2020 REFFA Impact Report

Photo credit: Estella Geiseler

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1. Acknowledgements

We believe that having an impact is the result of the concerted efforts of all stakeholders, and every contribution can make a difference. Keeping this in mind, we would like to thank all contributors to this report for sharing their wisdom, experience, and passion for education finance in Africa. In particular, we want to acknowledge the contributions from CDC for their continued support in improving the impact measurement and reporting for REFFA. Another special thanks goes to Judith Brandsma and Simon Harris from the Investment Committee, Sarah Marchand from the Technical Assistance Committee, and all members of the Board of Directors for their continuous constructive inputs and oversight.

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Any questions regarding this report may be directed to info@blueorchard.com.

2. Introduction

Education is a key success factor in enabling people to escape poverty by providing them with the necessary knowledge and skills to improve their lives. Based on this premise, the Sustainable Development Goal (SDG) 4 aims to ensure universal pre-primary, primary, and secondary education in low and lower middle-income countries by 2030. However, in 2020 the United Nations Educational, Scientific and Cultural Organization (UNESCO) Global Education Report team estimated that there is a short-fall of financing of USD 148 billion per year until 2030, with Covid-19 further widening this education financing gap by USD 30 to 45 billion per annum.[1]

The pandemic also had a severe impact on poverty levels – in Sub-Saharan Africa alone more than 50 million people have been pushed into extreme poverty in 2020, totalling more than 500 million people overall. This almost doubling of poverty levels since 1990 has severe knock-on effects for the affordability of education in this region.[2]

The Regional Education Finance Fund for Africa (REFFA or the Fund) was created to address the fundamental challenges of increasing access to, as well as affordability and quality of education in Africa. In fact, REFFA is the first fund created to exclusively support the development of the education sector in the region.

In 2019, a strategic project was started with the objective of systematically collecting data from investees to better understand the Fund's impact in terms of promoting affordability and quality of education in Africa. The project will continue throughout 2020 and 2021 and enable the monitoring and evaluation of progress of the Fund's targets.

Consequently, the objectives of this report are to:

- Provide a high-level overview of REFFA and its core objectives
- Illustrate how REFFA measures and monitors its results and impact
- Present the estimated results and impact that have been achieved to date
- Outline the progress done in 2019 and 2020 on building a new framework through which the Fund's investees can measure education quality and affordability and provide an outlook on the new reporting capacity
- Present main conclusions and remaining challenges for the years to come

Methodology:

The data and results presented in this report have been collected and analysed by BlueOrchard Finance Ltd, the investment and technical assistance facility manager. They are a combination of ongoing monitoring of investment and technical assistance activities, as well as data reported by the Fund's investees and information collected as part of market and impact assessments undertaken.

[1] "Policy Paper 42. Act now: Reduce the impact of COVID-19 on the cost of achieving SDG4" – UNESCO, September 2020.
[2] "COVID-19: A Catastrophe for Children in Sub-Saharan Africa", UNICEF. 2020

3. Key statistics 2020

1
New country received investments in 2020

3
New investees in 2020

47
Technical Assistance projects since inception

USD 130 million
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 to learners are below USD 2,000

4. Education finance needs in Africa

Despite the significant progress that has been achieved in the last 20 years, universal access to primary, secondary, and technical and vocational education (TVET) continues to be a significant challenge in African countries. Already before the pandemic the World Bank estimated that around 100 million children were out of school in Sub-Saharan Africa, and due to Covid-19 further millions of students are at risk of permanent drop-out.[3] Moreover, the quality of education received is not sufficient, as students do not obtain necessary standard skills.[4]

45%

of the global "out of school" children statistic live in Africa. It is estimated they may never attend school[4].

75%

of second grade pupils in several Sub-Saharan African countries could not count beyond 80[4].

40%

of second grade pupils in several Sub-Saharan African countries could not do a one-digit addition problem[4].

50-80%

of second grade pupils in several Sub-Saharan African countries couldn't answer 1 question of a read passage[4].

Private education plays an important complementary role in African countries, as private schools supplement the public offer. In many countries, the private sector is becoming essential. In Burkina Faso, 20 % of primary schools are private, and in Abidjan (Cote d'Ivoire) they make up 48 %.[5] Demand for private schools is also higher, as quality of education is commonly perceived as better in the private sector in this region.

Private schools in Africa are targeting the poor and vulnerable, with many "low-fee private schools" having appeared, particularly in the Sub-Saharan Africa region[6]. However, for poor families, even a "low-fee" means important sacrifices as these fees can still represent a large percentage of their income. In this context, education finance can be useful to:

- Ease cash flow constraints in families, helping them pay fees and any additional costs for learning materials, equipment, transport, etc.
- Support private education providers to deal with short-term funding gaps (due to tuition fee collection and seasonality) and pay teachers' salary on time, among others. It can also fund more investments in school infrastructure, teaching equipment, school buses, etc.

[3] "COVID-19: A Catastrophe for Children in Sub-Saharan Africa", UNICEF. 2020
[4] "Facing Forward: Schooling for Learning in Africa", Sajitha Bashir, Marlaine Lockheed, Elizabeth Ninan, and Jee-Peng Tan, World Bank. 2018.
[5] "Supporting Education in Africa: Challenges and Opportunities for the Impact Investor", Francesca Marchetta, Tom Dilly. Foundation for Studies and Research on International Development (FERDI). July, 2019.
[6] "Facing Forward: Schooling for Learning in Africa", Sajitha Bashir, Marlaine Lockheed, Elizabeth Ninan, and Jee-Peng Tan, World Bank. 2018.

5. About REFFA

Based on the significant education needs in Africa, REFFA was initiated in 2012 with the main objective of increasing equal access to primary, secondary, vocational, and higher education in Africa, while also contributing to increase education quality. REFFA was initiated by KfW German Development Bank and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). As of 2017, the Fund was also sponsored by the UK Development Finance Institution (CDC). The OPEC Fund for International Development (OFID) and private investors also joined the Fund in 2017.

In 2015, REFFA started to be managed externally, and BlueOrchard Finance was selected as the Investment Manager. In its new set-up, REFFA has been operating for six years. During this time, important milestones and results have been achieved to strengthen education finance across Africa.

CLEAR IMPACT

REFFA's mission statement:

"The Fund aims at increasing the ***ACCESS*** *of lower income households in target countries to* ***AFFORDABLE*** *education, as well as improving the* ***QUALITY*** *of education by increasing the availability of education finance products."*

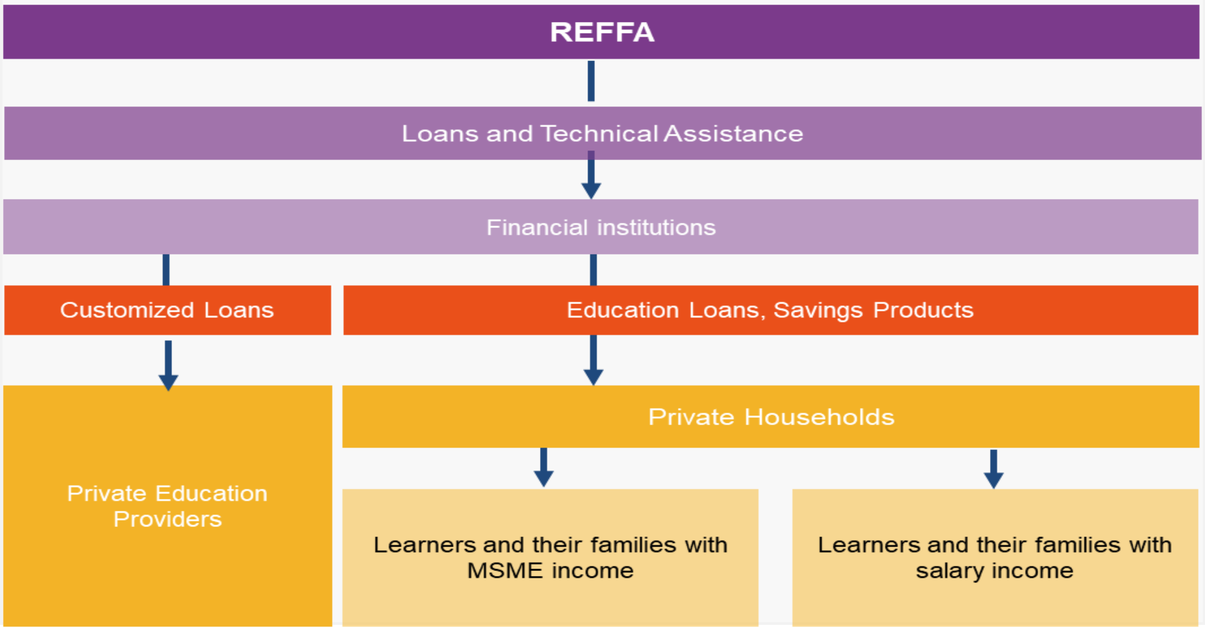
In order to accelerate the achievement of its mission and impact intent, REFFA was created as a unique Public Private Partnership (PPP) structured fund, where funds from Development Finance Institutions (DFIs) and private investors are blended in one legal structure based in Luxembourg. By providing first loss capital, BMZ funds have been catalytic in attracting financing from development finance institutions and private sector investors that share the objectives of the Fund and can benefit from the credit enhancement provided by the junior tranche. As a PPP Fund, REFFA attracts different types of investor profiles.

The Fund has three different tranches:

Senior Tranche	Funded mainly by private investors
Mezzanine Tranche	Funded by DFIs — CDC Investment works; OPEC FUND; BlueOrchard Impact Investment Managers, Member of the Schroders Group
Junior Tranche	Funded by BMZ — BMZ Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung; KFW

REFFA aims at achieving its objective by providing funds to financial intermediaries in Africa for on-lending and expanding their education loan portfolios. Financial intermediaries include banks, microfinance institutions, credit co-operatives, and other finance companies across Africa.

Figure 1: REFFA in a nutshell



a) REFFA Private Debt Fund

REFFA debt investments are made in banks, MFIs, credit co-operatives, and other financial institutions. The main characteristics are:

- Loan sizes: USD 0.5–5 million, in local currency.
- Loan tenors can go up to 7 years, while amortisation schedules are tailor-made.
- Overall, debt investments are provided to financial intermediaries at market rates to ensure the long-term sustainability of the Fund's operations and of the financial institutions' education portfolios.

b) REFFA Technical Assistance Facility

To maximise the intended development impact, REFFA has a Technical Assistance (TA) Facility endowed with public and private grant funds to:

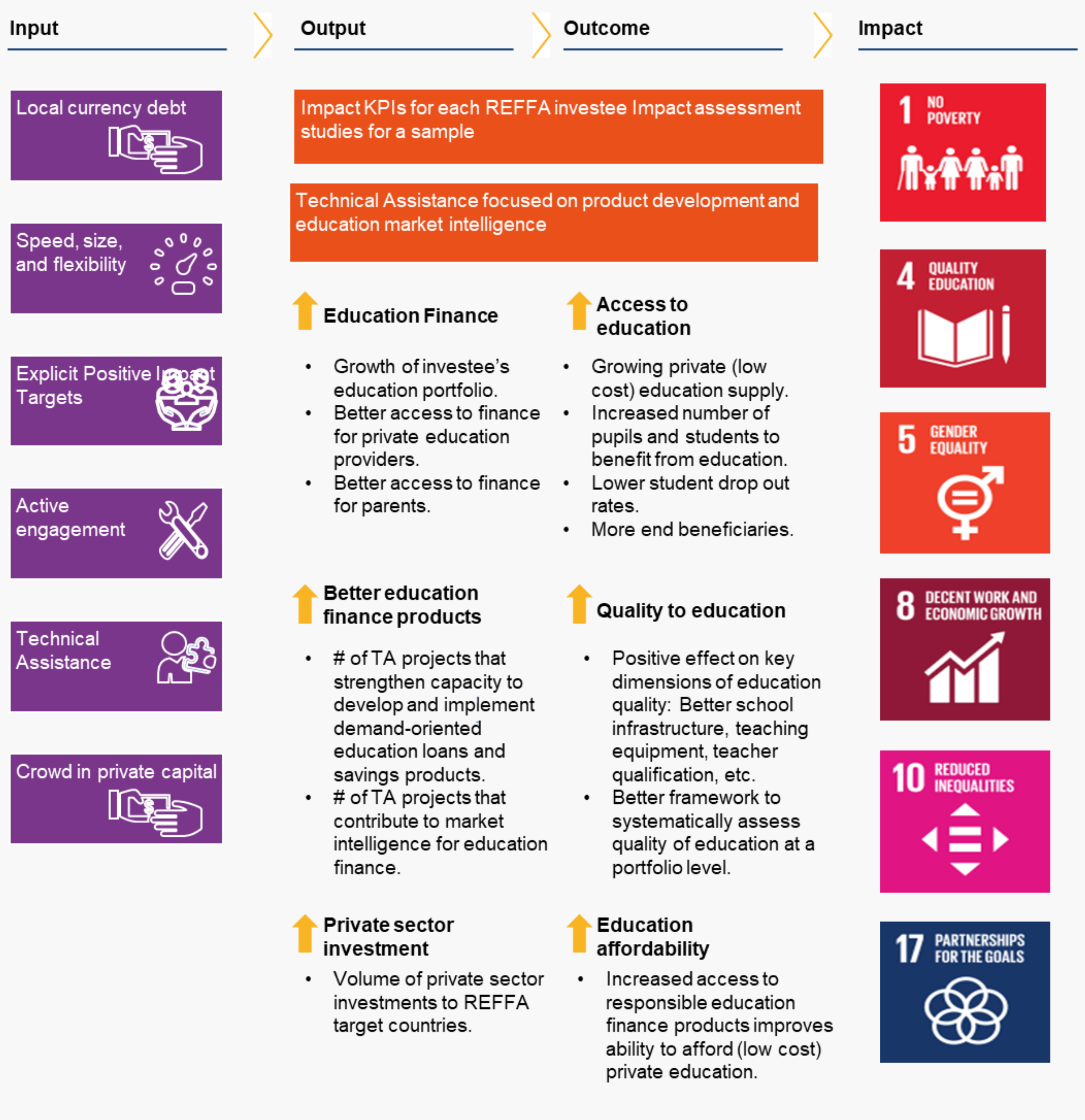
- enhance institutional capacity of REFFA's investees for education lending
- provide market information
- foster innovation

Typical projects include the development of education finance products tailored to the financial needs of (private) education providers as well as learners and their families. The use of these funds is overseen by a TA Committee where the main TA donors are represented. The TA Facility is managed by BlueOrchard Finance. Financial institutions benefiting from TA services participate to the costs via a cost sharing contribution.

6. Impact Approach

REFFA applies the theory of change model to illustrate the rationale of the impact framework, its assumptions, linkages, and final expected outcomes and impact.

Figure 2: Theory of change



a. Impact measurement

For the founders, sponsors, and investors of the Fund, it is crucial to be able to monitor how well REFFA is performing in terms of achieving its mission. To do so, the Fund Manager performs:

- A regular assessment of fund allocation, building a pipeline for investments and TA that fit REFFA's objectives.
- A quarterly reporting of the education loan portfolio of REFFA investees (e. g. number of loans, type of clients, type of education promoted).
- Focused impact studies (so far on individual investees and their clients, namely in DRC and Tunisia).
- Continued improvements on data collection and education impact assessment, particularly around impact of REFFA on quality and affordability of education.

b. REFFA objectives

Increase **ACCESS**	Improve **QUALITY**	Enhance **AFFORDABILITY**
to education for lower income families in Africa.	to education in primary, secondary, and higher education (including technical vocational education and training, or TVET).	of education in primary, secondary, and higher education (including technical vocational education and training, or TVET).

c. Final beneficiaries

The Fund aims to reach lower and lower-middle income households in those African countries that are eligible to receive official development assistance (ODA). The Fund addresses four main target groups:

Learners from families with salary income	Learners from families with MSME income	Students	Private education providers
Refers to any loan service provided to employees with a regular salary to finance their family's education (e. g. payment of tuition fees or education related costs).	Refers to any loan service provided to MSME owners who want to finance their family members' education (e. g. payment of tuition fees or education related costs).	Refers to any loan service provided to people who want to finance their own education (e. g. payment of tuition fees or education related costs), in most cases professional training or Technical and Vocational Education and Training (TVET).	Refers to any loan service to an education provider (whereas the borrower can be the legal entity or the business owner as physical person). Such educational institutions are privately owned and operate on a (partly) commercial basis.

7. Evaluating impact – investor outcomes

The initiators of REFFA, with their contribution of junior tranche capital, have been catalytic in attracting financing from other like-minded investors. During the last 5 years, the Fund succeeded in adding close to USD 25 million investments from development finance institutions in the mezzanine tranche as well as attracting investments and commitments from private investors (e. g. foundations and family offices) in the senior tranche. By the end of 2020, REFFA had investments and committed capital across all its tranches, amounting to a total of USD 51 million capital contributions.

New commitments (in the form of grants) were also received in the Technical Assistance Facility by CDC, the Jacobs foundation, and a private investor for a total of EUR 4.8 million capital contributions. It is worthwhile noting that the blending of public and private capital in the Technical Assistance facility is an industry first.

Figure 3: Capital mobilisation to education finance (Dec 2020)

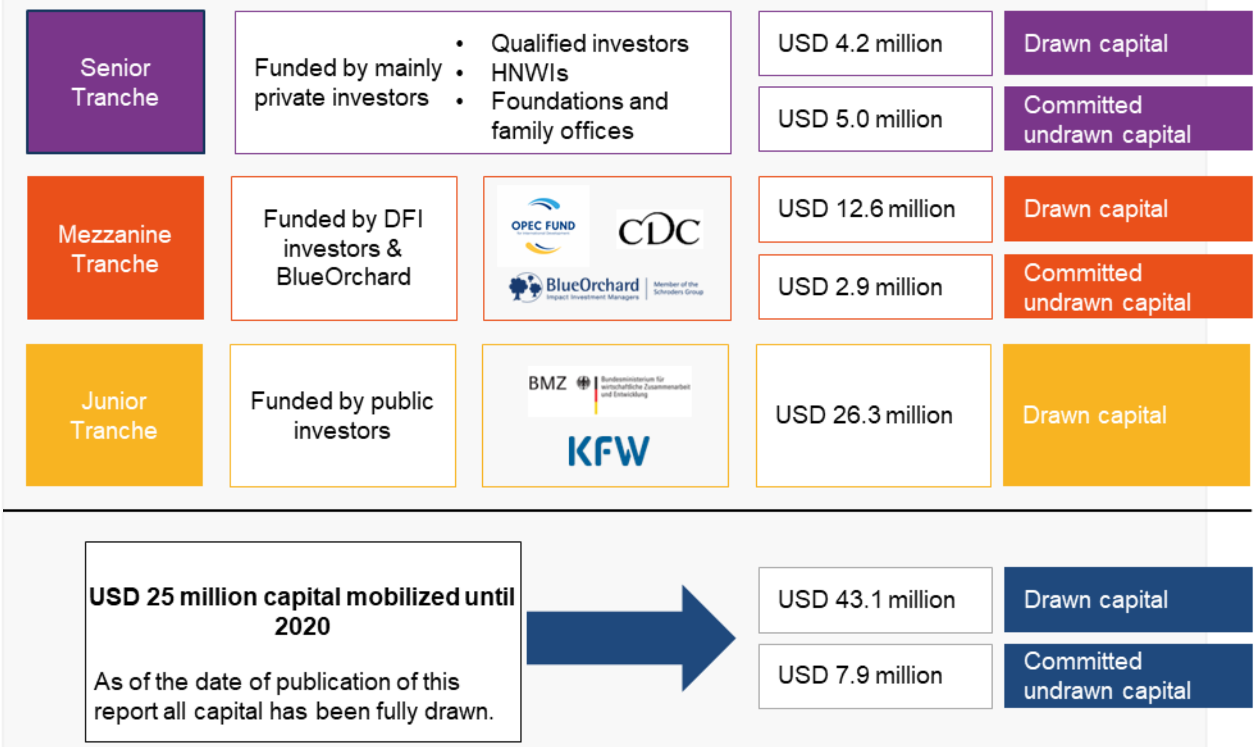
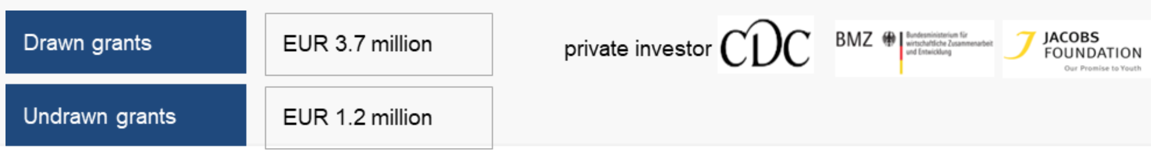


Figure 4: Capital mobilisation of Technical Assistance Facility (Dec 2020)



8. Evaluating impact – portfolio outcomes

Despite the challenging market environment throughout 2020, REFFA continued to grow its education investments and provided technical assistance to its investees. Notably, the Fund increased its disbursements by 76 % from USD 8.5 million in 2019 to USD 15 million in 2020, adding three new investees and one new country, Burkina Faso. As figure 6 shows, over the last 5 years, REFFA's portfolio volume has grown 86 %, reaching USD 32.8 million by December 2020.

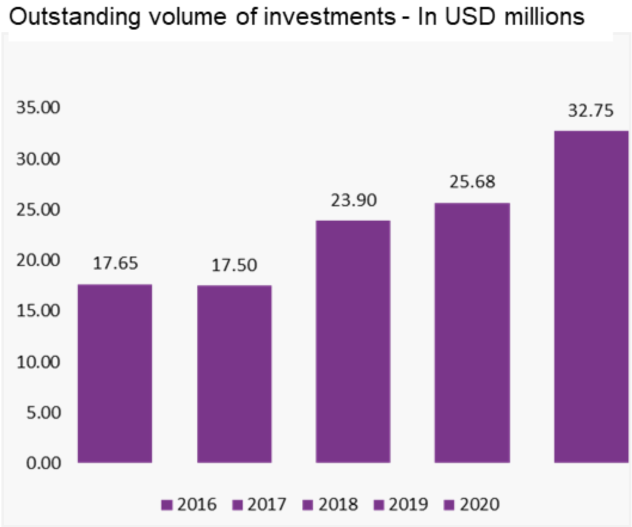


Figure 5: Portfolio evolution

In 2020, REFFA's financial institutions' education portfolio was affected by school closures prompted by the Covid-19 pandemic which resulted in a 12.7 % decline in the outstanding education portfolio. Consequently, an overall drop in the number of beneficiaries was observed, mainly led by a decrease in the student segment. At the same time, loans to education providers recorded a significant growth.

In 2020, the Fund comprised a total of ten financial institutions thanks to the addition of three new investees: Fidelis Finance with operations in Burkina Faso and Cote d'Ivoire, Letshego Botswana based out of Botswana and Izwe in Ghana. 2020 was the first time that REFFA invested in Burkina Faso.

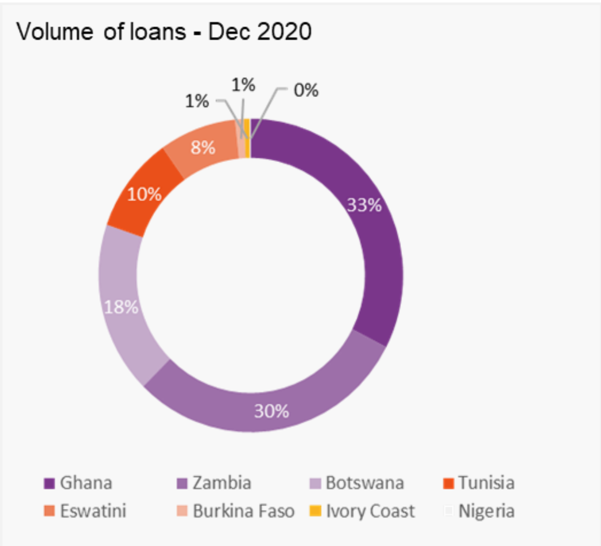


Figure 6: Portfolio country composition

REFFA has been highly diversified, with presence in 12 countries across Western, Eastern, and Northern Africa over the last five years (as of Dec 2020, REFFA had outstanding exposure in 8 countries). The selection of countries has been done following REFFA's mission.

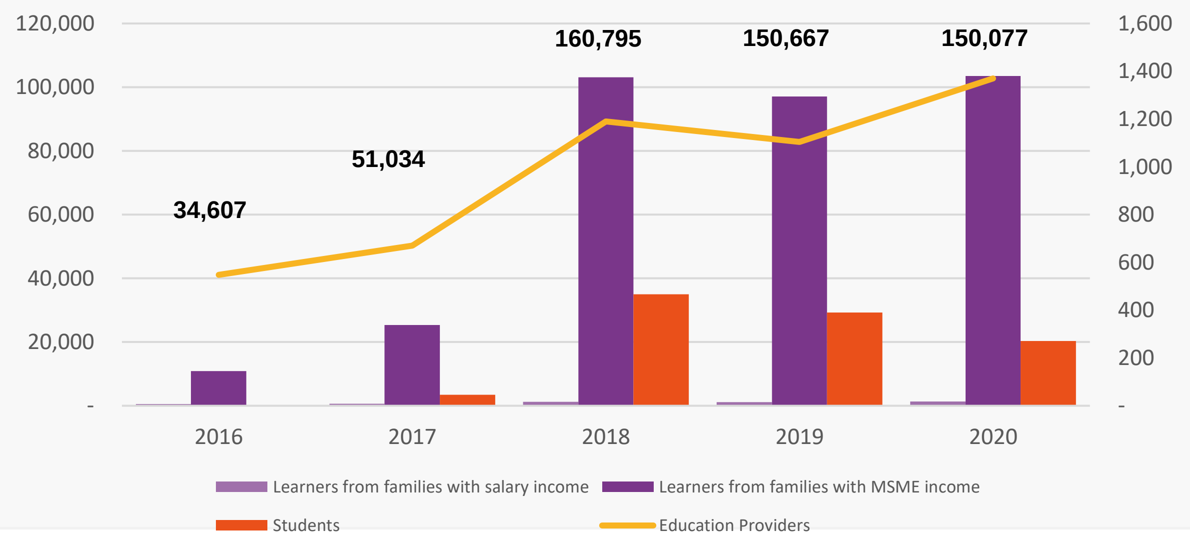
- All countries show significant opportunities and needs to develop further education finance for low-income families
- All countries are eligible to receive official development assistance (ODA)

As per the REFFA investment guidelines, investees are mainly financial institutions that have a large portion of their portfolio in MSMEs (micro, small, and medium enterprises) and/or with loans to low-income individuals. These institutions have the appropriate distribution channels to get to the bottom of the pyramid and offer education finance products and services to the target beneficiaries of the Fund.

One key component of a socially responsible financial product is to extend loans based on the repayment capacity of the end-borrower in order to avoid over-indebtedness. At the investment selection process, the Investment Manager (BlueOrchard) makes a thorough assessment of the underwriting practices of the financial institution.

As of December 2020, REFFA displayed a sound portfolio quality, with the portfolio at risk over 30 days only slightly increasing to 8.17 % (vs. 7.16 % in December 2019). Despite the difficult market conditions, REFFA investees remained financially strong and were able to grant loan moratoriums to their most vulnerable clients ranging from three to twelve months.

Figure 7: REFFA investees – Number of beneficiaries by segment



The trend of the overall outreach of REFFA in terms of end beneficiaries has been positive over the last five years. REFFA's investees have provided education loans to learners of 128,356 families at the end of 2020, and this segment has been the main focus of the Fund since inception (education loans to families represent the largest portion of the portfolio). Education loans are mostly used to fund the fees of more than one learner in the family unit. With an average household size in the region that REFFA operates in (3 learners per family),[7] and assuming that only 50 % of learners benefit from the education loan received, REFFA investees reached 192.534 learners in 2020. Despite the Covid-19 pandemic, this segment remained strong, recording an increase of 6.71 % YoY in number of learners (−1 % in volume of loans) thanks to the addition of two new investees in 2020.

[7] "Household Size and Composition Around the World 2017", – Data Booklet (ST/ESA/ SER.A/405).United Nations, Department of Economic and Social Affairs, Population Division, 2017.

Loans to students started to scale up since 2018, with the addition of two investees: Bayport Ghana and Bayport Zambia. As of December 2020, 20,351 students have received a student loan. These loans tend to reach adult individuals who have taken out a salary-backed loan to invest into their further professional development. This category shows a valuable contribution of REFFA to the professionalization of the labour market force.

As can be observed in the graph below, from December 2019 to December 2020 there was a drop in the number of students (−30.5 % or −8,925 students) and even more so in terms of loan volume (−42 %). One third of this decrease can be attributed to the maturity of the Bayport Tanzania loan in 2020, which was subsequently renewed at the beginning of 2021. Another 15 % of the decrease is explained by a genuine reduction of education loans in Zambia. This was caused by pandemic related drop-outs of schools as well as the political and economic situation in 2020 which was characterised by a government default, a high level of uncertainty, and currency depreciation which impacted people's spending capacities. The remainder of the decrease of students is explained by the knock-on effects of the Covid-19 pandemic.

Photo credit: Lucy Wilfred for BlueOrchard

REFFA investees have reached 1,370 education providers as of December 2020. These loans are mostly used to increase fixed assets (school buildings and equipment) that result in an improved learning environment for pupils. The Covid pandemic resulted in an increased need to invest in or upgrade the infrastructure as schools comply with various government Covid measures. In 2020, the education provider segment grew the most, with an increase of 122 % in loan volumes (+24 % in terms of number of beneficiaries) YoY. Whilst schools were closed, the professional education (TVET) segment increased significantly, in particular in the health sector. Enda and Fidelis, for instance, provide loans for professional education in the health care sector, e. g. nurse schools.

REFFA investments in financial institutions are made with the objective to support growth of their underlying education portfolios. Table 1 lists investees that have had a REFFA loan for at least 2 years (including investees whose loans have matured) and shows the year-on-year education portfolio growth of investees, experienced after receiving the investment. In almost all cases, the education portfolio has grown significantly.

The FI in Ghana's negative education portfolio growth is due to the implementation of a digital strategy which impacted their overall loan portfolio, and thus indirectly the education portfolio. The decrease in year 2 is related to Covid-19. The FI in Zambia faced a challenging macroeconomic environment which impacted the overall portfolio, affecting the education loans. The second-year drop is also caused by the covid-19 pandemic. Finally, the Tanzanian FI also suffered from the effects of the pandemic in year 2. Despite the temporary drop in portfolio growth, the outlook for 2021 is positive as schools across Africa are re-opening and the economy slowly recovers.

REFFA investee Year of funding	YoY growth			
	Year 1	Year 2	Year 3	Year 4
FI in Senegal*	28%	14%		
FI in Cameroon*	11%	16%		
FI in Ivory Coast	– 14%	757%	8%	
FI in Ghana	44%	43%		
FI in Ghana	– 26%	– 33%		
FI in Tanzania	0%	– 23%		
FI in Zambia	– 14%	– 28%		
FI in Tunisia	12%	8%	9%	10%

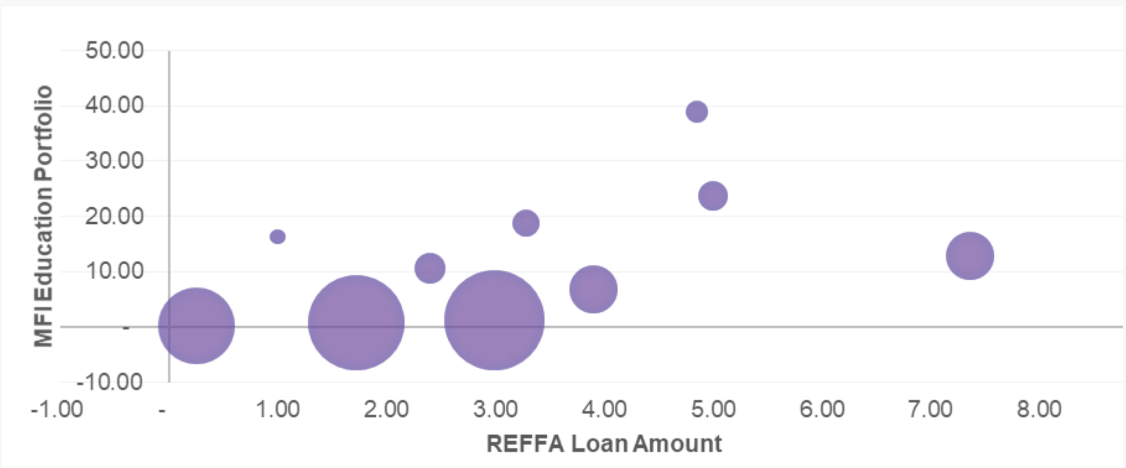
*investees not part of the portfolio as of December 2020

Table 1: YoY growth of education portfolio of REFFA investees

When analysing the proportion of REFFA's investments relative to the education portfolio of its investees, Figure 8 shows that there is a wide range. However, in 70 % of investees, REFFA loans represent over 20 % of their underlying education portfolio. This indicates the significant relative importance of REFFA investments in the investee's education outreach growth. There are three cases where the REFFA investment is still larger than the underlying education portfolio, as this is still ramping up and expected to continue growing. These financial institutions lend to education providers, and their education portfolio was affected by school closures prompted by the Covid-19 pandemic. Nonetheless, the portfolio is still ramping up and expected to continue growing.

Figure 8: REFFA investment relative to Education portfolio of investees (USD millions)

(The bigger the bubble the higher the proportion of REFFA funding compared to the MFI's education portfolio)



9. Evaluating impact – additionality

a. Technical Assistance

47 **Technical Assistance projects initiated (31 completed)** since inception

63 % **of TA (by volume) has been on individual investees** majority focused on product development

16 % **of TA has been on market intelligence** majority focused on education market analysis

To increase the Fund's impact objectives, the TAF's grant funds are deployed to accelerate education portfolio growth. Investees receive tailored advisory service to help adapt their products to the specifics of education lending, such as putting in place repayment schedules that meet the seasonal cash flow of private education providers. In 2020, the TAF co-financed a market study in Zambia, offered a web-based programme to deal with the COVID-19 crisis in view of education lending, and funded research on how school cost loans are used, among others.

b. Loan structures

9 **Number of investees**

91 % **of the Portfolio is in local currency** out of which 6.2 % is unhedged.

87 % **of investments were lent long term** (above 36 months)

An important and unique contribution of REFFA is that the vast majority of its portfolio has been invested in local currency. While a large portion of the Fund is hedged to protect it from the historic volatility of local currencies in target countries, REFFA has fully taken the currency risk of 6 % of the portfolio, demonstrating its unique contribution and additionality to its investees. Moreover, 87 % were lent in long term.

10. Focus on quality and affordability of education

REFFA's core objectives are to contribute to increased education quality and ensure that predominantly lower income households and students benefit from affordable private education. During 2019 and 2020, the Fund worked on the establishment of a structured system through which data on both the quality as well as the affordability of education funded through REFFA will be assessed.

As a result, a dedicated education data reporting portal is in place (REFFA "Data Portal"), which will be rolled-out to REFFA investees in 2021/22, replacing the current loan-based reporting.

QUALITY OF EDUCATION ("QoE")

Measuring QoE is a complex concept which REFFA will assess along three different levels (that are based on the UN's definition of education quality). The reporting via the Data Portal will collect data to inform about (i) Education Environmental Social Governance (ESG), (ii) Learning inputs, and (iii) Learning outputs.

AFFORDABILITY OF EDUCATION ("AoE")

Education is understood to be "affordable", if its costs can be covered by a family (or the learner) without having to make major sacrifices. The concept of AoE lies in the relationship between three variables: (i) household income/ expenditure; (ii) total (household) education costs, and (iii) number of (privately schooled) children.

REFFA distinguishes between two client groups: One are the private education providers who offer education services, the other are the private households who consume education. Both groups are served through different loan products by financial institutions.

Both criteria of quality and affordability of education play their role in each client category. However, given the different client assessment and data collection done for each target group, there are different criteria to look at, as shown below:

Loan-type bound reporting on QoE & AoE	Quality of Education	Affordability of Education
School investment loans ("SIL")	1. **Education ESG**: Safety and welfare of learners; gender equality; hygiene; health and safety; child protection. 2. **Learning Inputs**: Teachers' qualifications; pupil/teacher ratios; access for disabled learners. 3. **Learning Outputs**: Exam results; percentage of learners who complete their learning programs. The Data Portal can apply **different weightings across the three categories** to reflect scoring priority.	Data analysis on three main factors to analyse affordability of a REFFA-funded education provider: 1. **School fees (average)** 2. **<u>From meta-data</u>:** Household income* 3. **<u>From meta-data</u>:** Number of children per quintile* * Meta data are data that are added into the Data Portal and not collected b the REFFA investee.
Education cost loan ("ECL")	**Is the school registered?** (Yes / No) A registered school represents the minimum requirement for QoE.	REFFA investees judge the education loan affordability of clients. REFFA monitors client income levels vis-à-vis income quintiles. ▪ **Client income level (i.e. low-middle income)**

a. Spotlight on education quality – minimum requirements

REFFA sets a clear focus on education quality: If a low-income household decides to prioritise its spending on private education, this should pay off. Therefore, the new Data Portal has defined a set of criteria that will ensure that a minimum level of education quality is given.

A school must be a safe and supportive learning environment for children, i. e. meeting basic conditions on learning environment, social aspects, and governance of an education provider. REFFA has summarised indicators around safe infrastructure, hygiene, and child protection – which we refer to as "Education ESG". A set of criteria inform about the respective indicators and allow for a judgement on how Education ESG looks like. Below, the scoring is shown:

Indicator	Evaluation criteria
Safe infrastructure	Safe buildings Safe boundary (fence/ security) Safe drinking water
Hygiene	Separate and adequate toilets for girls
Child protection and safeguarding	Structured staff/teacher training in child protection and safeguarding conducted and documented

With the help of the scoring, it will be possible to identify and flag loans that do not reach a necessary Education ESG score. An insufficient scoring will then lead to a "high risk" classification of this particular loan, which will have to be reported to REFFA. In the case of a "high risk" loan concentration in one of the investees' education portfolios, REFFA may take action.

b. Spotlight on affordability of education – setting a benchmark

To be able to determine whether a certain share of the REFFA sub-loan portfolio is indeed affordable to lower income households, it is necessary to define a benchmark for household spending on education. Whereas poorer households tend to spend a higher share of their available income on education related costs, there is a high risk that a (relative) high education spending may imply the need to make sacrifices on other basic household costs – such as food, health, or housing. It is therefore important to identify a benchmark which acknowledges the entirely free choice of any household on their spending priorities, but also considers the risks associated with (relative) high education spending patterns.

In assessments which REFFA has undertaken on the funding needs and priorities of private households, a clear majority of lower income households signalled their interest to take out a loan to fund the education costs, as these costs typically come as a bulk once or twice a year. To understand household spending and funding decisions at household level better, REFFA will undertake an assessment on core questions around affordability and its relationship to education cost loans in 2021.

c. Outlook on the data portal rollout

The data collection which REFFA is aiming at with the introduction of the Quality and Affordability of Education (Q&AoE) Data Portal, the EduFinance Tracker, clearly represents a next level of data collection that will capture the impact level of the Fund's theory of change.

To feed the Data Portal with the correct data, REFFA partner financial institutions will need to collect the right information from their clients and store it in a digitally accessible place. This will require a certain onboarding process to such enhanced data collection by each investee. Therefore, the REFFA Technical Assistance Facility will implement a rollout project which will work with each REFFA investees individually to train operations and IT staff to integrate the education reporting into day-today-procedures.

As a result, REFFA will see an incremental growth of new data coming in, starting from 2021. Also, the amount of data that will be reported by each REFFA investee will depend on their respective business model, as well as the (education) client groups which they serve. For example, a Microfinance institution lending to low-cost education providers is likely to collect more data on education quality as opposed to lenders who work with payroll-deduction models to serve parents.

Finally, another underlying expectation towards this EduFinance Tracker over time is the ability of REFFA to show in how far its refinancing activities have an impact on education quality: For repeat education provider loan clients who take out a loan to invest into their institution the question will be whether education quality will improve (as had been shown in focused impact assessments).

Photo credit: Estella Geiseler

11. It's about people – a case study

Fidelis Finance is a Tier 1 MFI which has historically been and remains the largest provider of leasing products in Burkina Faso. Over the last few years, it has diversified its activities both geographically in starting operations in a neighbouring country, Cote d'Ivoire, and in terms of its products offering. The institution currently serves education providers with its generic MSME products such as medium to long-term loans and leasing. REFFA leverages on Fidelis Finance's foothold in Burkina Faso and Cote d'Ivoire to finance education projects in both countries. In 2020, Fidelis supported SMEs that have been affected by the Covid-19 pandemic, including SMEs in the tourism, transport, education, and health sectors.

One of Fidelis Finance Burkina Faso's client is Institut Famah, a higher education provider based in Abidjan, Cote d'Ivoire, which offers technical diplomas. Founded in 2012, Famah is part of a larger Group (FINVEST), spanning eight subsidiaries.

Fidelis supported Famah in its plan to relocate its campus from a remote site 200 km north of Abidjan, enhancing its capacity from 1,500 to 2,500 students by providing a 6-year secured loan of USD 520k.

99 % of Famah's students are classified as 'affectés', meaning their studies are paid by the government, and most come from underprivileged backgrounds.

Photo credit: Fidelis Finance

12. Conclusions and way forward

The year 2020 was characterised by the Covid-19 pandemic which led to unprecedented interruptions to the education system all over the world. The risk of underachieving SDG 4 due to the pandemic is undeniable and requires even greater efforts to ensure that children who have already been disadvantaged in their learning opportunities do not fall further behind. In this context, it is thus extremely important that REFFA managed to provide continuity of funding to its investees and furthermore onboarded three new financial institutions and invested in one new country. At the end of 2020, REFFA had financed an education portfolio amounting to nearly USD 130 million, providing loans to more than 1,370 private schools, 128 thousand learners, and almost 20,000 students.

The education portfolio split at the end of 2020 shows a strong focus on education loans to families dedicated to fund school fees, recording only a minor drop in loan volume caused by the effects of the Covid-19 pandemic. For similar reasons, loans to students decreased in 2020 but the outlook for 2021 is positive and it is expected that loan volumes will progressively return to previous levels. The education provider segment soared as financial institutions across Africa developed strategies to lend to the education sector, with a strong pipeline sustaining the growth of this segment. Over time, it is expected that the REFFA portfolio composition will be more heavily weighted towards loans to education providers, given that education and health are considered key sectors by governments and thus financial institutions are incentivised in offering products in this space (even in the absence of specific government support).

Aligned with REFFA's mandate, during 2020 the Fund has also put significant efforts into impact measurement and evaluation tools. The implementation start of the Quality of Education and Affordability of Education project marked an important step towards designing a new dimension of on-the-ground impact monitoring. In fact, the respective tools under development will be crucial for a more in-depth and pro-active assessment of REFFA's social performance.

For the future, the Fund aims to further expand its education portfolio, bringing in more financial institution partners who serve education providers with school investment loans, as well as learners and students. At the same time, the Fund is in touch with investees to design technical assistance interventions through which these institutions can further expand their current practices of education lending.

In regard to the Covid-19 situation there is reason to be cautiously optimistic. Schools are re-opening across Africa and as a result a progressive increase in the portfolio can be expected, especially for the education cost loan segment. Coupled with the growth in the education provider segment the outlook for REFFA's outreach is positive.

Contact

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Regional Education Finance Fund for Africa (REFFA)

- Initiated by: KfW Development Bank and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ)
- Fund Manager: BlueOrchard Finance Ltd
- Technical Assistance Facility Manager: BlueOrchard Finance Ltd

About REFFA

Initiated by KfW Development Bank and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Regional Education Finance Fund for Africa (REFFA or the Fund) is the first regional education finance facility for Africa. It aims to provide customised financial services for the education sector in a demand-oriented, financially sustainable, and socially responsible manner. As part of this innovative approach, the Fund and its Technical Assistance Facility partner with financial institutions by supporting them in the development of 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 education and affordable education, as well as contribute to the socially responsible economic development of African countries.

About BlueOrchard Finance Ltd

BlueOrchard is a leading global impact investment manager and member of the Schroders Group. As a pioneering impact investor, the firm is dedicated to generating lasting positive impact for communities and the environment, while aiming to provide attractive returns to investors. BlueOrchard was founded in 2001 by initiative of the UN, as the first commercial manager of microfinance debt investments worldwide. Today, the firm offers impact investment solutions across asset classes, connecting millions of entrepreneurs in emerging and frontier markets with investors with the aim to make impact investment solutions accessible to all and to advance the conscious use of capital. Being a professional investment manager and expert in innovative blended finance mandates, BlueOrchard has a sophisticated international investor base and is a trusted partner of leading global development finance institutions. To date, BlueOrchard has invested more than USD 8 bn across more than 90 countries. Over 215 million poor and vulnerable people in emerging and frontier markets received access to financial and related services with the support of BlueOrchard as of December 2020. For additional information, please visit: www.blueorchard.com.

About KfW

KfW is one of the world's leading promotional banks. KfW has been committed to improving economic, social, and environmental living conditions across the globe on behalf of the Federal Republic of Germany and the federal states since 1948. To do this, it provided funds totalling EUR 135.3 billion in 2020 alone. Of this amount, 33 % was used for climate and environmental protection. Its financing and promotional services are aligned with the United Nations' Agenda 2030 and contribute to the achievement of the 17 Sustainable Development Goals (SDGs).[8]

About CDC

CDC helps solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. It is the world's first impact investor with over 70 years of experience of successfully supporting the sustainable, long-term growth of businesses in Africa and South Asia. CDC is a UK champion of the UN's Sustainable Development Goals – the global blueprint to achieve a better and more sustainable future for us all. The company has investments in over 1,200 businesses in emerging economies with total net assets of £ 6.5 bn and a portfolio of £ 4.7 bn.[9]

[8] KfW: www.kfw.de/KfW-Group
[9] CDC: www.cdcgroup.com/en/about/our-company

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