

REFFA Impact Report 2022













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 with financial institutions partner 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 classes. connecting millions of asset 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 10 billion in 105 countries. More than 280 million poor and vulnerable people in emerging and frontier markets have been reached with the support of BlueOrchard as of December 2022.

For additional information, please visit: <u>www.blueorchard.com</u>.



About BII

The newly renamed British International Investment (BII), formerly 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. BII 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.

About KfW

KfW Development Bank has been helping the German Federal Government to achieve its goals in development policy and international development cooperation for more than 60 years. In this regard, it is both an experienced bank and a development institution with financing expertise. On behalf of the German Federal Government, and primarily the Federal Ministry for Economic Cooperation and Development (BMZ), KfW finances and supports programmes and projects that mainly involve public sector players in developing countries and emerging economies. Its goal is to help its partner countries fight poverty, maintain peace, protect both the environment and the climate and shape globalisation in an appropriate way.

Contact

For further questions, please contact: blendedfinance@blueorchard.com





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Executive Summary

The Regional Education Finance Fund for Africa (REFFA) was established in 2012 and is the first fund designed solely to bolster the development of the education finance sector in Africa. This report provides а comprehensive overview of the Fund's activities and achievements over the last decade as well as for the year 2022 and some insights looking ahead.

Highlights of the past decade

- Over the past decade, the Fund has supported 24 financial institutions across 14 countries, disbursing a total of USD 90.5 million through 34 transactions, 72% of which were in local currency.
- During the COVID-19 pandemic, the Fund supported 13 facilities in 7 countries.
- The Fund's technical assistance facility (TAF) has been a crucial tool to support investment activities and has initiated 51 technical assistance projects since its inception.

Highlights of 2022

 In 2022, REFFA financed an education portfolio of over USD 157 million, providing loans to 4,447 education providers, 113,000 learners, and about 21,000 students.

- The number of education providers reached doubled compared to 2021. Loans to learners represent over 80% of loans in the portfolio, with more than 90,000 loans to learners from salaried families and almost 23,000 loans to learners from families with MSME income.
- The Fund's investees increased their loan disbursement in 2022 to 77,516 loans with a total volume of USD 111.6 million.
- The REFFA TAF completed several projects in 2022, including support for the Bayport Group and Advans Nigeria.

Looking ahead

- With a growing demand for private education in Africa, particularly in East and West Africa, REFFA expects to disburse one of the highest amounts in its history in 2023, approximately USD 21 - 25 million across 12 to 14 transactions, expanding its reach to Zambia and Mali, and returning to Senegal.
- The Fund's portfolio is gradually shifting from lending for school fees to a stronger outreach to schools and other private education providers. The strategy of engaging with regional financial groups, such as Advans and Bayport, has proven strategically valuable and is expected to continue.



10 Years of REFFA – Financing Education since 2012

Investment

For the past decade, the Fund provided crucial support to 24 financial institutions across 14 countries, enabling them to offer education finance products to learners and schools. Since REFFA's inception, the Fund disbursed a total of USD 90.5 million through 34 transactions, with the vast majority of loans, USD 65 million (72%), being disbursed in local currency, providing a good additionality for the investees.

The COVID-19 pandemic resulted in the closure of many schools on the African continent for extended periods, with some remaining closed for up to two years in some countries. This period presented an opportunity for REFFA to demonstrate its unwavering commitment to supporting its in particularly challenging investees а environment. Despite the challenges posed by the pandemic, the Fund supported 13 facilities in 7 countries in 2020 and 2021.

REFFA has also demonstrated its support for institutions operating in countries with high levels of insecurity, such as Cameroon, the Democratic Republic of Congo, and Burkina Faso, where education is often disrupted due to conflict or violence.

By providing crucial support to these institutions over the past decade, REFFA has played a key role in promoting education and financial inclusion even in challenging environments in Africa.

Technical Assistance Facility

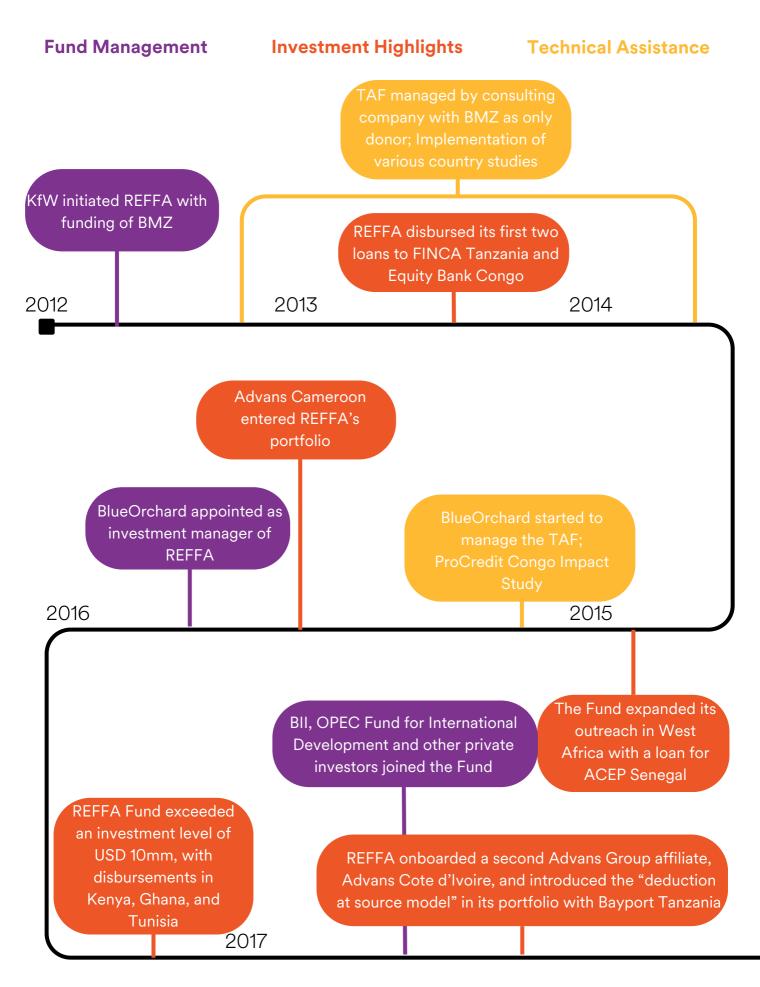
The Fund's technical assistance facility (TAF) has been an important instrument to support investment activities. In its initial years, the TAF has implemented a range of county studies to gain deep market intelligence on education sector dynamics as well as the specific financing needs of the various education finance client groups.

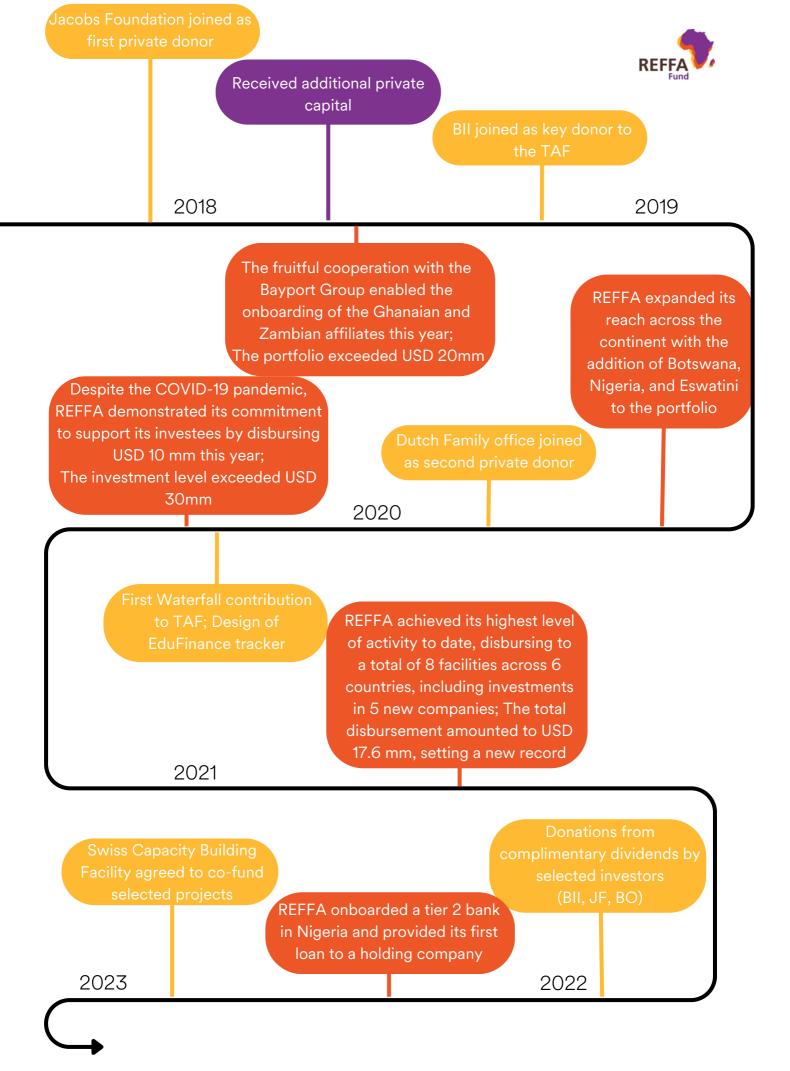
While from 2012 to 2014, the TAF was managed by a consulting company that implemented the first set of technical assistance projects directly, the facility was handed over to BlueOrchard in early 2015. As the manager of the TAF, BlueOrchard introduced policies and procedures on how to allocate the fiduciary assets, put in place a donor committee, and started to diversity the facility's consultant base.

Over the course of the ten years, four new including donors to the TAF, British International Investment (BII) as well as the following private donors: Jacobs Foundation, a Dutch family office and BlueOrchard itself. Another success was the partial redirection of complementary dividends paid out to the Fund's investors to the TAF, plus a first contribution of the Fund's income waterfall in 2020 - meaning that investment returns are leveraged to generate further impact. Since its inception, a total number of 51 technical assistance projects were initiated - all with the clear purpose of helping to fulfil the Fund's mission.



REFFA Timeline







About REFFA

Introduction and Background

Education is a crucial enabler for individuals to overcome poverty, equipping them with the necessary knowledge and skills to enhance their living standards. This principle underpins the United Nations Sustainable Development Goal (SDG) 4,[1] which aims to guarantee universal access to pre-primary, primary, and secondary education in low to lower-middleincome countries by 2030.

The Regional Education Finance Fund for Africa (REFFA), established in 2012, is dedicated to promoting equitable access to education in Africa at all levels - primary, secondary, vocational, and higher education. Moreover, it seeks to uplift the quality of education. REFFA was initiated by KfW - the German Development Bank - and funded by the German Federal Ministry for Economic Development Cooperation and (BMZ). Notably, REFFA is the first fund designed solely to bolster the development of the education finance sector in Africa.

strategy to accomplish its goal REFFA's financial involves supplying funds to intermediaries throughout Africa. These which include intermediaries. banks. microfinance institutions, credit co-operatives, and other finance companies, use these funds to expand their education loan portfolios.

Since its inception, REFFA has utilized two key tools - private debt funding and technical assistance to financial institutions - to stimulate responsible lending to private education providers, students, and their families. Each year, REFFA releases an Impact Report that offers a comprehensive overview of the Fund and its main objectives, demonstrates how REFFA tracks and evaluates its results and impact, presents the estimated results and impact achieved to date, and outlines the primary conclusions and challenges for the future.

BlueOrchard Finance Ltd, the Investment and Assistance Technical Facility Manager, collects and analyses the data and results featured in the report. This data, a blend of continuous monitoring of investment and assistance activities. technical quarterly reports from the Fund's investees. and information collected from market assessments, provides a detailed insight into REFFA's progress and impact.

^[1] UN SDG 4: Quality Education



Blended Finance Vehicle

With their contributions of junior tranche capital and funding to the Technical Assistance Facility, the initiators of the Fund have been catalytic in attracting financing from other likeminded investors. Over the past years, the Fund mobilized USD 15.5 million to the mezzanine tranche as well as USD 15.7 million to the senior tranche. In 2022 alone, USD 3.5 million have been drawn down from private investors to the senior tranche. By the end of 2022, REFFA had drawn and committed capital across all its tranches, amounting to a total of USD 57.5 million in capital contributions.

Figure 1: Capital mobilisation to education finance (Dec 2022)

Senior Tranche	 Qualified investors Funded by mainly HNWIs private investors Foundations and family offices 		USD 12.7 million	Drawn capital
			USD 3 million	Committed undrawn capital
Mezzanine Tranche	Funded by DFI investors &	Refition International International International International International International International International	USD 15.5 million	Drawn capital
Junior Tranche	B Funded by public investors	MZ	USD 26.3 million	Drawn capital

Figure 2: Capital mobilisation of REFFA Technical Assistance (Dec 2022)



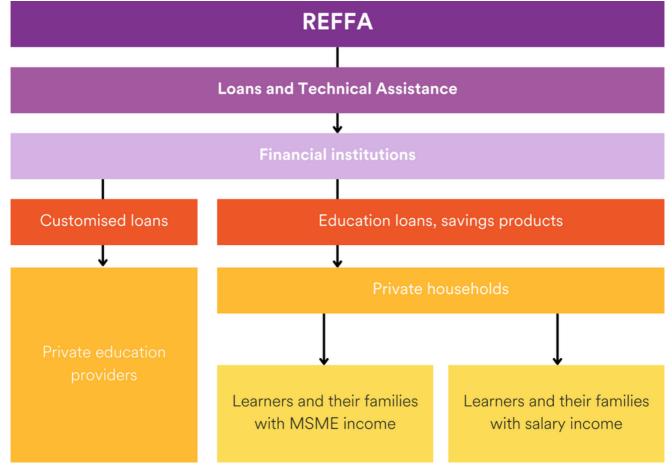


Impact Strategy and Theory of Change

REFFA is committed to enhancing equal access to primary, secondary, vocational, and higher education in Africa while simultaneously improving the quality of education.

To achieve this mission, the Fund's impact strategy is to partner with financial institutions to support the development of sustainable financial services for private education providers, learners, and their families. Thus, the Fund supports the increased offering of tailored financial services to the education sector in a demand-responsive, financially sustainable, and socially responsible manner.

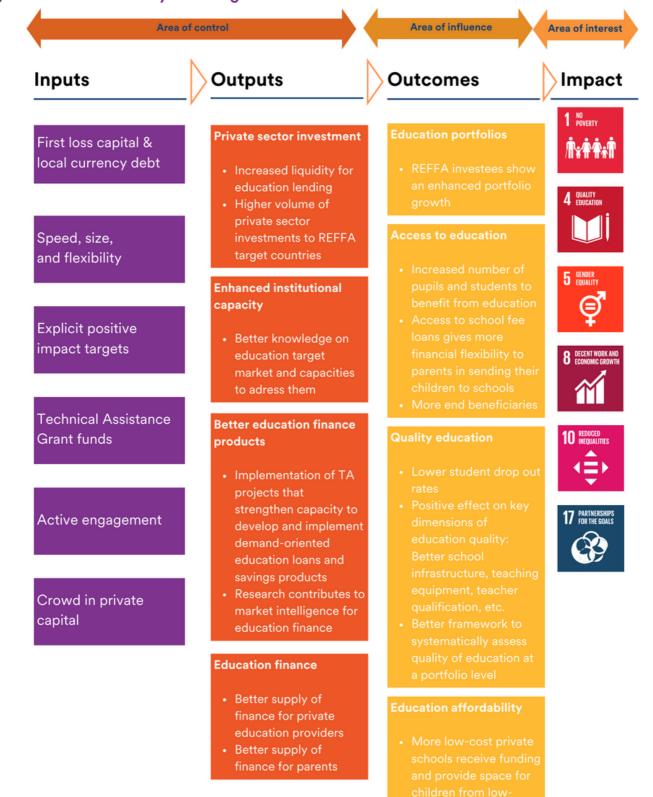
Figure 3: REFFA in a nutshell



REFFA uses a theory of change model to delineate its impact framework's rationale, assumptions, linkages, and ultimate expected outcomes and impact. This model can be broken down as follows:

Figure 4: REFFA's Theory of Change





In summary, REFFA's impact strategy and theory of change illustrate a clear pathway from the inputs to the ultimate impact, demonstrating how the Fund's activities contribute to improved access to quality and affordable education in Africa, and consequently, the achievement of several SDGs.



Spotlight: Technical Assistance

REFFA has been set up with a combination of two instruments – debt and technical assistance (TA) to provide suitable instruments to scale up education lending. The Technical Assistance Facility (TAF) plays a crucial part in cases where REFFA's investees undertake a strategic or operational shift to serve the education sector. In such a case, a financial institution is undergoing an internal change process whereby new client types must be understood, products and services be adapted to cater to the specific needs of education clients, and staff capacitates have to be built up to pro-actively serve the new target group.

Such a change process can benefit from tapping into international good practices of education lending, which is where the TA comes in. By offering a REFFA investee to work with dedicated education finance experts, the Fund's partners can build additional knowledge and experience, which will help accelerating a suitable and demanddriven education finance offer.

TA is offered along five project types, including Individual TA, Market Intelligence, Education Quality, Innovation TA and Knowledge Sharing. Under Individual TA, highly tailored capacity building is offered to REFFA investees. Any market research or impact analysis will fall Market Intelligence. under These two categories are the most important project types, as they offer direct results to the Fund's investees. Projects falling under Education Quality are those that either address providers of education directly or help understand factors that increase education quality. Innovation TA may cover non-investee projects to help develop novel education finance products (e.g. student loans), and Knowledge Sharing covers such activities that enable an active exchange of knowledge and experiences among REFFA investees and beyond.

Since inception, a total of 51 TA projects[2] have been initiated along the various TA types, with a clear emphasis on "Individual TA" as a key instrument to strengthen the Fund's investees in their education lending capacities.

^[2] This number includes approved, ongoing, cancelled (i.e. projects that had to be stopped for some reason at some point) and finalized projects.



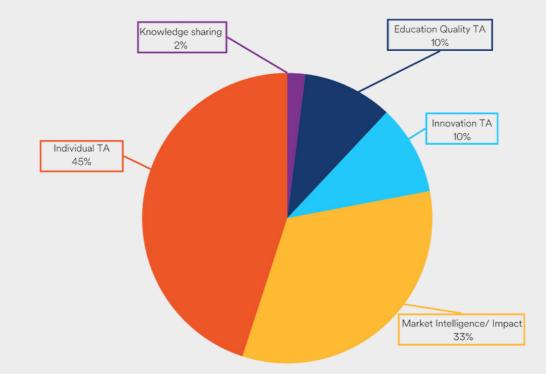


Figure 5: Technical assistance projects since inception





Private Education in Africa

Despite significant strides over the past two decades, achieving universal access to primary, secondary, and technical vocational education (TVET) remains a formidable challenge across most African countries. UNESCO estimated 244 million children were out of school in Sub-Saharan Africa in 2021 due to the COVID-19 crisis.[3]

Following the adverse impacts of the pandemic in 2020 and 2021, there has been a resurgence in school enrolment in 2022. **UNESCO** However, recent projections indicate that the number of out-of-school children may not significantly reduce by 2025 without drastic interventions.[4] As per their estimates, 231 million children and adolescents will remain out of school globally by the end of 2025. Numerous countries continue to struggle with demographic pressures and infrastructural challenges in meeting the growing demand. The gender gap slightly disadvantages girls, with early marriage being the most significant barrier to their education. [5] Sub-Saharan Africa still registers the highest education exclusion rates, with 97 million out-of-school children.[6]

20% of primary school age children and nearly 60% of upper secondary school age youth not in school.[7] The deficit is particularly pronounced in preschool education. Out of 34 African countries with available data, only eight guarantee at least one year of free and/or compulsory preprimary education.[8] Furthermore, the quality of education often falls short, leaving students without the standard skills they need.

However, the financing of education is a growing concern, with increasing pressure on government budgets in the short and medium term. The pandemic has further exacerbated pre-existing funding gaps in public education. Given this outlook, there is an urgent need for more funding towards education to drive progress towards Sustainable Development Goal 4 (SDG 4) of ensuring inclusive and quality education for all. UNESCO estimates the annual education financing gap in Sub-Saharan Africa to be around USD 70 billion.[9]

Contrary to the global trend of stagnating education budgets, most African countries have been progressively increasing their education spending. However, current funding still falls short of the escalating financing needs to achieve the SDG 4 targets.[10] The pandemic and the war in Ukraine have also affected aid programs directed towards education. Overall, direct aid to education stagnated in 2020 and declined by USD 359 million among bilateral donors.[11]

^[3]UNESCO GEM Report: Out-of-school numbers are growing in sub-Saharan Africa

^[4]Global Partnership for Education (GPE) Results Report 2022

^[5]UNESCO: Key Data on girls and women's right to education

^[6]World Bank : Transforming Education Across Eastern and Southern Africa

^[7]World Bank Blogs: The High Price of Education in Sub-Saharan Africa

^[8]GPE : The way Ahead: Progress and Challenges towards GEP 2025 and SDG 4 (Results Report 2022 Chapter 1)

^[9]UNESCO Digital Library: Can countries afford their national SDG 4 benchmarks?

^[10]Reimagining-Financing-for-Education-Policy-Brief.pdf (unicef.org)

^[11]World Bank: Education Finance Watch 2022



In this context, private education has emerged as a crucial complementary sector in the African education landscape, supplementing the public offering. In many places, such as Kampala (Uganda) and Nairobi (Kenya), where private schools account for 84% and 60% of enrolled students respectively, the private sector is becoming indispensable.[12] Since the early 2000s, private school enrolment in Africa has grown by an average of 10% annually, outpacing the 3% per year increase in public schools.[13]

Private education is growing faster than public education in Africa due to rapid urbanization, increased use of technology, and the emergence of a middle class showing a preference for private schooling.[14] Parents who send their children to private schools often cite higher education quality levels and better security for their children. A study in Uganda suggests that students in private schools tend to perform better than those in public schools, even when controlling for socio-economic factors.[15]

This trend is reflected in household spending on education. Households account for 30% of total education spending in Sub-Saharan Africa, compared to 15% in high-income countries.[16] However, figures differ across countries, with private households accounting for 5% of total education spending in Ethiopia and 10% in Mozambique, but a staggering 59% in Uganda and 73% in Liberia.[17]

The private education sector plays a crucial role not just for middle- and high-income households, but also lower-income households seeking better quality education for their children. Private schools in Africa are also aiming to cater to lower income segments of societies, with numerous low-fee private schools emerging, particularly in Sub-Saharan Such schools often Africa. open in underprivileged areas where public schools are out of reach. However, even these "lowfee" schools can place a financial burden on families, making education finance a useful tool to ease cash flow constraints and help cover costs such as fees, learning materials, transportation, and more.

^[12]CapPlus: Banking on Education

^[13]UNESCO Institute for Statistics (UIS): Fixing the Broken Promise of Education for All: Findings from the Global Initiative on Out-of-School Children (2015)

^[14]QUARTZ: Private Education is Growing Faster Than Public Education in Africa (2017).

^[15]Wodon, Q., & Tsimpo, C. (2021). Not all Catholic schools are private schools: does it matter for student performance?. International Studies in Catholic Education

^[16]UNESCO Digital Library: Education Finance Watch 2022

^[17]UNESCO Digital Library: Global Education Monitoring Report (2021-2022)



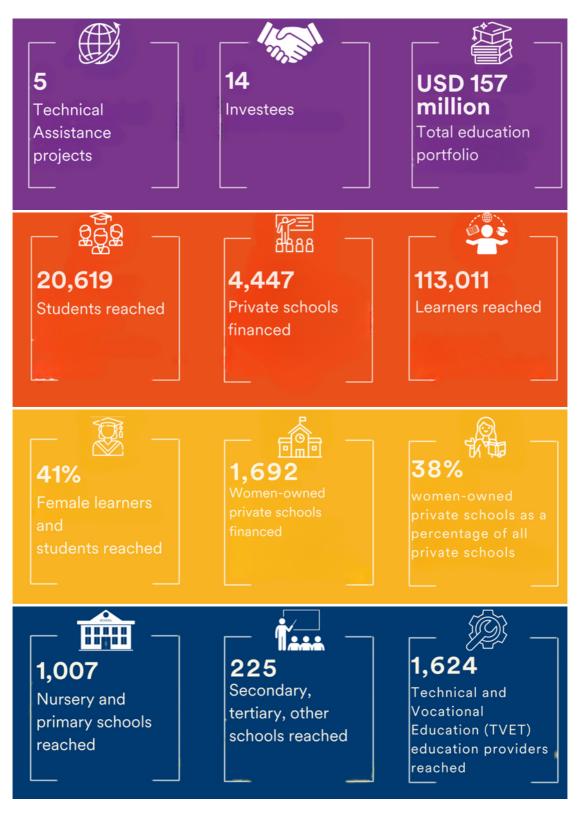
As governments, education providers, and parents worldwide struggle with how to bring as many children back to school as possible, impact investing has emerged as an important source of funding in the private education space. There are several successful examples where providers of micro, small, and medium enterprise financing have supported private education sector players to stabilize or grow. Continued access to liquidity plays a crucial role in ensuring ongoing access to affordable education. In conclusion, while challenges persist, private education in Africa offers a promising avenue for enhancing the quality of education and accessibility. With the right financial support and strategies, it can play an even more significant role in shaping the future of education in Africa.





2022 Results

Impact Highlights^[18]



[18] Represents REFFA portfolio as of 31 December 2022. Data for Select Eswatini (loan matured in Dec 2022) is included, whereas Advans CI (loan matured in Oct 2022), is no longer reflected.



Impact Performance

At the end of 2022, REFFA was financing an education portfolio amounting to more than USD 157 million, providing loans to 4,447 education providers, 113,000 learners, and about 21,000 students. The Fund comprised a total of 14 financial institutions.

The Fund disbursed USD 12.5 million to four investees in 2022, adding two new investees, which allowed it to widen the positive impact of REFFA on students and schools. The slight drop in disbursements compared to previous years is a result of delays in regulatory approvals as well as high volatility of credit yields. However, this is not a continuous trend and we expect a much higher amount of disbursements exceeding all previous years in 2023, representing an increase of at least 70% compared to 2022. With 4,447 education providers as of December 2022, REFFA more than doubled the number of education providers reached compared to December 2021. These loans are mostly used to increase fixed assets (school buildings and equipment) that result in an improved learning environment for pupils.





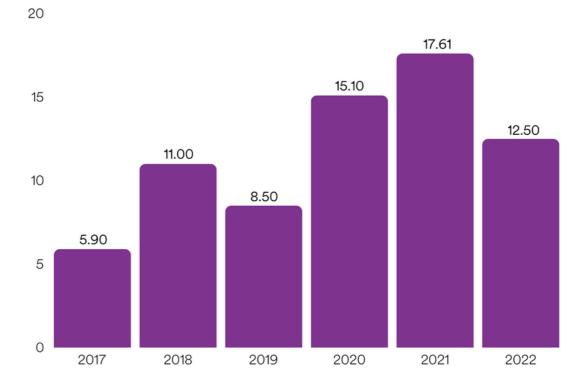
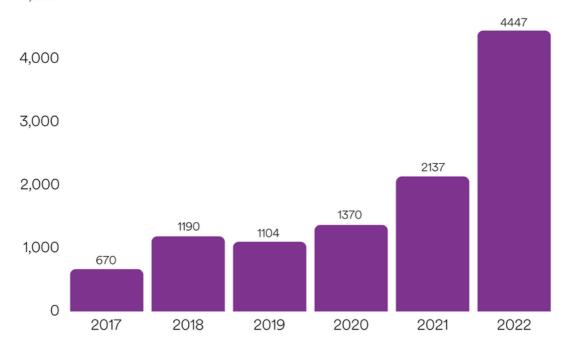


Figure 6: Investment disbursed (USD million)









Loans to learners represent more than 80% of loans in the education finance loan portfolio financed by REFFA. REFFA's investees had more than 90,000 loans to learners from families with salary income by end of 2022.

Additionally, the loan portfolio comprised almost 23,000 loans to learners from families with MSME income, resulting in a total loan portfolio of approximately 113,000 loans to learners by end of 2022.

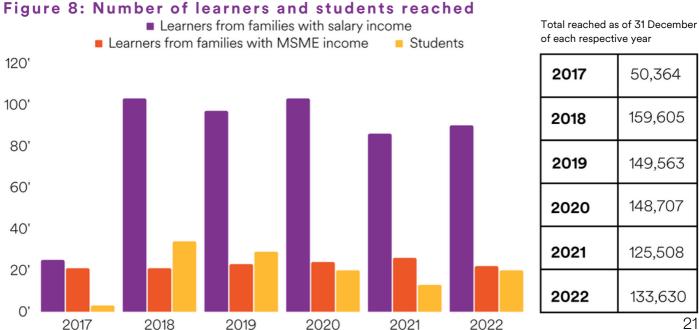
Loans to students have reached more than 21,000 individuals in 2022, which represents an increase of 58% compared to 2021. These loans tend to reach adult individuals who have taken out a salary-backed loan to invest into their further professional development. This category shows a valuable contribution of REFFA to the professionalization of the labour market force.

The Fund's investees have also increased their education finance loans disbursement in 2022 to 77,516 loans disbursed with a total loan volume of USD 111.6 million.

increasing the number of loans disbursed by 50% and more than doubling the dollar amount disbursed compared to 2021.

The largest increase in disbursements could be observed in the loans to education providers, whereby the volume of loans disbursed in 2022 amounted to more than USD 21 million compared to USD 3 million in 2021. Almost 57,000 loans were disbursed to learners, up 38% compared to 2021.

Private education providers served by REFFA's investees constitute an integral part of the solution to improve access to quality and affordable education in Africa. Aligned with REFFA's mandate, the Fund continues to put significant efforts into impact evaluation tools to better observe the achievements of the Fund along its Theory of Change.





Technical Assistance Facility

During 2022, the REFFA TAF completed several projects: The Bayport Group was supported in enhancing their financial wellbeing training materials for low-income clients, which already marks the second TA project successfully completed with the Bayport Group. Moreover, a project with Advans Nigeria was completed, which strengthened their education offer marketing, helping to promote several new education products.

In Burkina Faso, Fidelis Finance was equipped with a broader and more flexible financing offer to TVET providers through a set of trainings. And finally, the TAF Manager closed the "COVID-19-self-learning EduFin course", a self-learning offer for REFFA partners started during the pandemic. The online course remains available going forward.

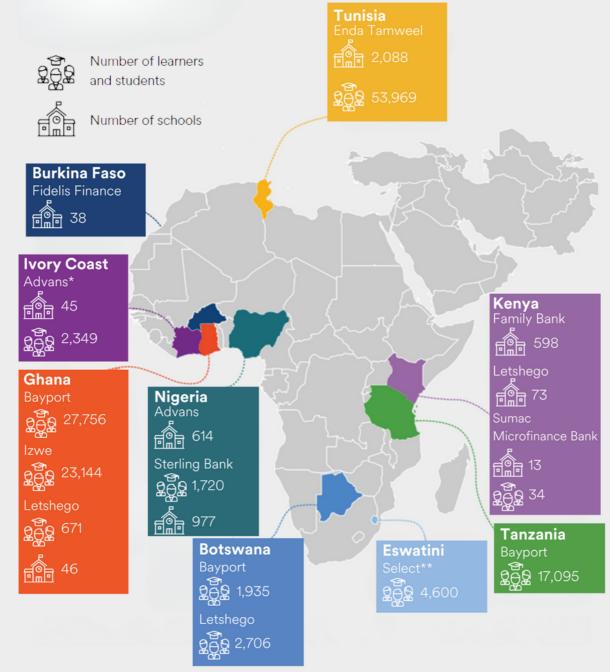
In addition, several activities were undertaken to further roll out the EduFinance Tracker, an education-specific reporting platform, which performs education quality and education affordability scorings at end-client level, based on relevant data inserted by investees. Firstly, the entire web-based portal was translated into French, to ensure its usability for the French-speaking REFFA investees. Secondly, the EduFinance Tracker was adapted to capture the regular quarterly reporting on their education portfolio. including capturing data on number, volume and purpose of loans. At least eight introduction and early onboarding calls were held to introduce the Tracker to investees. In 2022, the outcomes of the projects cover a range of services available to clients. With Fidelis Finance, a new product was developed to allow education provider clients of the Bank to do factoring, which helped the clients with better cash management within a seasonal income environment due to the school year calendar.

With the Bayport Group, a range of client financial wellbeing self-learning courses were made available to their low-income clients. These modules help clients to take better financial decisions and to take better care of their financial well-being. Furthermore, the newly introduced products by Advans Nigeria included school costs loans and even a school savings product. These products were widely promoted with REFFA TAF's support to ensure full awareness on this new offer by existing and prospective Advans clients.

In 2022, an amount of EUR 154,512 was spent on the project-related activities of the TAF.



Meet REFFA's Investees



*Loan matured in October 2022. Data is as of Q3 2022 **Loan matured in December 2022

REFFA's Board of Directors Meeting Investees

From 4th to 5th October the extended Board meeting took place in Nairobi, Kenya.

On the second day, the directors first met with Family Bank to get better insights into their education activities. Then, the whole group visited two schools, namely the LakeWood School (Family Bank client) and later on the Royal Brains School (Sumac client). During the visits, both the directors and the Investment Manager team could pose numerous questions on how the schools manage growth, work towards achieving high education quality and in how far they are affordable to families of the lower income segments.





Case Studies

Family Bank (K) Limited (Kenya)

The mission of Family Bank is to be the financial institution that leads in the positive transformation of people's lives in Africa. The Bank has identified education as one of the key sectors for growth under its strategy and is in the process of setting up a dedicated business unit to focus on this sector. The Bank has signed a Memorandum of Understanding (MOU) with the Kenya Private Schools Association (KPSA) and intends to work with its 7,000 education institutions through transaction services and credit facilities. This presents further growth opportunities for the Bank in the education segment.

Sumac Microfinance Bank (Kenya)

Sumac is a licensed Microfinance Bank in Kenya that provides financing to businesses through various loan products such as MSME loans, agriculture, asset finance and education finance. The bank has an existing school fees loan product targeted to SME owners for their family members' education while loans to education providers are provided under the general Micro and SME loan products. These loans are to preprimary, primary and secondary schools for working capital, asset finance and infrastructure developments.

Enda Tamweel (Tunisia)

The mission of Enda Tamweel is to contribute to the improvement of living conditions for low-income Tunisians by being a leading institution that is socially responsible and committed to the environment.

The MFI has a large existing education loan portfolio and is committed to the development of its education loan products in order to increase its outreach. Enda has been the country's largest microfinance institution for the last 25 years.

USD 20,531,335 education loan portfolio

598

education providers financed, out of which 338 are nursery and primary schools

200,000+

students enrolled in financed education providers

Technical Assistance

project in pipeline to potentially support the bank in offering school fee management improvement systems to their client schools

USD 210,700

13

education providers financed

2,300+

USD 15,629,865

2,088

education providers financed, out of which 1,544 are TVET

Technical Assistance

Impact analysis conducted



Insights from the Field: Advans Nigeria

Advancing Private Education in Nigeria

19.7 million children are estimated to be out of school in Nigeria, including 28% of all primary school-aged children and 40% of all upper secondary school-aged children.[19] Nigeria has the third largest out-of-school population in the world. [20]

Insecurity in the country continues to affect the well-being of children and numerous attacks on schools by non-state armed groups in several regions have created a precarious learning environment, discouraging parents to send their children to school. Public spending, especially in social sectors such as education, is among the lowest in the world which has led to a deterioration of education quality in public schools.

The number of private primary and secondary schools has been multiplying over the past decade to meet a high increase in demand for private education, which is well-perceived by mainly because of parents better infrastructure, lower pupil-per-class ratio, and better communication with parents. However, there is a crucial lack of funding for education. Parents are seeking means to finance their children's education in private schools while education providers are also in pursuit of finance to meet the increasing demand.

In 2022, BlueOrchard provided a loan to Advans Nigeria to support the development of a private education financing offer that would promote access to quality education. To create Advans such products, Nigeria conducted extensive research to understand the unique needs of their clients. They discovered that few offers existed for entrepreneurs, small business owners, and non-salaried workers among their competitors. They also found that there was a need to build an offer that truly suited their clients' repayment capacity, with 64% of respondents preferring a quarterly instalment plan.

With this knowledge, Advans Nigeria developed two innovative products: EduLoan and Advans School Boost. EduLoan is a 3month loan that they make to their existing clients, who are mostly informal business owners, to pay for the school fees of their children or relatives. This product offers a reduced rate, no new collateral is required, and the eligible amount is determined based on the risk analysis of the client. The loan approval process is simplified which allows automatic disbursement within 24 hours.

^{[&}lt;u>19]https://unesdoc.unesco.org/ark:/48223/pf0000382577</u> [<u>20]https://unesdoc.unesco.org/ark:/48223/pf0000382577</u>



Advans School Boost is a larger loan for schools. The repayment schedule is adapted the school's business model. to with repayment possible monthly or quarterly to align with the quarterly tuition fee payment. The interest rates are reduced compared to other business loans as schools are less lucrative. There are two types of financing: working capital (to finance salaries and rent payments) and fixed-asset financing to improve schools' facilities and meet regulatory requirements.

Advans Nigeria's products are unique in comparison to other education financiers, as they are specifically designed to target informal business owners. Most education financing offers in the market cater to salaried employees, leaving a significant gap in the market for informal business owners. The only other alternative for this group remains fintechs providing emergency loans, but these loans come with very high interest rates. REFFA contributed to the growth of the products by providing financing and technical assistance to improve products' awareness through target marketing campaigns. The school loan grew by 186% within one year of receiving the REFFA loan. Advans Nigeria's unique approach to education financing has helped bridge the gap and promote access to quality education for all.





Conclusions and Future Outlook

Opportunities abound for private low-fee schooling to meet the increased demand for education, particularly in East and West Africa. The financing provided by REFFA plays a crucial role in directing funds towards the education sector, especially in countries where government expenditure struggles to keep up with population growth.

The increasing demand for private education in Africa will also be reflected in increased disbursements by the Fund in 2023: As per the pipeline, in 2023 we expect to witness one of the highest disbursements in the Fund's history, amounting to approximately USD 21 -25 million across 12 to 14 transactions. The Fund is expected to expand its reach to two new countries, namely Zambia and Mali, and returns to Senegal.

While many African countries are met with budgetary constraints, high inflation, and escalating public debt levels, we anticipate a surge in demand for private low fee schooling across various regions and therefore a continues need for the efforts and impact of REFFA. East Africa is projected to remain the focus for the upcoming year. However, we are now identifying increasing opportunities in West Africa, including the Francophone region. The portfolio will also have gradually shifted from lending for school fees to a stronger outreach to schools and other private education providers. As detailed in the impact section, REFFA financed 4,447 schools (23% of the education portfolio) and 133,630 learners and students (77% of the education portfolio) at the end of 2022.

In addition, REFFA has found strategic value in dealing with financial groups in the region (such as Advans and Bayport) as it allows the Fund to influence the strategy at a group level and potentially permeate the impact throughout the different branches. This strategy is expected to continue.



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Contact

BlueOrchard Finance Ltd

Seefeldstrasse 233 | 8008 Zurich | Switzerland T +41 44 441 55 50 info@blueorchard.com

Website: www.blueorchard.com LinkedIn: BlueOrchard Finance Ltd Twitter: @BlueOrchardLtd Instagram: @blueorchardfinance