

Regional Education Finance Fund for Africa (REFFA)

FACTSHEET EDUCATION FINANCE STUDY: Zambia (2020)

Summary of main findings

Opportunity EduFinance and the Technical Assistance Facility of REFFA co-funded a market study to analyze the low-cost private education market in Zambia and its associated financing needs.

Education sector in Zambia: Since 2000, overall primary school enrolment almost doubled, as significant progress was made in the education sector. However, Zambia has a fast growing population of which the majority is of school age. This has led to a sharp increase in the demand for education, which is why the country is confronted with a critical shortage of available places in the public education system. These circumstances are spurring the growth of private schools, whose numbers grew by more than 30% during the last decade.

Demand for education finance in Zambia: The study results show a significant and growing demand for affordable private education. Hence, financial products and services which support private schools and parents see increased demand. About 44% of parents who send their children to a private education institute are interested in taking a loan to pre-finance school related costs. Among private schools, investment loans for construction are high in demand as 82% of the schools are planning to expand their premises, out of which 57% would need external funding. Also, funding for fixed assets and spot improvements is needed, as school owners wish to improve their services (e.g. transportation) and education offer (e.g. ICT laboratory equipment).

Market potential: The various funding needs have been transferred into an approximation of the market potential for education finance:

Product	Market size in USD
School Investment Loans (SIL)	11 million
School Fee Loans (SFL)	24 million

SIL potential market: Estimated number of schools * average loan size * % of schools willing to borrow (total of different loan types)

SFL potential market: Total number of children in private schools and out of schools * average loan size requested / number of children in education per family * % willingness to borrow

Supply of education finance in Zambia: Private schools are often faced with a limited access to credit. The main reason is their legal status as "limited companies", which makes it difficult to build up an asset base which could be offered as security to a financial institution. Therefore, banks often deny providing credit in absence of adequate collateral to cover the size of the loan. At the same, loan products do not take the specific seasonal cash flow patterns of the education sector into account.



Country facts

Capital	Lusaka
Population	18 million
Below 25 year olds	66%
Population growth	2.9%
GDP per capita	USD 1,658



Education market facts

- Literacy rate: 80%
- Education index: 0.57*
- Primary enrolment rate in rural areas: 23%
- Transition rate to secondary school: 68%

*Rank 125 from 195 countries in the UNDP Human Development Report 2019, albeit shown an improvement from 0.48 since 2000.

Study methodology

The research is based on 166 interviews with private school proprietors, 94 private school teachers and 87 parents whose children are enrolled in these schools. The study took place in the cities Lusaka, Ndola and Kitwe.

It was implemented in Q1 2020, hence pre-COVID 19 times.

Further information:

REFFA: www.reffa.org
Opportunity EduFinance: edufinance.org

FEATURED TOPIC: Affordability of private education

It is a well-known and understandable phenomenon that parents are often willing to invest heavily into their children's education. Often, parents or caretakers dedicate a comparably high proportion of their available income on education-related costs.

In Zambia, the interviewed parents earn on average USD 153 per month. The median school fee per child is USD 10. On top of school fees, other costs occur (i.e. for transportation, uniforms or books), adding another 40% on average to the fee costs. Hence schooling one child may cost around USD 14 per month. Given that parents in Zambia typically have three children in school, they may spend around 30% (USD 42, out of USD 153) of their incomes only on schooling costs. Pre-financing such costs at the beginning of a term poses a challenge.

More than 40% of the parents interviewed for this study earn their money from formal employment. Nevertheless, many of them face income fluctuations, e.g. due to delayed salary payments, which most often occur around December and January – exactly when the highest schooling costs are due. This is among the reasons why one third of the parents wishes to take out a loan in order to pay the schooling costs. Indicated amounts for such school fee loans were at around USD 200, typically for a period of six months.



About REFFA: Initiated by KfW Development Bank, the Regional Education Finance Facility for Africa (REFFA) is the first regional education finance fund for Africa. It aims to provide customized financial services for the education sector in a demand-oriented, financially sustainable, and socially responsible manner. As part of its approach, the Fund and its Technical Assistance Facility partner with financial institutions to support them in developing sustainable financial services for private education providers as well as learners and their families. In doing so, the Fund and the participating financial institutions help improve access to quality and affordable education.