

Supporting Education in Africa: Challenges and Opportunities for the Impact Investor

Executive Summary for the Feasibility Study released in September 2019



FONDATION POUR LES ÉTUDES
ET RECHERCHES
SUR LE DÉVELOPPEMENT
INTERNATIONAL

This document presents the main conclusions and recommendations of the feasibility study conducted by FERDI for the new education-focused impact fund project led by Investisseurs & Partenaires, with the support of the government of Monaco. The full version of the study is available at www.ferdi.fr

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ABOUT

The **Foundation for Studies and Research on International Development (FERDI)**, was created in 2003 on the initiative of the CERDI (University of Auvergne and CNRS), a research center on international development established in 1976. FERDI's purpose is to promote a fuller understanding of international economic development and the factors that influence it.



PARTNERS

The **Government of the Principality's international development policy**, which prioritizes combatting poverty, supports more than 130 projects each year in 11 countries, primarily Least Developed Countries. It focuses on four key areas of intervention to develop human capital - health, education, socio-economic inclusion and since 2018 food security.

Investisseurs & Partenaires is an impact investing group dedicated to African Small and Medium Enterprises. Since its creation in 2002, I&P has supported more than 100 companies, located in 15 African countries and operating in various sectors of activity (health, education, agribusiness, microfinance, etc.)



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FERDI, September 2019

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Introduction

An ambitious partnership launched in early 2019

- ▶ **Investisseurs & Partenaires (I&P)** and **the Government of Monaco** formed a partnership in January 2019 for the creation of a new impact fund dedicated to education and training in Africa, *I&P Education and Employment*.
- ▶ The **Foundation for Studies and Research on International Development (FERDI)** was involved in this project as an academic partner and was commissioned to conduct a feasibility study to guide the strategy of the future impact fund.
- ▶ FERDI's president Patrick Guillaumont is also the Chair of the **Project's Strategic Council**, which is made up of international experts in African Public Policy, education and impact investing.

This feasibility study was conducted by FERDI and I&P between September 2018 and May 2019

- ▶ The feasibility study was conducted by **Francesca Marchetta**, Assistant Professor at CERDI - Université Clermont Auvergne and **Tom Dilly**, Education Project Officer at I&P.
- ▶ It included field meetings and visits in **Burkina Faso, Côte d'Ivoire, Ghana, Madagascar and Morocco**.
- ▶ The final version of the study was submitted to I&P and the government of Monaco in May 2019 and **publicly released in September 2019**.

Conceptual and practical insights to inform the impact and investment strategy

- ▶ Key deliverables include **a mapping of investments in private education** (tracking transactions realized from 2012 to 2019), as well as a review of the dynamics of private education in five African countries.
- ▶ A robust literature review highlights **impactful practices** in education as well as perverse effects or unexpected outputs.
- ▶ The study defines a **new typology of education businesses** and their expected financial and impact returns.



KEY FACTS AND FIGURES

9 months of studies

A focus on 5 African countries

120 Interviews

A sector mapping of 80 Investors

\$1,7 bn in education investments tracked

An innovative typology of 4 private schools models presented

6 case studies on education businesses

Report Outline

Part 1 • Supporting Education: Insights from the literature _____ P. 6

The study builds on an academic review of good practices in education and introduces evidence-based solutions to face global education challenges.

Part 2 • Education Challenges in Africa _____ P. 8

Part 2 presents key elements of the state of higher education in Africa from early-childhood development to higher education.

Part 3 • Supporting Education Businesses for Impact _____ P. 11

A new typology of education businesses is introduced in the third section of the document. Some lessons for positioning new impact investing activities are also suggested.

Part 4 • A Mapping of Education Investors in Africa _____ P. 16

Part 4 highlights significant trends in the landscape of investments in private education in Africa and presents the types of investors active in the sector.

Part 5 • The Role of the Impact Investor _____ P. 19

The impact investor's role in education is discussed in the last part. Potential partnerships with philanthropic investors and a new blended finance approach are also raised.



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Supporting Education: Insights from the Literature

The study builds on an **extensive review of the academic literature and of good education practices** observed in the African context as potential guidelines to impactful intervention in the education sector.

This review addresses in particular the challenges of **equitable access, quality and relevance of education** from early-childhood development to higher education.

Adapting pedagogical methods to the academic level of students stands out as one of the most effective ways to boost student learning

- ▶ **People and methods matter more** for learning than infrastructure and equipment.
- ▶ Adapting pedagogies and curricula to the student's academic level and utilizing smart education technologies that foster **individualized learning** appear promising complements to core educational approaches.
- ▶ **Continuing education and ongoing teacher training programs** based on specific methodologies may also transform teaching practices and positively impact student learning.

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- Glewwe P., Muralidharan K. (2015) "Improving School Education Outcomes in Developing Countries. Research on Improving Systems of Education". RISE Working Paper 15/001.
- Conn K. (2017) "Identifying Effective Education Interventions in Sub-Saharan Africa: A Meta-analysis of Rigorous Impact Evaluations" *Review of Educational Research*, vol.87(5), pp.863-898.
- Murnane R., Ganimian A. (2014) "Improving Educational Outcomes in Developing Countries: Lessons from Rigorous Evaluations." NBER Working Paper 20284, National Bureau of Economic Research.
- World Bank (2018) "Learning to realize education's promise", World Bank report.

The development of a comprehensive pre-primary education system in Africa may substantially improve equitable access to basic education

- ▶ Evidence suggests that **improving access to quality preschools has the deepest impact on long-term learning** and positive socio-economic outcomes, including reduction of social inequalities.
- ▶ Early childhood initiatives that are centered on **age-appropriate pedagogical methods** facilitate successful transition to primary education.

- Engle P.L., Black M.M., Behrman J.R., et al. (2007) "Strategies to avoid the loss of developmental potential among over 200 million children in the developing world". *Lancet*, vol. 369(10064), pp. 229–242.
- Kremer M., Brannen C., Glennerster R. (2013) "The Challenge of Education and Learning in the Developing World." *Science*, vol. 340 (6130), pp. 297–300.
- Heckman J. J. (2008a) "The Case for Investing in Disadvantaged Young Children." In *Big Ideas for Children: Investing in Our Nation's Future*, ed. First Focus, pp. 49–58

Information campaigns and financial incentives can foster access to education, particularly for low-income populations

- ▶ The positive – although often moderate – effects of information campaigns suggest that **cost-effective outreach initiatives informing children and their families** about education benefits (e.g., economic returns to education, labor market opportunities) could be developed to broaden access to education.
- ▶ **Financial incentives** (vouchers, scholarships, loans) help increase secondary and post-secondary education attendance levels, as costs increase significantly after the primary level and are often perceived as exceeding the long-term economic returns.

- Duflo E., Dupas P. and Kremer M. (2017), "The Impact of Free Secondary Education: Experimental Evidence from Ghana", Working Paper.
- Kremer, Michael R., Edward Miguel, and Rebecca Thornton. 2009. Incentives to learn. *Review of Economics and Statistics* 91(3): 437-456.
- J-PAL (Abdul Latif Jameel Poverty Action Lab) (2013) "Informing Future Choices." J-PAL Policy Briefcase, J-PAL, Massachusetts Institute of Technology, Cambridge, MA.
- Berlinski S., Busso M., Dinkelman T., Martinez C. (2016) "Reducing Parent-School Information Gaps and Improving Education Outcomes: Evidence from High Frequency Text Messaging in Chile." Working paper, Abdul Latif Jameel Poverty Action Lab, Massachusetts Institute of Technology, Cambridge, MA

Boosting the effectiveness of vocational training requires new approaches and deep reforms

- ▶ The little evidence available suggests that **progressive "vocationalization" of secondary education** may facilitate the transition toward technical and vocational programs and increase their attractiveness to students.
- ▶ Job training programs implemented by donors and their local partners tend to be expensive and have mixed results, which suggests that **improving existing vocational programs** run by private operators could be more cost-effective and impactful.
- ▶ Some evidence shows that the **adding of soft skills training** to traditional vocational programs improves the ability of graduates to add value to future employers.

- McKenzie D. (2017) "How effective are active labor market policies in developing countries? a critical review of recent evidence". Policy Research working paper No. WPS 8011, Impact Evaluation series, Washington, D.C., World Bank Group.
- Blattman C., Ralston L. (2015) "Generating employment in poor and fragile states: Evidence from labor market and entrepreneurship programs", SSRN Electronic Journal.
- Campos Frese M., Goldstein M., Lacovone L., Johnson H., McKenzie D., Mensmann, M. "Teaching personal initiative beats traditional training in boosting small business in West Francisco." *Science*, vol. 357 (6357), pp.1287-1290.
- Hirshleifer S., McKenzie D., Almeida R., Ridao-Cano C. (2016) "The Impact of Vocational Training for the Unemployed: Experimental Evidence from Turkey." *Economic Journal* (126), pp.2115–2146.

Providing existing higher education institutions support is necessary and should be accompanied by a stronger focus on providing youth job readiness skills

- ▶ Private capital may **help increase access to higher education** when public allocations are limited.
- ▶ A strong focus on **preparing youth for the job market** appears to be as urgent as the need for the creation of infrastructure and should be driven by greater engagement with local employers.
- ▶ Attention should be given to **possible perverse effects on public universities** which may benefit from less public funding and suffer from increased competition with private providers.

- Ilie, S. Rose, P. (2016) "Is equal access to higher education in South Asia and sub-Saharan Africa achievable by 2030?" *Higher Education*, October, Volume 72, Issue 4, pp.435–455.
- Ilie S., Rose P. (2018) "Who benefits from public spending on higher education in South Asia and sub-Saharan Africa?" *Compare: A Journal of Comparative and International Education*, 48:4, pp.630-647.
- Jerrim J., Vignoles A. (2015) "University access for disadvantaged children: a comparison across countries." *Higher Education*, 70(6), pp.903–921.
- McMahon W. W. (2009) "Higher learning, greater good: The private and social benefits of higher education." Baltimore, Johns Hopkins University Press

Part 2

Education Challenges in Africa

Significant progress has been made by African governments and their partners in addressing the challenge of improving education access

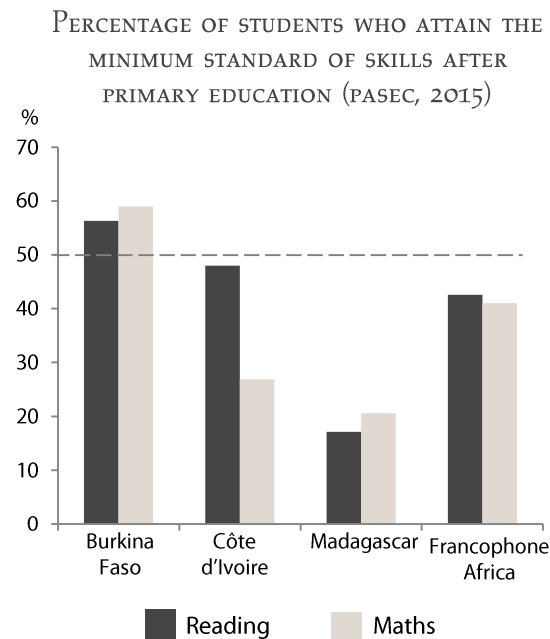
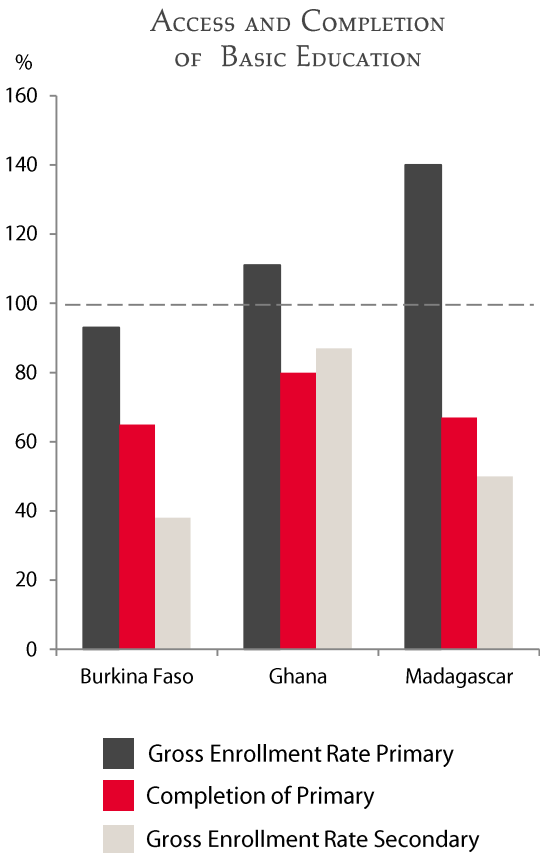
- ▶ Tremendous efforts have been made in the last two decades to **improve universal access to basic education in Africa**, in particular access to primary school. Today the majority of primary school age children are enrolled in school, although the number of out-of-school children is still high in some poor or remote areas.
- ▶ **Most African countries struggle to guarantee universal access to secondary education** and face severe shortages of qualified teachers, quality equipment and adequate infrastructure.
- ▶ **Much less attention and resources are allocated to pre-primary education, as well as to technical and vocational education (TVET).** TVET only counts for 1% of public education spending in Burkina Faso and 3% in Ghana.
- ▶ **Equity issues** are strong regarding access to education and completion rates. Girls, rural populations and marginalized communities are particularly affected.

“Of a group of 100 students, only 5 girls will complete high school in Burkina Faso, compared to 10 boys” (RESEN 2017)

“Schooling is not learning”

- ▶ Many studies that investigate the so-called “learning crisis” in Africa show that **a majority of African pupils do not acquire the minimum standard of skills and knowledge** from a basic education.
- ▶ **Budgetary and organizational factors**, which can result in poor allocation of teachers and insufficient time spent learning at school, could partly explain this underperformance.
- ▶ Recent studies emphasize **other factors**, such as the poor preparation of children entering primary school, curricula that surpass students’ academic levels and inadequate teaching methods.

“83% of pupils in Madagascar who complete primary school do not attain a sufficient level of reading” (PASEC 2015)

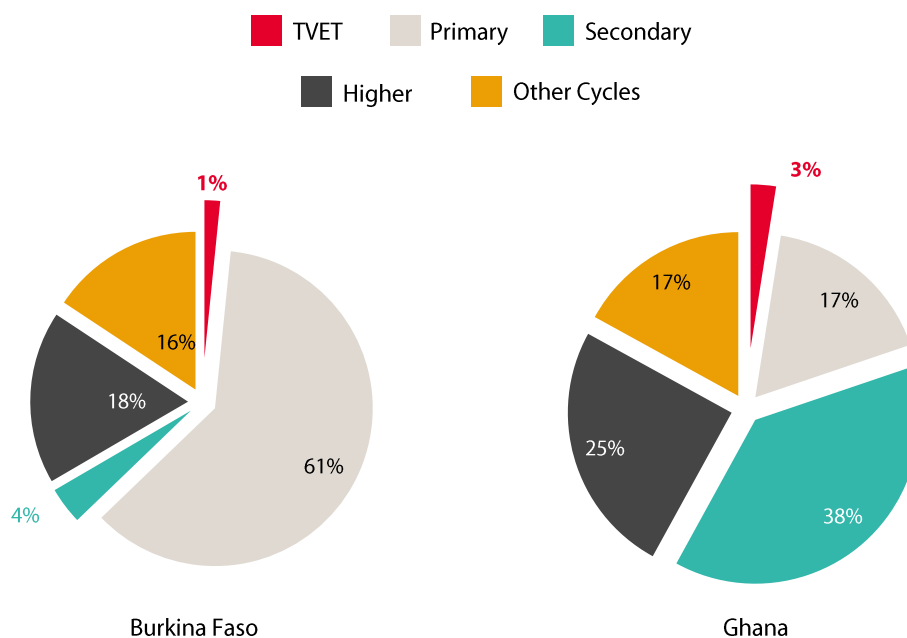


Africa's demographic boom makes the challenge of youth employability all the more pressing...

- ▶ **Africa's population is the youngest in the world, with 50% of people below 18.** This demographic is an opportunity, but also a true challenge: every year, 10 to 12 million youth enter the labor market, while only 3 million jobs are created annually.
- ▶ This demographic implies that **more investments are needed every year to stabilize access to training institutions**, but technical education and vocational training (TVET) have historically received little support from governments and international institutions.
- ▶ **The current state of TVET in Africa is alarming:** the number of students enrolled in African training institutions typically remains lower than 5-10% of total secondary enrollment.

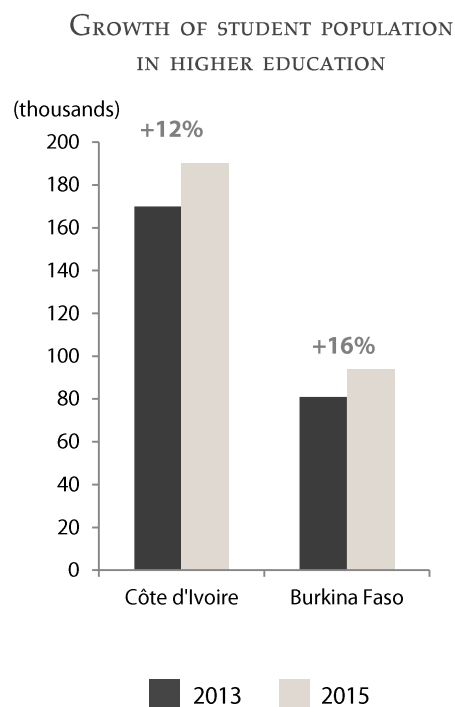
"We want to be an industrialized nation and so we need a robust TVET system. We need strong linkages with industries. We do not want training for jobs that will not be there in the future" (quote from TVET Official, Ghana)

PERCENTAGE OF PUBLIC SPENDING ON TRADITIONAL EDUCATION
COMPARED TO TVET PROGRAMS



Problems of Quality and Relevance affect Higher Education...

- ▶ **A small but fast-growing number of students are pursuing higher education.** Universities and other institutions are often at overcapacity and struggle to adequately prepare graduates to compete in local labor markets.
- ▶ The orientation of students into the right academic fields tends to be problematic and a **lack of soft skills** and language proficiency are key drivers of academic failure and/or difficult integration into labor markets.
- ▶ **Training in science, medicine and engineering programs is limited.** In Ivorian universities, 56% of students are enrolled in the arts and humanities, while only 32% are on scientific or technical tracks.
- ▶ Due to the lack of marketable diplomas and insufficient job creation, the **percentage of unemployed graduates exceeds 20%** in many African countries.



In Burkina Faso, 44% of higher education students are enrolled in business or social sciences, 20% in arts and literature and only 13% in sciences.



ENKO Education © Béchir Malum

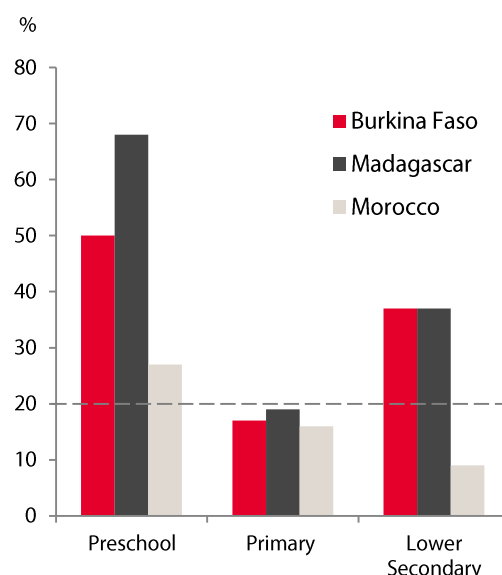
Private education is growing, constituting both a challenge and an opportunity for education ecosystems

- ▶ The **private education sector contains a diversity of operators** (lucrative schools, confessional schools, not-for-profit entities, etc.), which show a **heterogeneity of quality and affordability**.
- ▶ **Private education is growing and in some countries becoming substantial**, particularly in urban areas. For instance, 20% of primary schools in Burkina Faso and 48% of primary schools in Abidjan, Cote d'Ivoire are private.
- ▶ In many African countries, **private sector expansion is partly fueled by public support**, in a context of increasing government regulation of education providers. Public donations and subsidies tend to foster the growth of education businesses and alleviate the burden on public institutions' capacity.

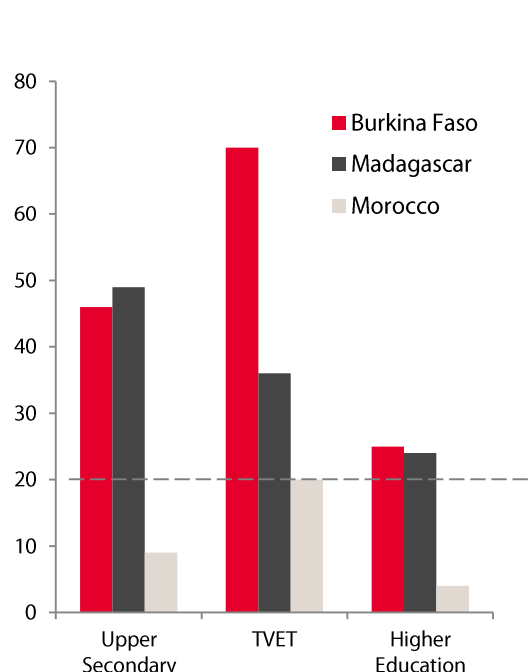
"One of out five students is enrolled in a non-state-funded education institution in Africa. This ratio could reach one out of four by 2021" (Caerus, 2017)

- ▶ Strategic momentum in favor of preschools could expand in the coming years, and partly rely on private providers. **Quality-focused innovations** exist and are being promoted by African entrepreneurs, but very few are able to scale up.
- ▶ **The growing demand for private education is fueled by a somewhat negative perception of public schools** and, to a certain extent, by a general awareness of certain advantages offered by private schools (better supervision, lower teacher absenteeism, etc.).
- ▶ The **quality of vocational schools is very heterogeneous** in Africa; in countries like Ghana and Morocco TVET public systems are quite robust, while they are very weak in Madagascar and Burkina Faso.
- ▶ The **expansion of private universities and institutes** has contributed to an increase in the supply of higher education but also raises issues of consistency in quality and equitable access.

PERCENTAGE OF STUDENTS ENROLLED IN PRIVATE ENTITIES, BY EDUCATION LEVEL



PERCENTAGE OF STUDENTS ENROLLED IN PRIVATE ENTITIES, BY EDUCATION LEVEL



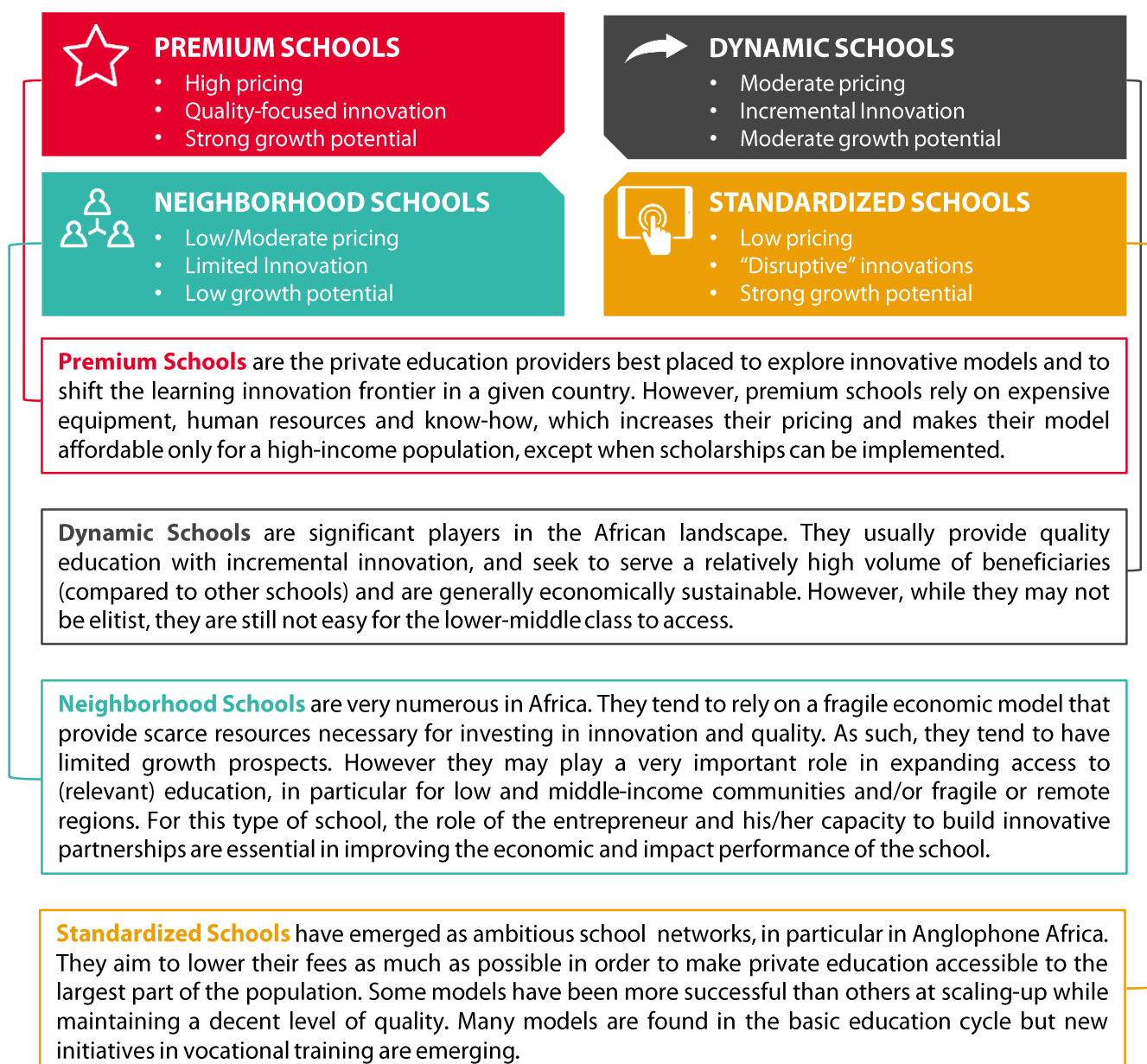
A New Typology to Better Understand the Business of Education in Africa

Africa's private education sector includes a wide range of "private schools" (i.e., independent and for-profit operators). To better understand this diverse sector and go beyond traditional categories (such as education levels, socio-economic levels, etc.), **the study introduces a new typology of private schools with three fundamental dimensions that characterize their economic and impact performance:**

- ▶ **Pricing** (typically school fees): a school's pricing model directly impacts the economic model, as well as the school's accessibility for different social groups.
- ▶ **Innovation**: all pedagogic, organizational and technological improvements which allow the school to differentiate itself, improve its practices and remain attractive for students.
- ▶ **Growth strategy**: capacity of the entrepreneur/management to expand and improve the provision of education services.

Other factors are necessary to sharpen the analysis of private education models: the education stage, the infrastructure management strategy, the reliance on public funding, the use of certification/labels, the maturity of the school and its social impact policy.

Four Types of Private Education Providers





A Premium School Case Study

Enko aims to provide high-quality education for the middle class in Sub Saharan Africa and increase its access to world-leading universities. Enko was launched in 2013 by Eric Pignot and Cyrille Nkontchou.

- **High pricing**, but more competitive than elite schools. 10% of students attend with scholarships.
- **Highly qualitative program** (International Baccalaureate Curriculum), with experienced teachers and strong student support. Among the most accessible premium models in Francophone Africa.
- **Strong growth potential**: 13 schools in 7 African countries since 2014, 1,800 students.

How to support Premium Schools ?

Premium schools may need equity funding to deploy multi-country expansion. Technical assistance and other grant-funding could also support the implementation of scholarships and improve the business performance (marketing, administration).



A Dynamic School Case Study

Institut Universitaire d'Abidjan is a private university which was created by Aka Kouame in 2004 and is now one of the largest private universities in Côte d'Ivoire. IUA offers Bachelor and Master degrees in science, law and business.

- **Moderate pricing**, competitive positioning in Abidjan
- **Incremental innovation**: high diversity of certified programs, good infrastructure and equipment (laboratories, online libraries), recognized teachers.
- **Good growth potential**: 4,200 students, plan to extend capacity with new facilities.

How to support Dynamic Schools ?

Dynamic schools may need debt and equity funding to build or acquire new and modern facilities. Technical assistance and other grant-funding may also support improvements in curricula, HR and pedagogic innovations.



A Neighborhood School Case Study

The **Institut Spécialisé en Technologie d'Art Dentaire (ISTD)** was established in 2006 in Fès (Morocco) and provides dental lab technician programs that train students to work in dental laboratories and clinics in Morocco's high-demand labor market. The school now has 60 students per year and awards two technical diplomas. ISTD is managed by Saloua El Hraiki.

- **Moderate/Low pricing**: accessible to lower middle classes
- **Limited innovation**: adapted equipment and technology and trained teachers but reduced scope for improving the attractiveness and quality of programs and infrastructure.
- **Low growth potential**: Extension projects are constrained by an economic model that provides too few resources and no access to external funding.

How to support Neighborhood Schools ?

Neighborhood schools may need strong support to strengthen their business model and improve financial sustainability. Technical assistance may also help improve the school's management and academic model.



A Standardized School Case Study

Sayna is a vocational school launched in 2017 in Madagascar that provides 6 month training in digital skills to Malagasy youth. Sayna provides incentives for local employers to pay the fees of future employees, which enables the school to target and recruit disadvantaged youth from poor neighborhoods. The founder, Matina Razafimahefa, and her team also provide impact policy consulting to local firms.

- **Low cost and pricing model**: strong commitment to social inclusiveness. Reliance on B2B contributions.
- **"Disruptive"** provision of certified digital training in Madagascar with internships and high employability.
- **Strong growth potential**: school enrollment increased by four-fold in one year. Potential entry to other African markets.

How to support Standardized Schools ?

Standardized schools may need venture capital-type investments to scale-up, generally in several countries. Technical assistance and grant-funding can also target the stabilization of the business model or fund a social impact evaluation.

African education systems face a critical shortage of ancillary businesses

- ▶ Ancillary education businesses refer to a **wide range of support activities providing education goods and services** to local education and training providers and their beneficiaries.
- ▶ **The development of ancillary businesses appears as essential as the development of educational institutions**, and is critical to providing system-wide responses to Africa's education challenges.



Teacher Training

- Initial teacher training programs, coaching services
- Capacity building for heads of schools



Student Loan and Institutional Financing

- Student loans provided by microfinance institutions or banks (traditional loans, income sharing agreements ...)
- School loans provided by MFIs



Editing, Publishing, and Printing services

- Editing of text books and teacher's manuals, etc.
- Publication of kids' magazines, pedagogic cartoons, etc.



Education Technologies

- E-education, blended education (provided by e-platforms, SMS)
- School management software



Other Education Goods and Services

- School equipment (desks, black boards, computer tablets)
- Transportation services, catering services

Several dimensions define the impact and economic performance of ancillary businesses

The impact and economic performance of ancillary businesses are defined and structured by various dimensions including:

- ▶ **Customer and final beneficiary reach:** Ancillary businesses may have direct or indirect contact with final beneficiaries. Some contract with education providers, ministries and/or companies, for instance. Different configurations (business-to-business, business-to-customer models) affect their profitability and their educational impact.
- ▶ **Pricing model:** Ancillary business' pricing models influence a company's ability to structure their business model and serve different types of customers and institutions. Overall, they may influence the cost of education in the local ecosystem.
- ▶ **Innovation:** As for education providers, innovation may transform or improve the provision of both ancillary services AND education provision, as well as the profitability of ancillary businesses.
- ▶ **Scalability:** Ancillary businesses may scale-up and reach a significant number of schools and learners when they have a quality team, project and product/service. Scalable products tend to be impactful to ecosystems and may create economies of scale.
- ▶ **Relationship with the public sector:** Ancillary businesses may partner with public agencies and schools and impact thousands of learners. Some are also constrained by state regulation (certification requirements for provision of educational goods and services). These different partnerships yield costs but also provide opportunities to scale-up.



FOCUS: EDUCATION TECHNOLOGIES

The education technology sector is growing significantly in Africa, although mostly in Anglophone countries.

- ▶ A large number of **technology initiatives are blossoming in Kenya, Nigeria and South Africa**, where technological infrastructure, domestic markets and the business environment are more suited to their emergence.



- ▶ There are **some promising entrepreneurial initiatives in Côte d'Ivoire**, which, along with Senegal, could be the gateway to Francophone Africa for innovations that have emerged elsewhere. However, overall Francophone countries (in particular in the Sahel) are much less attractive than Anglophone ones.

There are multiple ed-tech models that could produce significant changes in pedagogical approaches, information flows and the organizational models of educational institutions.

- ▶ **Distance learning models** are the most visible part of this sector and show variable learning outcome results. **More efficient blended education models have emerged**, which include coaching, supervision and/or team work.
- ▶ Other technological models do not serve a learning function but include information programs and platforms that can facilitate the search and comparison of institutions, curricula, and job opportunities.

Several types of economic models underlie these innovations and allow space for generating returns and scaling up.

- ▶ In ed-tech, revenue streams rely on various types of users and customers and imply several types of channel distributions, but cash generation is a common challenge.
- ▶ Building sustainable ed-tech models takes time and money and requires patient and strategic support from entrepreneurial ecosystems and investors.

EXAMPLES OF EDUCATION TECHNOLOGY COMPANIES...

E-LEARNING

etudesk

CHALKBOARD
EDUCATION

eneza
education
upgrading education in emerging markets

BLENDED EDUCATION

AFRICAN
MANAGEMENT
INITIATIVE

kepler

INFORMATION PLATFORMS

educartis

EMC
EDUCATION MEDIA
COMPANY

A Mapping of Education Investors in Africa



FOCUS: MAPPING DESIGN

A mapping study was conducted along with the feasibility study to draw an overview of the landscape of investments in private education in Africa from 2012 to early 2019. The study tracked more than 80 education investors and nearly two billion dollars in investments in private education providers and ancillary education activities. The data was extracted from a variety of sources, including industry surveys and institutional reports. Several important trends in the education financing sector can be emphasized with this mapping.

What type of players support private education and training models in Africa?

FINANCIAL AND IMPACT INVESTORS

- Varying investor profiles, from impact investors to return-first investment funds.
- Take a generalist approach, following either pan African or national growth and venture strategies.
- Diverse transactions, ranging from VC deals to large infrastructure projects.



48 players

\$1 billion invested

STRATEGIC INVESTORS

- Investment vehicles powered by both local and global education companies.
- Tend to follow a finance-first approach.
- Operate mainly in East and South Africa.



12 players

\$460 million invested

DFIs AND MULTILATERAL ORGANIZATIONS

- Not many DFIs with a large track record.
- Operate impact and return-first vehicles, mostly through a generalist approach and with large investment tickets.



5 players

\$180 million invested

FOUNDATIONS

- A diversity of foundations and NGOs operate in the sector with a mostly impact approach.
- Many Anglo-Saxon players (US, UK) that have accumulated critical experience in grant-based programs.
- Focus on affordable education models.



16 players

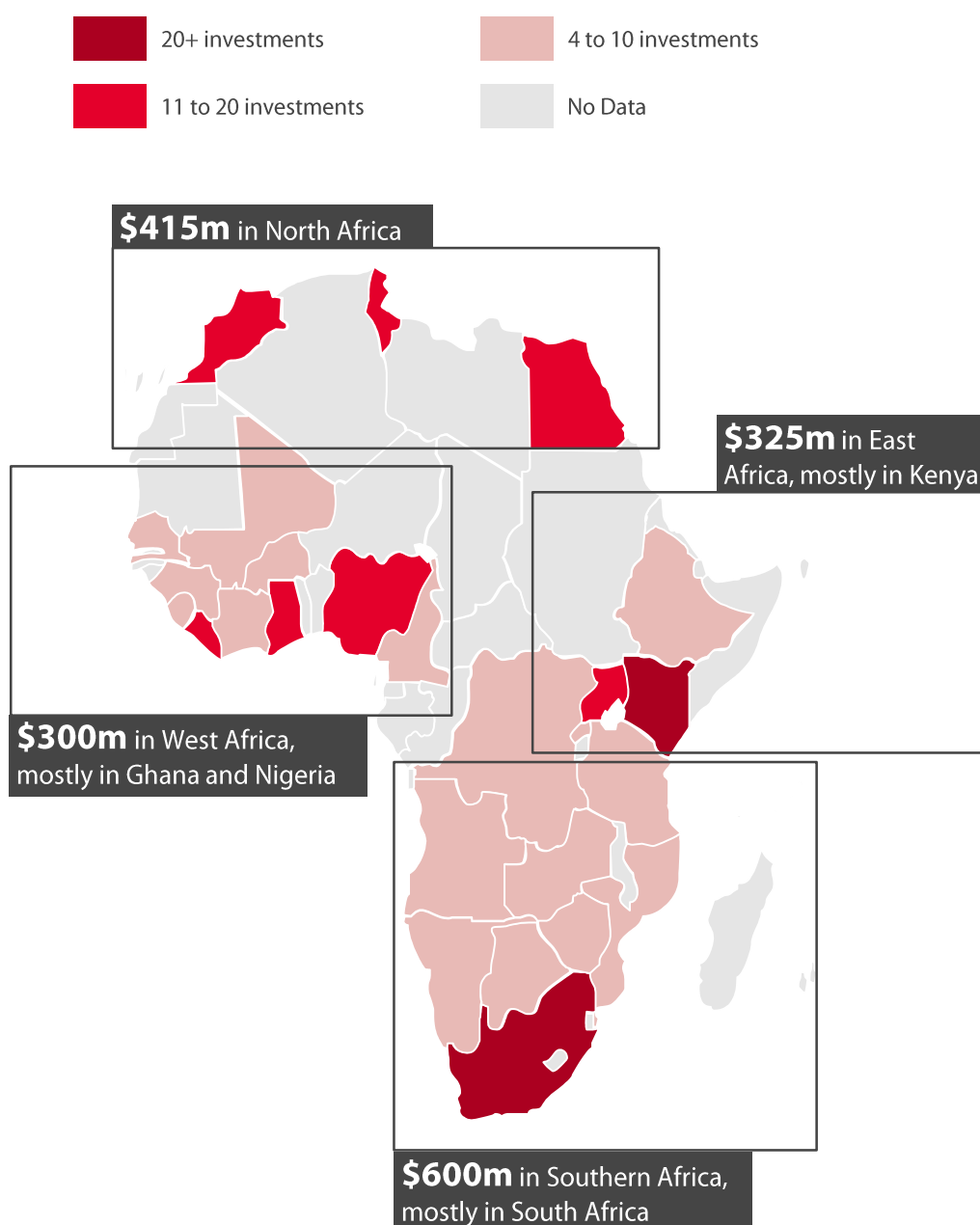
\$70 million invested

Geographical Dispersion of Education Investments

Francophone Africa is largely underserved by education investors

- ▶ Nearly **80% of education investments** were made in **Anglophone Africa**, mostly in Kenya and South Africa.
- ▶ Investors within **Francophone West Africa** are quite scarce, and transactions are sporadic.
- ▶ Limited data is available for several countries located in **Central and Southern Africa**.

NUMBER AND VOLUME OF EDUCATION INVESTMENTS
REGISTERED BETWEEN 2012 AND 2019

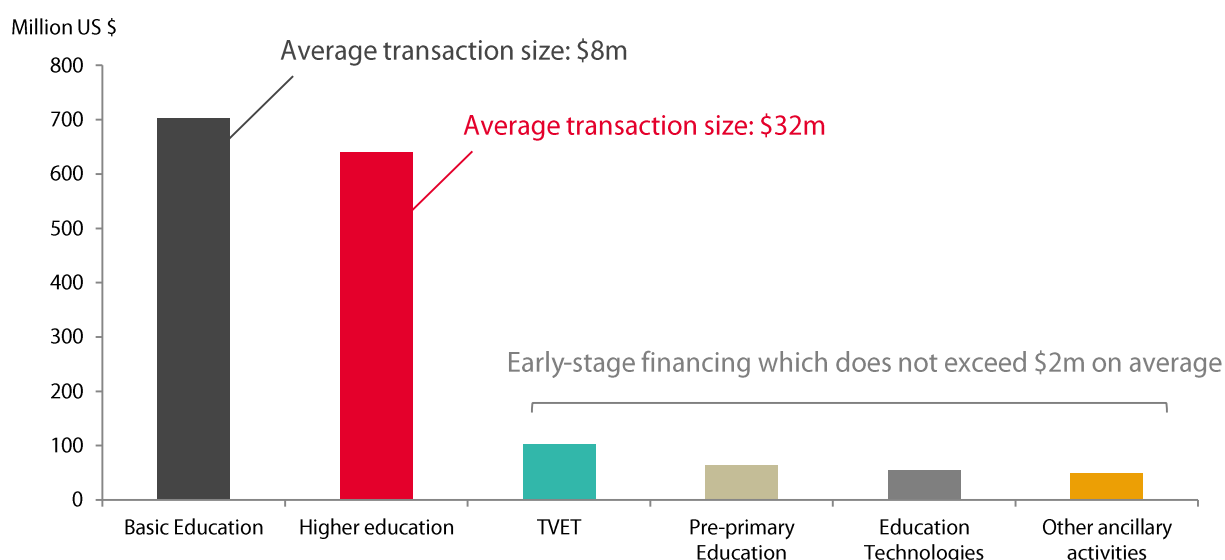


Education Segments

Most investors focus on large investment opportunities in basic and higher education

- ▶ **\$700m were invested in private providers of basic education**, mainly in premium and standardized schools, and with an average ticket of \$8m. Many transactions were registered in East Africa and South Africa.
- ▶ **\$650m of transactions in higher education were tracked**, in particular in premium and dynamic universities, with an average ticket of \$32m. Education markets in Southern and Northern African countries were the most attractive to investors.
- ▶ Other education segments and **ancillary activities show much less of a track record**, with typical investment size below \$3m.

INVESTMENT VOLUME AND AVERAGE TICKET SIZE,
BY EDUCATION SEGMENT, BETWEEN 2012 AND 2019



Key takeaway: Education Investors are not necessarily Impact Investors

- More than 75% of investors targeting private education in Africa do not have a dedicated, transparent impact policy to address education challenges.
- Only **a handful of investors effectively track and publicly report** their impact performance on a regular basis.
- The impact management system of these investors tends to focus on a few input-level metrics, with little evidence on long-term outcomes.



FOCUS: WHAT IS IMPACT INVESTING ?

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rates, depending on the investor's strategic goals.

The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible essential services, including housing, healthcare, and education (GIIN, 2019)

A definition of impact investing in education

Impact investing in education should be defined as investments made in sustainable economic models that produce direct and positive impacts in terms of education quality, access and relevance AND that strengthen or align with the local education ecosystem.

- ▶ Impact investing can contribute to fostering **more responsible development of education businesses** in Africa by selecting and supporting the most highly performing institutions in terms of economic sustainability and educational impact.
- ▶ The impact investor can adjust their instruments and return expectations **to address missing-middle markets** where education businesses typically find no support to grow and scale up.
- ▶ The impact investor may also **support education innovation** and its transfer and duplication across markets, with a dedicated role in funding scaling-up processes.

Governments and their partners will remain critical agents of education ecosystems

- ▶ Governments will continue to generalize access to primary and secondary education with specific strategies and priorities. Many reaffirm **the need to better regulate the private sector**, and several call for more cooperation with non-state providers. Governments are fundamental agents that define and implement **certification and accreditation processes** which impact the quality of non-state education in the ecosystem.
- ▶ **International donors and NGOs bring additional funding and capacity** to the public sector and to other government-led projects, or intervene in fragile contexts in the absence of state players.
- ▶ **Commercial finance will remain focused on large-size projects** with market-rate returns and a (quasi) non-existent intention to define, manage or monitor its educational impact.
- ▶ **Impact investors have a complementary role** to encourage education businesses' alignment and/or cooperation with traditional stakeholders.



Impact investments should be supportive of the local education ecosystem (including the public sector) and aligned with the government's education and training strategy

- **Ecosystem:** ensuring formalizing of the school and its compliance with local regulatory requirements and certification standards.
- **Positive Externalities:** developing cooperation with public education institutions (research, teaching), dissemination of good practices (via impact evaluation, advocacy).

Impact investments should target quality and relevance of education and promote a better connection to local job markets in general. Specific attention should be given to the investees’ alignment with the local ecosystem, stakeholders and government education policies.

Quality learning first

- Prioritize institutions and projects that:
- Have a **proven track record** facilitating effective student learning.
 - Present new investment opportunities in **innovative teaching methods** that strengthen teachers’ skills.
 - **Strengthen the local ecosystem** through high-quality ancillary activities, particularly in terms of teacher training and evidence-based education technologies.

TARGETS

- **Strong, Measurable Education Outcomes:** Prepare students to meet national or international testing standards (allowing for meaningful comparison between institutions)
- **Effective Teaching:** Provide ongoing training opportunities for teachers and educators
- **Innovative Teaching Methods and Technologies:** Individualized and relevant curricula, and adaptative learning technologies
- **Certified Knowledge:** Curricula that provide national or international certification standards

Focus on Marketable Job Skills and Connection with the Local Labor Market

- Invest in programs that:
- Provide students with **skills that are “genuinely transferable and of long term value** to employers, employees and other job seekers” (Mc Quaid and Lindsay, 2005).
 - Include the support of **certified vocational programs and skills-training in sectors facing critical job needs** (e.g., industry, construction), and other strategic sectors which are essential to the sustainable development of the country (e.g., health, education, agriculture, etc.).
 - **Assist students to develop professional skills and gain access to job opportunities**, deliver teaching of soft skills, help orient children towards scientific subjects from an early age.

TARGETS

- **Highly Relevant Skills:** in dynamic and/or strategic sectors
- **Extra-curriculum Skills:** soft skills, 21st century skills
- **Professionalization of Skills:** internship, apprenticeship, entrepreneurship
- **Professional Development:** career centers, student support
- **Job Market Searching**
- **Focus on Scientific Subjects**

Promote inclusive access to partnering institutions

- The impact investor should be concerned with:
- **Inclusiveness and improved equity** in access to all educational institutions and should collaborate with other stakeholders to propose adapted solutions to this challenge.
 - Extending access to quality education for **girls and women, low-income populations, rural youth and for other vulnerable groups** (e.g. children and youth with disabilities), which could require several types of incentives.

TARGETS

- **Financial Incentives:** implementation of merit scholarships, student loans and/or cross-subsidies
- **Non-Financial Incentives:** marketing campaigns targeting girls and women or vulnerable social groups, accommodations for disabled students, etc.

Possible Impact Strategies to Address Education Challenges

According to the context in which they operate (local education dynamics, investment preferences, etc.), impact investors may follow various impact strategies to address education challenges in a given region. The study recommends some possible impact strategies.



Boosting innovation in early childhood development programs

- **Context:** Current practices in privately run preschools are generally poor, and schools are typically concentrated in urban areas. Public preschools tend to lack infrastructure and qualified educators.
- **Impact Strategy:** Provide **direct support** to preschools that demonstrate a strong focus on innovative pedagogy and have high safety and supervision standards. The partnership with the impact investor should include a commitment to improving overall accessibility to education and a willingness to generate positive externalities on the local ecosystem (e.g., via the dissemination of innovations or the training of pre-school educators).



Strengthening the basic education ecosystem

- **Context:** The direct support to private schools may face strong issues of accessibility and local alignment with public policy, in a context where governments are to ensure free access to basic education. Quality issues may also arise, in particular with neighborhood and standardized schools.
- **Impact Strategy:** Provide **indirect support** to basic education systems by investing in impactful ancillary services, such as teacher training programs, accessible education technologies and publication of educational materials.

Case Study: the Distribution of School Books in Niger

EDITIONS AFRIQUE NIGER (EAL) provides school books for secondary schools in a context of a quasi non-existent market for local education providers. EAL partners with the Ministry of Education to provide manuals to public schools and provides new editions on a regular basis. EAL has sold nearly 50,000 books and aspires to become a sub-regional player in the education sector.



Improving the relevance of higher education and graduate professional integration

- **Context:** Many vocational training schools lack funding and technical support to make their programs more relevant to local job market demands. Opportunities to improve access and quality via learning platforms and blended education programs.
- **Impact Strategy:** Provide **direct support** to dynamic vocational schools in order to increase access to the vocational training sector and, more importantly, to strengthen its efficiency and attractiveness in strategic sectors which lack formalization and a skilled work-force, including models with high scalability (e.g., ed-tech).

Case Study: Training tourism professionals in Madagascar

Vatel is a higher education institution based in Madagascar that provides high quality training in hospitality and tourism. Vatel will offer a new Master of Eco-tourism program in partnership with local NGOs and UNESCO. The Morondava campus will also be renovated to provide vocational training to isolated rural populations.

Additional Insights and Recommendations for Future Impact Investors

Rationale for deploying a pan-African approach to impact investing in education

- ▶ **Facilitate the transfer and duplication of education innovations across Africa.** The boom of education technologies and innovations was largely initiated in Kenya, South Africa and other Anglophone countries, but may progressively expand to other ecosystems with the support of impact investors.
- ▶ The **constitution of large education providers, platforms and franchises** calls for a pan-African approach to impact investing with the capacity to support multi-country expansion and scaling-up.
- ▶ **Risk management and deal flow diversification** also justify a regional approach.

Possibilities for implementing partnerships with philanthropic players could deepen impact outcomes and promote sustainability

- ▶ In some cases, **local education funders and players** may have long-standing experience in addressing education challenges in conjunction with public authorities.
- ▶ Alliances with **philanthropic players** could enable complementarity between private sector mobilization and other types of interventions and could increase impact at the country level
- ▶ For instance, the partnership between Comoé Capital and the Jacobs Foundation in Côte d'Ivoire shows that impact investing can be part of broader initiatives that support education and form effective synergies.

Impact investors should seek to deploy adapted solutions to support hybrid education models, which produce high impact outcomes, sometimes in very fragile contexts

- ▶ **Hybrid education models** are organizations which do not necessarily seek profit (e.g. social businesses, NGOs) but wish to limit their dependence on donations and increase their sustainability.
- ▶ A number of hybrid models are found in **youth training programs** and have the capacity to support vulnerable populations in fragile countries or regions while providing quality professional integration models.
- ▶ The impact investor could support the business model shift of these organizations, for instance **by delivering technical assistance and mentoring** (or seed capital) so that these organizations can strengthen revenue generation and gain financial autonomy from traditional donors.



Key Takeaway: A New Role of Blended Finance in Education

- To address unique education challenges in Africa, a new approach of blended finance could mobilize both investments and grant funding and foster innovative partnerships between impact investors and other education stakeholders (philanthropic investors, commercial investors, research organizations).
- Improving accessibility to and inclusiveness of private education providers could be achieved through scholarship programs, student loans or cross-subsidy mechanisms and would require grant-funding and specific expertise which could be delivered by philanthropic organizations.
- Increasing impact evaluation to better understand how education businesses can address education challenges should drive the design of impact management systems and could also be part of larger research programs and advocacy efforts.

Conclusion

Key takeaways from the study

- ▶ Issues of **education access, quality, inclusiveness and relevance** affect all African countries to varying degrees. While these are daunting challenges, they provide exciting opportunities for impact investors to support new and innovative solutions to Africa's particular education needs.
- ▶ The **role of the private sector in education is increasing** throughout Africa and is even becoming significant in some countries. African education businesses are diverse: premium, dynamic, neighborhood and standardized education models show varying levels of potential for economic and impact performance. This is also true for ancillary businesses.
- ▶ There is a **significant funding gap in supporting education SMEs and startups**; impact investing in the sector is still very scarce and primarily focused on East and South Africa.
- ▶ Impact investors can contribute to addressing education challenges by supporting **responsible and high-performing private education models** and by targeting missing-middle markets where traditional investors are absent.
- ▶ Impact investors should identify and follow clear impact goals and strategies which prioritize **quality learning first** and provide African youth **relevant education and training** that is in alignment with local labor market needs.
- ▶ Unlike investments in other sectors, impact investing in education requires **specific attention to the accessibility and inclusiveness** of education businesses and their integration into local ecosystems.
- ▶ Impact investors could seek to establish **innovative partnerships with other education stakeholders**, such as governments and foundations, and **implement new types of blended finance** which are more suited to Africa's unique education challenges.



