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Impact Investment Managers

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BlueOrchard Hybrid Breakfast Meeting
Education Finance – Next Generation Investments

22 September 2021



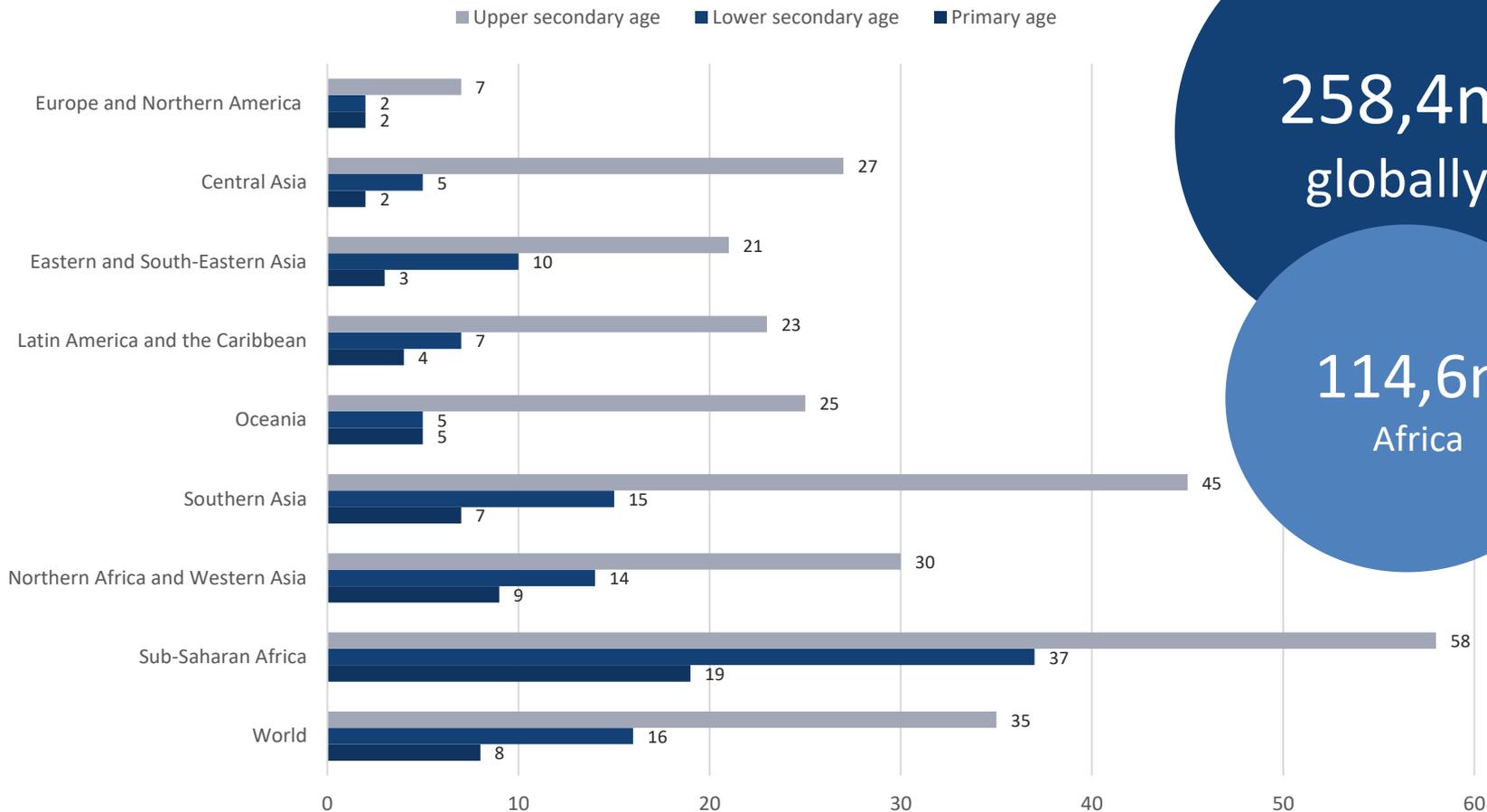
Education: The Cornerstone for Sustainable Growth

Njeri Kirumbi
Deputy Regional Director Africa

Exclusion from education

Globally, Africa accounts for nearly 50% of out-of-school children

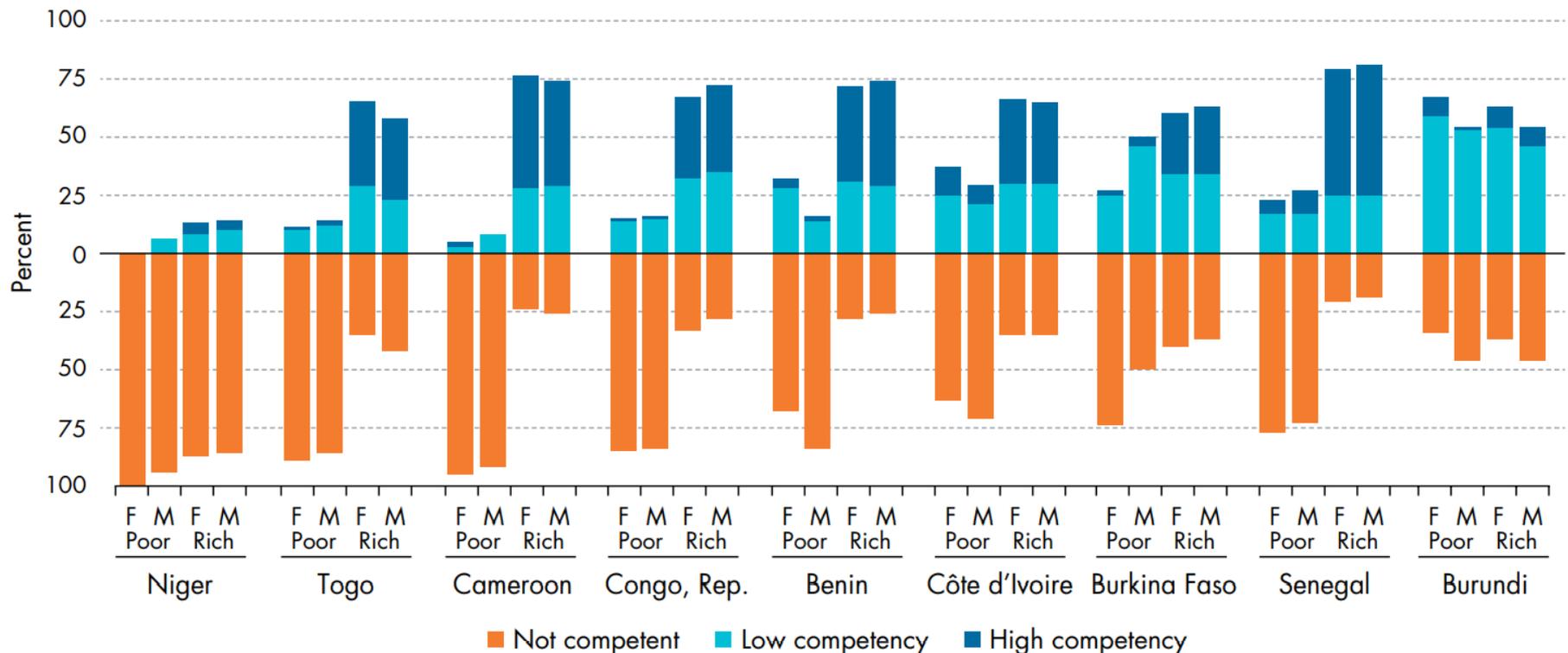
Out-of-school rate by region and age group, 2018



Learning deficits

Children from poor households in Africa typically learn much less

Percentage of grade 6 PASEC test takers in 2014 who scored above (blue) and below (orange) the sufficiency level on reading achievement: poorest and richest quintiles by gender, selected countries

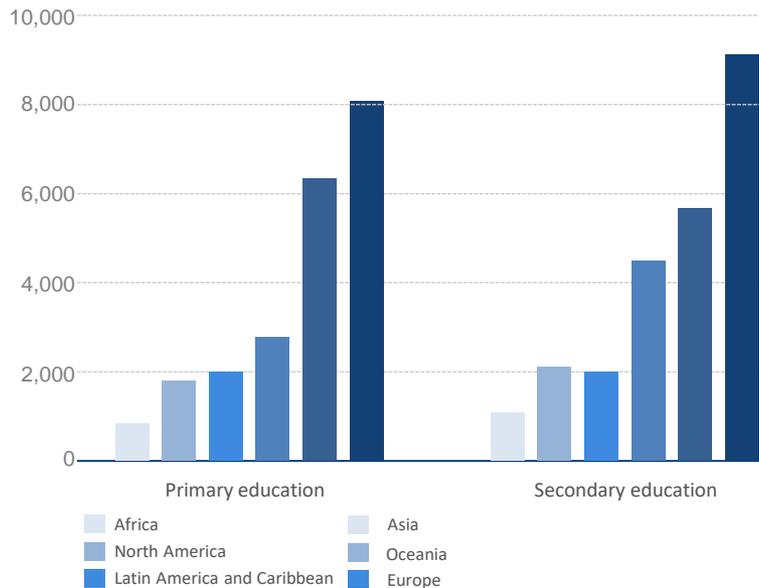


Note: PASEC = Programme d'Analyse des Systèmes Éducatifs de la Confemem.
Source: World Bank: World Development Report. Learning to Realize Education's Promise, 2018.

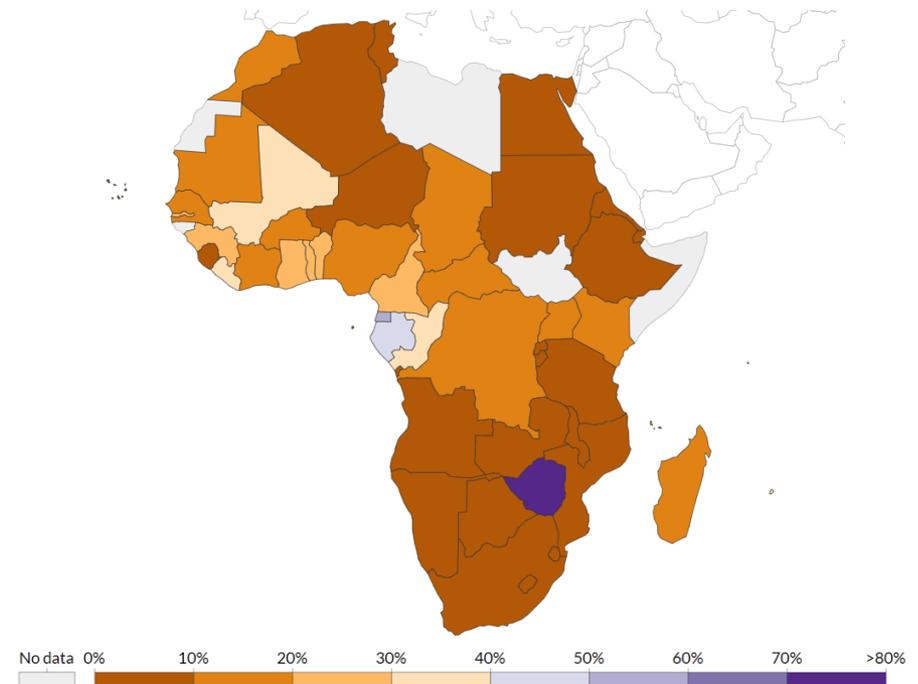
Private education plays a significant role in the African education system

African governments spend less per student in primary and secondary school than governments in other developing regions (2010-2017)

Government expenditure per student (PPP USD)



Share enrolled in private institutions at the primary education level, 2016

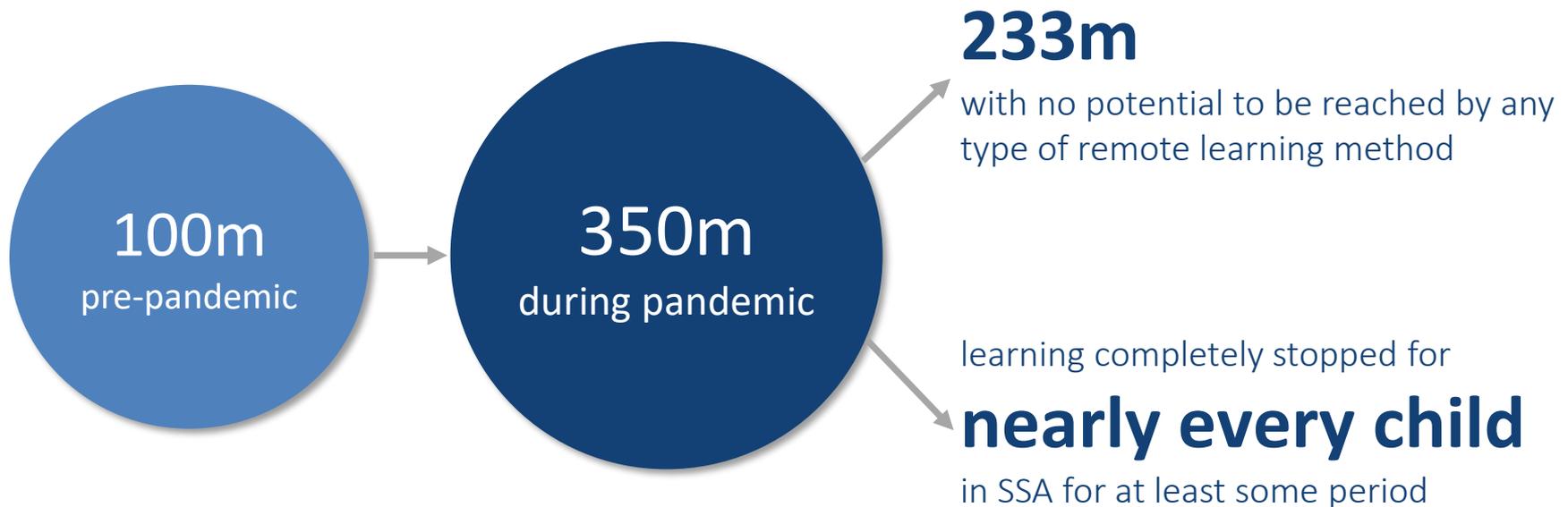


Note: PPP is purchasing power parity; Shown is the share of students in primary education enrolled in institutions that are not operated by a public authority but controlled and managed, whether for profit or not, by a private body (e.g., non-governmental organization, religious body, special interest group, foundation or business enterprise).

Source: African Development Bank: African Economic Outlook 2020; Our World in Data, 2016.

Impact of Covid-19 pandemic on education in Sub-Saharan Africa (SSA)

Number of children and adolescents not going to school



Note: Considering the low levels of education of most parents (e.g. one of out of every three adults in SSA cannot read or write a short statement) and the limited availability of resources to support home-based learning (e.g. around half of the population is dealing with extreme poverty).

Source: UNICEF, Covid-19: A Catastrophe for Children in Sub-Saharan Africa, November 2020.

BlueOrchard's education finance strategy

Structure

Education Portfolio

Loans & Technical Assistance

Financial Intermediaries

Customized Loans

Education Loans, Savings Products

Private Education Providers – 4.44%

Private Households

Learners and their families with MSME income – 1.90%

Learners and their families with salary income – 74.97%

Students– 18.69%

BlueOrchard's education finance strategy

Impact



USD 130m

total education portfolio



1,370

private schools financed



148,707

students & learners reached



41%

female clients



887

loans to technical and
vocational education (TVET)



49%

of loans are to learners
below USD 2,000



Insights from the Field: The Power of Education Finance

Sylvester Mwangangi
Head of Financial Inclusion, Letshego Kenya



Inclusive Finance Solutions

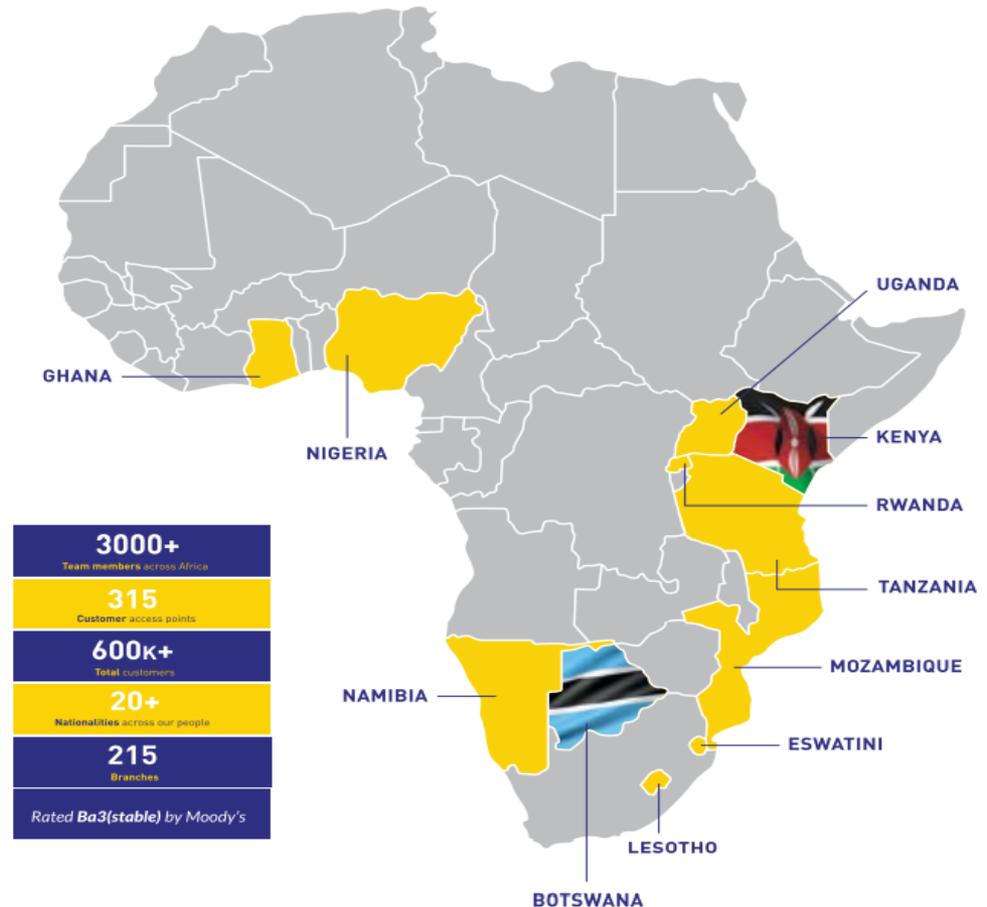
EDUCATION

• Kenya

• 2021

About Letshego Kenya Limited

- Letshego Kenya is the largest credit only microfinance institution in Kenya.
- 2000 – 21 years ago – and we support Kenyans with credit services for micro and small entrepreneurs, salaried employees, and civil servants.
- Letshego is here to improve lives – and increase the reach of simple, appropriate and affordable financial solutions for more Kenyans...
- Today, we support and improve the lives of over 20,000 customers across Kenya
- Solutions: Edu, Agric, Housing Micro Finance, Insurance and Business Loans



Overview

Letshego's has a customized education eco-system solution for schools which aims to support multiple stakeholders within a school environment and value chain. This includes: The schools. Teachers, Suppliers and Parents

Current Portfolio Size:

70 customers(Schools), +200 Parents and teachers

Current Portfolio:

Usd.1.2Mio

...Range of Uses...



School renovation & expansion



Construction of new block & facilities



Purchase of fixed assets e.g. school bus



Purchase of fixed assets e.g. laboratory equipment



Purchase of fixed assets e.g. school stock & supplies



Working Capital for school running & administration

...Beneficiaries



Privately owned or operated schools and educational institutions
(incl: religious & special schools)



Vendors & distributors of school supplies who need financial support to handle large orders but have good cash flows



All pupils currently enrolled in the school



Teaching & Non-teaching staff members



Parents & Guardians whose wards attend the particular school
Members of the PTA



Why Edu?

- **'Our Lifeline'** : Improving lives
- **'Demand pull'** : 38.5% of Kenyan Adults are illiterate
- **'Limited Financing'** – only circa 5% of GDP(Kenya) goes to education

COVID -19 Impact on Portfolio



- Closure of schools during the pandemic period, Loss of Jobs
- Impact on cash flows and delayed instalments, Higher delinquency

Actions Taken by Letshego

- Repayment holiday to affected customers
- Refinancing and restructure for existing customers unable to pay their loans.
- Infrastructure Development support –
- **Training for adoption**

OVERVIEW	MARANATHA SCHOOLS	POTTERS JUNIOR ACADEMY
LETSHEGO KENYA'S SUPPORT	<ul style="list-style-type: none">▪ Maranatha Primary School; 180students, founded in 2010, Rural Set up/Upcountry, First time borrower at LKL▪ C19- Loan Holiday beneficiary▪ Medium Term financing to construct a dining hall facility(Expand)▪ Ensured compliance to the C19 Protocols	<ul style="list-style-type: none">▪ Founded in 2012, Potters Junior Academy is located in Kayole Nairobi county, with a total of 400 students▪ Promoters started at their own house, then rented a 3-BR house and eventually financed to build▪ 5 cycles with Letshego and has managed to increase their classrooms, purchase additional buses.▪ 1 Year Repayment Holiday support during COVID period
PROJECTS	New Dining HALL Financed by LKL	Upgraded Classrooms Financed by LKL
		

End



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