Regulating market entry of low-cost private schools in Sub-Saharan Africa: Towards a theory of private education regulation

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\textbf{A B S T R A C T}

This study provides a comparative assessment of policies governing private schools in twenty countries in Sub-Saharan Africa. Findings suggest that current regulatory systems are failing to adequately address the negative externalities and failures of private school markets. Insufficient capacity on the part of governments is a contributor to uneven policy implementation and creates opportunities for rent-seeking and corruption. Onerous market entry regulations offer constraints on the growth of official private education markets, but facilitate growth in unofficial markets if demand for education is not being fully met by the supply of government service provision, restricting the government’s ability to provide adequate oversight of private providers.

1. Introduction

Over the last two decades, a growing body of research has emerged documenting the expansion of a for-profit private school sector in developing countries catering to the demand of poor families for non-state education services (Ashley et al., 2014; Härmä, 2011; Kingdom, 1996; Kitaev, 1999; Nguyen and Raju, 2014; Tooley and Dixon, 2006; United Nations Educational Scientific and Cultural Organization (UNESCO), 2015). These so-called ‘low-cost private schools’ are educating significant shares of primary and secondary school students in South Asia and Sub-Saharan Africa. Indeed, as shown in Table 1, across Sub-Saharan Africa, over 11% and 19% of primary and secondary students are enrolled in private\textsuperscript{1} schools, with moderate growth in these sectors demonstrated over the last decade and a half. Within Sub-Saharan Africa, the growth and contributions of these schools have been investigated in countries such as Kenya, Nigeria, South Africa, and Tanzania, among others, highlighting issues of quality, efficiency, accessibility, and equity within the low-cost private school market.

As a result of this growing education subsector, there has been increasing interest on the part of governments, donors, and other international stakeholders concerning effective inclusion of these schools within national education systems and international education commitments. In particular, there is great need for evidence on what constitutes effective regulation of private schools, to ensure that non-state providers are operating to enable optimal social benefit by minimizing the effects of both market and non-market failures. While a handful of studies have touched upon issues of regulation in select African countries (Ashley et al., 2014; Härmä and Adelisayo, 2013; Heyneman and Stern, 2014), no study has yet provided a systematic and theoretically-grounded assessment of the regulatory environment of private schools.

To date, understanding of private education regulation has been driven less by empirical observation than theoretical reasoning. As a result, one notion that has persisted is that stricter regulation suppresses private sector growth and participation of students in private schools, and that restrictive regulations can be used as a mechanism for governments to constrain private sector competition, thus maintaining the role of the state in providing free education services to the majority of its student populations (Fielden and LaRocque, 2009; Härmä and Adelisayo, 2013; Mcloughlin, 2013; Rose, 2006; Singh, 2015). For example, the World Bank’s framework for engaging the private sector in education (Baum et al., 2014) outlines a number of regulatory mechanisms commonly understood to restrict the growth of private education, including: the financial costs of private school registration and certification; the length of the registration process; accessible information on certification procedures; requirements on school land, facilities and infrastructure; and the approval of for-profit provision. Verspoor (2008) suggests that “overly complex procedures for registration and licensing, exacerbated by the weaknesses of the institutions

\textsuperscript{1} The data for private school enrollments are accessed through the World Bank’s EdStats database, with the original data source being identified as UNESCO Institute for Statistics (UIS).

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\textsuperscript{1} The data for private school enrollments are accessed through the World Bank’s EdStats database, with the original data source being identified as UNESCO Institute for Statistics (UIS). This study adopts the definition of ‘private school’ as outlined by UIS: “all educational institutions not operated by a public authority, regardless of whether they receive financial support from such authorities,” which includes but is not restricted to “religious bodies, other organizations, associations, communities, private enterprises or persons” (UIS, 2009, p. 31).

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that administer the policy, often hamper the development of private-sector provision” (p. 35). The intuitive assumption is that restrictive regulatory environments constrain the contributions of private parties to education and thus the growth of the sector. However, these theoretical assertions have yet to be tested empirically within the context of a low-cost private school environment. The current study presents results from the first cross-country research to assess the relationship between private sector regulation and private sector growth in education.

In an effort to extend the foundations of private school regulation theory, this study explores existing theoretical frameworks of market entry and regulation—including state-driven, market-driven, and regulation-driven theories—and their application to the regulatory environments governing non-state schooling in twenty (20) countries in Sub-Saharan Africa to understand the effect of existing policy on the behavior of the educational marketplace. Using data collected as part of the World Bank’s Systems Approach for Better Education Results (SABER) initiative, we empirically investigate some of the primary assumptions of the market regulation literature, addressing the following research questions:

1. Is stricter regulation of market entry negatively associated with the size of the private school marketplace?
2. Is stricter regulation of market entry negatively associated with the growth of the private school marketplace?
3. Is the effect of regulation on market size and growth moderated by the supply of public schooling?
4. Is current private education regulation in these 20 countries effective in correcting for market failures and negative externalities?

Our hypotheses with respect to the first two research questions fall in line with the existing literature on private school regulation, namely that increased stringency of entry regulations will result in lower relative size and growth of private schooling markets. Concerning the third research question, the existing regulation literature has yet to address whether regulation or public school supply is more predictive of private market size; although the amount of discussion on the link between market regulation and market growth may implicitly suggest regulation to be more salient to existing theory. Our hypothesis, however, is that existing supply within the public school sector (and the corresponding demand for private school services) is more predictive of private market share. Lastly, given prior research on implementation of private education regulation in low- and middle-income countries (Ashley et al., 2014; Härma and Adefisayo, 2013; Ohara, 2013, 2012; Rose, 2006; Srivastava, 2008; Stern and Heyneman, 2013), we expect private education regulation in our sample of countries to bear little relationship to market failures and externalities.

2. Low-cost private schools in Sub-Saharan Africa

There is a sizable body of research on the prevalence and operation of low-cost private schools in Sub-Saharan Africa, accompanied by a politically heated debate as to the proper role of private education in a post-2015 world of human rights and Education for All. The growth in evidence has advanced the discussion beyond questions of the existence of private school participation in less wealthy communities, a point of...
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