the spectrum, other schools provide a lesser educational product, at a lower price, which is at least competitive with what is on offer in the public sector, and is possibly more cost-effective, to judge from the data on enrollments by income quintile.

Private School Financing Practices. Operating costs are generally met through student fee income, except for some religious and community schools which also receive grant subsidies. Capital expenditures are financed from student fees, owners' and extended family savings, grants, or caution money held as quasi-equity. Some institutions, e.g., vocational schools and Daystar University which has undergone significant growth over the last few years, have financed capital expenditures through donations from within and outside Kenya.

Profitability

Profitability is as important in education as in any other industry in the private sector. After all, profits are the very basis of sustainability. Without them, private schools would slide into bankruptcy and be of no value to their clients.

While it was not possible to perform financial audits within the scope of this study, it appears that most of the schools in the business planning exercise and most of those surveyed have undergone successful expansion. Four out of the six preliminary business plans prepared under the study showed high internal rates of return. However, it was not possible to verify all of the assumptions under which these projections were made so that these preliminary results may not be accurate. It appeared that some of the schools in the survey were not managed optimally so that, should the demand for education ease up, they would find it difficult to survive.

Some schools experienced high operating margins simply by exploiting characteristics of school operations which provide natural profit "drivers".

- Zero accounts receivable and zero inventories—due to prepayment of fees.
- Steady and predictable business volume, given that upon entering a school, e.g. at primary level, students normally move stepwise up the cycle, making the supply of complementary inputs very predictable for several years.
- Some school owners enhance the predictability of revenue volume by vertically integrating a nursery, primary or secondary school so that student intake into a higher cycle is assured by graduates from the lower cycle.

A recent study of Kenyan schools suggests that while public secondary schools on average operate with a 6 percent deficit per annum, private secondary schools average a 13 percent "surplus" annually.[viii]

Market Opportunities

The newest market opportunities for school owners appear to lie in two quite distinct areas.

- Deteriorating quality in the previously up-market public sector schools and universities is creating openings at the smaller, high end of the market for those who can afford high fees.

- At the lower end of the market, total demand for private education may be greater than at the high end. Even though student fees are lower, the volume is so much greater that potential total revenues may be greater than at the high end. In view of the Government's fiscal difficulty many children in this market segment have no access to school, while those who do, have to cope with deteriorating quality of education. An important risk in this market segment is the downward pressure on disposable incomes from the stagnant economy. This can easily result in high drop-out rates as parents can no longer afford to pay school fees. Nonetheless, this segment is worth exploring because it could present opportunities for efficient, volume-and-growth-oriented "edupreneurs".

III. Constraints Facing Private Schools in Kenya

Although there are forces underpinning the evident growth of privately owned and operated schools and universities in Kenya, there are also several factors constraining even greater growth.

- *Poverty is a constraint for many families.* Low incomes limit the overall availability of domestic resources for private as well as public education.

- *Limited Financial Management Skills.* Although some of the school owners who participated in the study showed keen financial management skills, many others are having to learn these skills on the job, since most private school owners were trained as educators. The lack of these skills becomes a more acute constraint when relatively small schools wish to expand or try to reposition themselves into a different market niche and need to raise financing outside the organization, as well as manage a larger operation in a more competitive environment.

- *Limited Access to Commercial Investment Funds.* Kenya's domestic credit markets and institutions have suffered in recent years from considerable uncertainty, brought about by macroeconomic mismanagement and political interference. Commercial interest rates have been 25 to 30 percent. For the most part, only short-term credit is available, making it difficult for schools to undertake long-term investments. Furthermore, domestic financial institutions which do make loans have institutional restrictions on lending to schools.

- *Limited Access to Foreign Exchange.* Most private school revenues are in local currency. In unstable economic conditions, as often prevail in Kenya, borrowing in foreign exchange entails considerable risk. In the case of the IFC-project in Pakistan the foreign exchange risk was mitigated through a swap mechanism which, in essence, allowed the borrower to deposit the dollar amount of the IFC-loan with the Central Bank and receive an equivalent loan in local currency. The borrower would repay the IFC loan by converting rupees to dollars at a fixed exchange rate, guaranteed by the Central Bank, for which the borrower pays a fee. Swaps and other hedging mechanisms are becoming increasingly common and could provide an answer to education investments faced with foreign exchange or interest rate risks.

- *Physical Constraints.* While physical accommodations can be modest, the bulk of instruction requires physical premises reasonably hospitable to educational pursuits. The recent prolonged recession in Kenya has left a dearth of vacant properties. New construction is needed either for direct ownership or leasing by schools and colleges. At the same time, real estate in and near Nairobi has become expensive, particularly for sites which would be appropriate for locating educational facilities. For example, Oshwal College was established recently and rents all its facilities near the center of Nairobi.

Rent accounts for about 20 percent of its total operating expenses. Like many other schools, Oshwal is looking to build its own facilities outside the city but is constrained by the lack of affordable finance. Most technical schools surveyed also indicated that they wish to expand but cannot because of the scarcity of proper facilities for rent, the associated high cost of renting and the unavailability of finance to construct their own facilities.

- *Lack of Access to the Leasing Industry*. Firms which lack capital or debt capacity could benefit from leasing but the leasing industry in Kenya has, thus far, not played a significant role in developing Kenya's private education sector.

- *Lack of Student Loan Schemes.* Private banks, working with the owners of private education institutions, have not yet found a way to manage student credit risk to acceptable levels and government-financed student loans are not available to students attending private institutions.

- *Cumbersome Legal and Institutional Framework.* Although the government is not against private schools, many schools reported that obtaining the necessary licenses or permits is an arduous and expensive process, especially in expanding or establishing a new institution.

- *Security.* Crime in Nairobi has increased over the years and private schools have not been spared. Theft of equipment and robberies of students on and near school premises have necessitated additional expenses to hire security services, replace equipment and in many instances curtail school hours to ensure that students leave before dark.

IV. Conclusions and Implications

Private schools can be both profitable and provide good education to students of all income levels, including the poor. They accomplish this by: (i) responding to the boom in demand for education; (ii) differentiating the product and pricing it according to the clients' ability to pay; and (iii) achieving a higher degree of efficiency than public schools. Private and public school systems in Kenya have not been able to satisfy the demand for education. The private sector is willing to expand but faces several constraints, primarily stemming from the scarcity of finance and limited skills of "edupreneurs" to manage the expansion and operation of schools as modern businesses.

Implications for Financial Institutions

The study showed that in some cases privately-owned, for-profit education might be "bankable." Yet, Kenya's financial sector has had minimal involvement in education. Commercial lending institutions should consider schools, colleges, universities, technical institutes, learning centers and related institutions, as they do other types of businesses. That is, they should regard them as potential business opportunities and apply the same financial and business management tests that apply to other investment proposals. As they normally do, they need to analyze and forecast revenues and expenses, examine cost controls and risk management, clearly understand the specific market and its opportunities for profit as well as loss, and assess creditworthiness. However, education, like any other business sector, has its own special characteristics which need to be understood before any appraisal is complete and an up or down decision can be made in confidence.

In some industrialized countries, most notably the United States, the financial sector has come to realize the potential of education as a business. In Kenya, and probably in many other countries, most banks are reluctant to consider educational institutions for project financing.

Implications for Government Policies and Role

Investors require a stable environment before they invest in projects with long payback periods. The government can improve the investment climate by adopting sound monetary and fiscal policies, and a stable rule of law.

As a generality, Kenyan Government practice and policy toward private education have been positive. This policy yields distinct advantages for the country and Government. The increased availability of places in private schools not only satisfies parental aspirations, it automatically reduces the government's current and projected fiscal burdens. Indeed, since most private schools pay taxes, they actually increase Government revenues.

The Government should actively promote the following:

- Strengthen the enforcement of laws protecting property, leaseholder, lessee and lender's security rights. Enforcement of property rights allows property owners to use that property as collateral when borrowing capital to expand or improve their facilities. Thus, it greatly reduces the cost of transactions.

- Disseminate basic statistics on operation of the sector so that both educators and parents can make better-informed decisions.

- Remove disincentives from attending private schools, such as an education levy.

- Finance means-tested bursaries or scholarships so the poor can send more of their children through upper primary and secondary school and beyond, as far as their talents can take them.

Should the Government borrow funds from IDA or even IBRD and on-lend them to private schools or universities? There is precedent for this approach in Korea. Some objections might be raised to this option, however well-intended. First, it may be difficult for the Government to deal with the political fallout from including some schools but not others in such a scheme, since selectivity is inevitable. It may be wiser to leave these choices to other, less political bodies. Secondly, use of IDA/IBRD funds may lower the financing terms but will invariably raise transaction costs to the ultimate borrower. Not only Bank project preparation and appraisal take considerable time, but, more importantly, Bank procurement guidelines may significantly increase the number of hurdles, steps, clearances, approvals, etc., designed to safeguard the proper use of these funds. Private lenders, as well as IFC, have less complicated procedures. Furthermore, IFC normally requires the sponsor to put up at least a third of the project funding from internal sources, thus reducing the temptation to the borrower to neglect or misuse the investment.

Implications for the World Bank Group

IFC's mandate is to promote development by promoting private sector activities in developing countries. Education generates substantial developmental impact and IFC should seek out appropriate opportunities to support private sector education. This should in no way be interpreted to mean that IFC should support unprofitable education projects. If they are not profitable, they will not operate for long and will not generate any development impact. It may be argued, however, that given the importance of education and the weakness of the private education sector in countries like Kenya, IFC should assume a pro-active stance in helping establish the conditions which will help "edupreneurs" minimize risks and increase the probability of being profitable.

The risks or constraints facing "edupreneurs" in Kenya have been described earlier and are summarized here: insufficient expertise to handle increased financial and management requirements associated with expanded operations; limited access to credit, especially long term; high interest rates; and reluctance of financial institutions to lend to schools.

There are also risks or constraints for IFC. In view of the relative scarcity of resources, combined with the potentially enormous number of schools wishing and able to expand, IFC could quickly be deluged with loan applications. These would be costly to screen and could adversely affect IFC's image if the vast majority were to be rejected either because of lack of technical/financial merit or because of IFC's over-exposure. There may be ways for IFC to pre-empt this risk, for example, by involving local banks and providing them with lines of credit for on-lending in various subsectors of education.

Should a school-borrower of an IFC loan fail, it could be politically difficult for IFC to repossess its assets and risk the accusation of "denying children their education".

These risks are real and cannot be easily overcome. IFC will have to deal with them in an innovative manner, as it has done when complex situations have demanded innovative solutions. IFC could play an effective role in promoting education in developing countries but the specific actions would need to be tailored to the peculiarities of the educational sector. Before becoming more heavily involved in education IFC should seek to investigate the feasibility as well as the appropriateness of:

- Exploring the potential for viable educational projects. IFC should be careful in selecting the projects it will invest in because of the demonstration effect on other financial institutions whether lending for education makes good business sense.

- Playing a catalytic role in attracting investment funds to educational projects. As IFC normally does, it should try to mobilize resources, e.g., through syndication or by sponsoring venture capital funds to invest in the equity of education-related start-up businesses.

- Providing technical assistance, perhaps in collaboration with the World Bank and other institutions or NGOs, to improve the management of private schools. IFC has already sponsored such programs for small and medium enterprises in Bosnia and in the West Bank and Gaza, that provided management training for small entrepreneurs. In this area, the Economic Development Institute (the World Bank's training arm) should investigate the possibility of enlarging its scope from providing training to public sector officials to private school owners and managers.

- Establishing lines of credit through financial institutions dedicated to education-related projects. In Kenya, it may be necessary to provide technical assistance to some of these institutions to enhance their capability to deal with private school investments.

- Supporting not only schools but also businesses providing ancillary services, e.g. leasing, textbook publishing, construction of school facilities, student loan programs, and computer learning centers.

A Coordinated Bank Group Strategy. In spite of these risks or issues—and one might argue because of them—there is indeed a role for both the World Bank and IFC to support the improvement of the educational system. More conservative commercial institutions are likely to remain on the sidelines until these two institutions give leadership through a coordinated strategy. The Bank should intervene in the area of government policy, both with respect to the issues raised as well as with respect to the curricula offered (an area that needs a lot of attention but outside the scope of this study). The Bank could also have a significant part in providing training to borrowers and to lending institutions that might cooperate with IFC.

The study demonstrated that the private sector is already making a significant contribution in providing educational services to Kenya's people, although its potential contribution is much greater. IFC might be able to help the private sector realize this potential. However, this is a new area for IFC and caution is appropriate. Investing in projects that subsequently fail or do not serve the educational needs of their clients, will send the wrong signals to the public, to financial institutions and to policy makers. At the same time, IFC can play a catalytic role in supporting education. The study suggested some ways in which IFC can implement this role. These need to be examined in greater detail and ultimately each individual project has to be judged on its merits.

This preliminary study raised some issues related to Kenya's private schools. There is a need for further investigation of these issues, for example, of the specific role that the financial sector could have in education or of the types of schools or ancillary services that could be supported by IFC.

The study dealt only with Kenya. Undoubtedly, while some of the findings are replicable in other countries, others may not be. There is great variability among LDCs with respect to attitudes toward education and with respect to the breadth of the private education system. At the same time, there is a wealth of experience in both developed and developing countries which needs to be documented and tailored to serve the needs of IFC and its client countries.

Endnotes

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[i] "A Statistical Profile of Education in Sub-Saharan Africa in the 1980s" and "A Statistical Profile of Education in Sub-Saharan Africa, 1990-1993," Tables A-7, A-8, and A-9; Association for the Development of African Education, IIEP. Paris, 1994 and 1995, respectively.

[ii] Prof. F. Karani, et. al., "Access, Quality and Equity in Secondary Education," consultant report for the Kenya Ministry of Education/World Bank, December 1995.

[iii] John B. Knight and Richard H. Sabot, Education, Productivity and Inequality: The East African Natural Experiment, 1990, Oxford University Press for the World Bank, page 33.

[iv] Ibid., p. 48.

[v] Prof. F. Karani, et. al., “Access, Quality and Equity in Secondary Education,” consultant report for the Kenya Ministry of Education/World Bank, December 1995.

[vi] World Bank, World Development Report 1996.

[vii] A recent World Bank mission to Kenya reports that “...a revision of the curriculum [is] perhaps the single most important step in improving education.”

[viii] Prof. F. Karani, et. al., “Access, Quality and Equity in Secondary Education,” consultant report for the Kenya Ministry of Education/World Bank, December 1995.

Annex 1

PRIVATE ACADEMIC SCHOOLS, 1996 OPERATING COSTS
(U.S. dollars)

School	Teacher Salary	Admin. Salary	Other Salary	Insurance	Utilities	Supplies	Financial	Taxes	Other	Rent	Total $	$/Student
Cavina School	204,327	44,727	23,563	18,181	14,182	3,636	3,636	21,818	20,909	24,873	379,852	643
Brookhouse School	283,636	113,272	21,818	23,636	14,545	54,545	29,090		109,090	311	649,943	3,250
Kianda School	155,020	29,462	25,883	2,818	14,400	11,500		0	39,769	6,363	285,215	501
Serare School	53,450	24,673	43,674	5,927	6,454	36,036	8,938	9,186	37,260	0	225,598	755
St. Hannah's Preparatory	50,909	18,182	1,818	21,818	95,454	38,182	1,400	1,764	55,236	1,364	286,127	409
Arya Girls' Secondary School	69,091			4,545	3,636	8,636		182	8,182	4,545	98,817	412
Mara Road Nursery	7,272	3,636		2,181	2,454	2,691	654	218	4,727	2,727	26,560	277
St. Lucie Kiriri Girls Secondary School	60,358	7,045	9,429	7,255	2,367				80,636	0	167,090	831
Materi Girls' Center	70,349	9,207	17,456	2,909	36,364	90,909	182	13,091	61,818	0	302,285	474
Ravals Secondary	25,454	9,090		727	690	5,454	1,091			5,454	47,860	120
Premiere Academy	545,454	40,000	50,182									
Daystar University											2,828,000	2,175

Source: Private School Survey, August 1996.

Annex 2

PRIVATE TECHNICAL SCHOOLS, 1996 OPERATING COSTS
(U.S. dollars)

School	Teacher Salary	Admin. Salary	Other Salary	Insurance	Utilities	Supplies	Financial	Taxes	Other	Rent	Total $	$/Student	No. of Students
Wote Training Institute	8,727	5,454	5,236	984	1,092	1,820	0	1,156	327	7,418	32,214	66	488
Universal College	No financial information provided												
Technical Institute	38,181			36,363	2,454					2,182	79,180	132	599
Kenya Institute of Shipping Management	1,309	1,309	655	655	2,636	2,182	150	1,818		12,727	23,441	47	498
Oshwall College	272,727	90,909	36,364							109,091	509,091	665	765
Kenya School of Exports and Imports	2,873	20,073	5,673	764	518	4,836		4,445	4,363	9,382	52,928	398	132
Nairobi College	5,091	4,363	1,636	1,091	1,454			545		6,611	20,791	172	120
Kenya School of Accountancy											54,545	42	1,300
Kenya School of Professional Studies	171,010	52,786	19,909	10,909	90,909	16,363	4,545	1,818	218,182		589,431	473	1,240

TECHNICAL SCHOOLS, GROSS AND NET INCOME, 1990-96

School	1990 Gross $	1990 Net $	1994 Gross $	1994 Net $	1995 Gross $	1995 Net $	1996 Gross $	1996 Net $
Kenya School of Exports/Imports	24,727		50,000		65,454			
Nairobi College				4,527		4,018		2,200
Oshwal College			163,636		272,727		472,727	
Wote Training Institute	10,181		21,818	545	32,727	909		
Kenya School of Professional Studies	107,799	11,834	363,577	15,363	560,317	61,516	415,472	

Source: Private School Survey, August 1996.

Annex 3

PRIVATE VOCATIONAL SCHOOLS, 1996 OPERATING COSTS
(U.S. dollars)

School	Teacher Salary	Admin. Salary	Other Salary	Insurance	Utilities	Supplies	Financial	Taxes	Other	Rent	Total $	$/Student
Nairobi North Polytechnic	12,218	3,273	3,818	727	14,545	5,455	364	727	909	1,455	43,491	145
Nanyuki Commercial College	2,116	764					145			873	3,898	100
Kenya Industrial Training Centre	2,909	5,454	4,364	164	229			136		873	14,129	202
Skyways Travel Services Institute	1,309	22,545			545	5,454				10,182	40,036	200
Kimlea Girls' Tech. Training Centre	7,938	6,489	436	472	1,964	2,142				1,091	20,532	228
Kibondeni College	16,669	4,758		53	1,896	1,545			545	3,273	28,739	180
Ridgeway Academy of Arts	7,273	2,182	1,818	182	273	909		727	182	8,727	22,273	259
Valley Secretarial College	23,636	4,545	1,818	698	4,109	16,018	27,272	2,073	5,127	0	85,296	567
Virginia Slims' College	8,291	3,055	1,964	636	1,182	5,091	455	327	727	0	21,728	869

Annex 4

FEE STRUCTURE OF KENYA SCHOOL OF PROFESSIONAL STUDIES (SPS), 1996

Course	Fees Per Semester (Ksh.)	Fees Per Semester (US$)
Kenya Accountancy Technicians Certificate		
Full time	11,000	200
Kenya Accountancy Technicians Certificate		
Part-time	6,500	118
Certified Public Accountants (CPA)	11,000	200
Certified Public Secretaries (CPS)		
Single subject	5,000	91
CPA/CPS		
Part-time section 1-6	6,500	118
Single subject	3,000	55
Marketing (CIM) Part-Time		
Certificate	12,000	218
Diploma	14,000	255
Certificate day class	14,000	255
Supplies Management		
Certificate (Kenya Nat'l Exam Council), full-time	8,000	145
Diploma part-time	9,000	164
Secretarial	3,000	55 (per month)
Legal Studies		
Certificate	14,000	255
Diploma	17,000	309
LLB (UK) degree	50,000	909
Library and Information Science		
Certificate	8,000	145
Diploma	9,000	164
Single-subject	2,000	36
IDPM (Computer Department)		
Foundation	11,000	200
Diploma, part 1	11,000	200
Higher diploma, parts 2, 3, and 4	42,000	764

Source: School of Professional Studies Catalogue, 1995/96.

VOCATIONAL SCHOOLS, GROSS AND NET INCOME, 1990-96

School	1990 Gross $	1990 Net $	1994 Gross $	1994 Net $	1995 Gross $	1995 Net $	1996 Gross $	1996 Net $
Kenya Industrial Training Center	13,091	3,273	13,964	3,491	13,309	2,291	15,272	2,545
Kibondeni College		6,509		12,988		18,050		11,818
Kimlea Girls' Technical					2,099		5,740	
Nairobi North Polytechnic							73,309	12,909
Ridgeway Academy of Arts	27,273	5,454	34,545	7,272	40,000	10,909	63,636	21,818
Valley Secretarial			69,509	509	91,309	3,836	94,927	4,745
Virginia Slims Catering	10,545	782	22,727	1,545	23,272	1,400	23,636	1,964

Source: Private School Survey, August 1996.