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## Regional Education Finance Fund for Africa - REFFA

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BMZ



Bundesministerium für  
wirtschaftliche Zusammenarbeit  
und Entwicklung



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## Education Finance: Main Challenges in Africa

As a result of high population growth and compulsory primary education, **demand for education increases**

*Up to 50% of population under 18 y in some countries*

**Low quality and limited availability of education** call for investments into the supply of education services

*Pupil to trained teacher ratio in Tanzania: 100*

The **private sector plays an important complementary role**: private education providers supplement the public offer

*In DRC: 80% of primary education is private*

Both public and private education on secondary, higher and vocational levels require **considerable financial investments from learners**

*Parents sometimes spend 40-50% of income on child education*

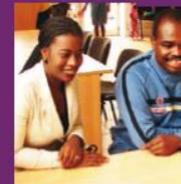
***There is high demand for education finance products from learners and their families as well as from private education providers***



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## REFFA in a Nutshell

- **First fund** for education finance in Africa
- **Initiated** by the **German Development Bank (KfW)**
- **Funded** by the **German Ministry for Economic Cooperation and Development (BMZ)**
- **Established** in **December 2012**
- **Equity of USD 27 million, Target Fund Size USD 100 million**
- **Open to other investors** (private, international financial institutions and donor agencies)





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## REFFA Objectives

- Overall development objective: increase equal access to primary, secondary, vocational and higher education, and enhance quality of education
- Facilitate a demand-driven and sustainable provision of affordable education finance services
- Support vocational education in fields that are in high demand in the labor market and support private education providers
- Finance the education finance portfolio of selected African financial institutions
- Promote the development of the financial system in the region by opening up a new market segment for the participating financial institutions

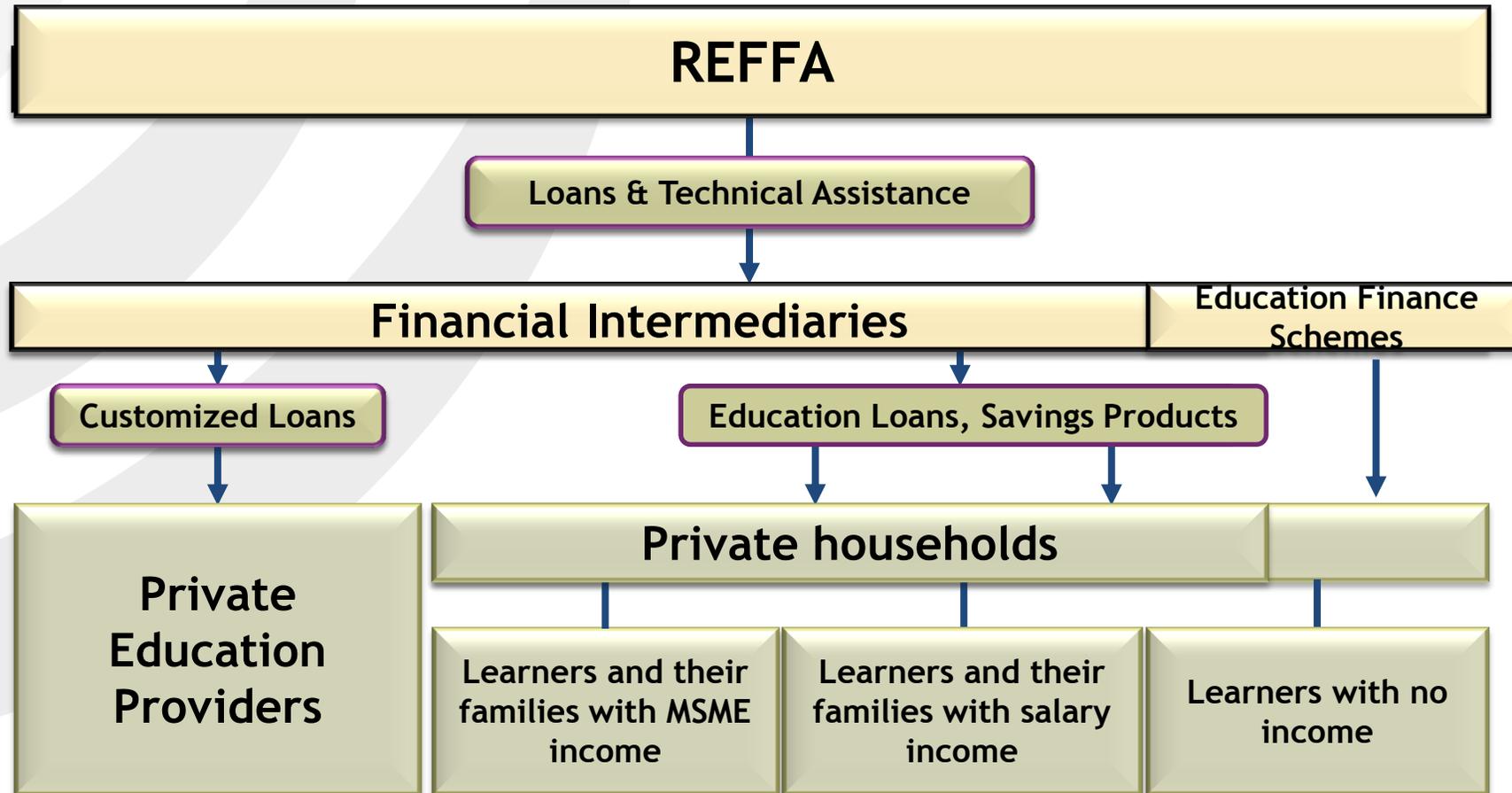
Active in 6, targeting  
**12+** countries





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## REFFA Target Groups





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## REFFA Outstanding Portfolio as of November 2016

Investee	Country	Investment Type	Start Date	Cncy	Outstanding (USD)
ACEP SENEGAL	Senegal	Senior unsecured loan	12-Nov-14	XOF	3,222,771
Advans Cameroun	Cameroon	Senior unsecured loan	07-Aug-15	XAF	1,161,585
Advans Ghana	Ghana	Senior unsecured loan	06-May-16	GHS	500,000
Chase Bank Kenya Limited	Kenya	Subordinated loan	18-Mar-16	USD	5,000,000
FINCA TANZANIA	Tanzania	Senior unsecured loan	18-Dec-13	TZS	1,427,682
Procredit Bank Congo	Dem. Rep. of Col	Senior unsecured loan	23-Dec-13	USD	1,667,000
<b>Total</b>					<b>12,979,039</b>

- REFFA has increased its outreach to 6 countries and Tunisia will soon be added as the 7<sup>th</sup> country.
- All loans are accompanied by Technical Assistance (concluded, ongoing, or to be contracted)



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## REFFA: What are the guiding objectives?

1. To contribute to **EXPANSION** of education, i.e. more student pursue their studies
  - Learners in primary and secondary education and upwards
2. To contribute to better **ACCESSIBILITY** and **AFFORDABILITY** of education, i.e. better access to education for students from vulnerable backgrounds
  - Focus on low income learners and their families
3. To contribute to a higher **QUALITY** of education (**QoE**), i.e. more value for money offered and consumed in (private) education
  - Finance and support private education providers



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## Develop Tools for the Measurement of Quality of Education & Affordability

- Work closely with specialists of education (companies that run schools both in developed and in emerging markets) **to pilot with schools that have been financed by REFFA's investees education quality tools.** Expand after the pilot phase to other schools in the same market and across markets.
- Build upon existing market surveys of the education sector and of existing studies to **define criteria for affordable schools in each respective market REFFA is active in.**
- Continue to **improve the relevance of the Technical Assistance (TA) provided to Investees/Financial Intermediaries and combine it with TA to service providers** (e.g. schools, associations of schools, Ministry of Education), etc.



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## Education finance in support of QoE

- Privately paid education is a conscious choice of parents on their spending priorities and abilities → high attention is paid to the reputation of a private education provider.
- Reputation is highly related to the quality of this education provider. Good reputation contributes to the financial success of an institution.  
→ Good education quality mitigates the investment risk.

### REFFA activities on QoE:

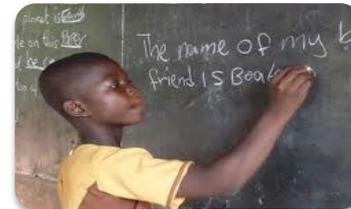
- REFFA's investees have been trained to undertake education specific loan underwriting for education providers (education finance loan analysis).
- School management training programs (e.g. in DRC).
- Impact assessment on QoE (e.g. in ProCredit Congo).



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## Indicators to assess and monitor QoE (1/3)

- To ensure that REFFA's investees consider education quality as an integral part of their underwriting, REFFA is working on a list of **practical indicators**.
- Investees will be asked to assess and report on **education quality related metrics**, as well as on **social, health and safety aspects** as part of their quarterly reporting on new loan disbursements.
- Indicators cover different dimensions of QoE: **indicators preliminarily suggested**.





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## Indicators to assess and monitor QoE: Examples (2/3)

#	Indicator	Explanation	QoE Dimension	How to report (tbc)
1	Classroom condition	How well are class rooms equipped to support conducive learning? (are e.g. typical learning materials available, such as sufficient chairs, blackboard, books computers)	Learning environment	Comparison to class room condition of peer schools ("below, comparable, above")
2	Classroom/student ratio	How do the number of classrooms compare to the total number of students (at the time of the appraisal and in the past one year)?	Learning environment	Comparison of classroom student ratios with peer schools ("below, comparable, above")
3	Student transportation system	(If relevant for most students), is there any transportation system available, e.g. school buses and public transportation through which students can have easy access to the school?	Learning environment (Safety)	Yes/ No/ Not relevant
4	Emergency preparedness	Does the school have any emergency evacuation plan/ features/ strategy/ exercises in place in case of fires or any form of disasters?	Learning environment (Safety)	Yes / No
5	Toilet per school population ratio	What is the number of toilets against the school's population in the following categories? <ul style="list-style-type: none"> <li>• #female toilets/female students</li> <li>• #male toilets/male students</li> <li>• #staff toilets/#staff</li> </ul>	Learning environment (Social)	Are toilet ratios above minimum standards? (Yes/ No)
6	Clean water	Is there sufficient clean water available for drinking and hygiene purposes?	Learning environment (Health)	Yes / No



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## Indicators to assess and monitor QoE: Examples (3/3)

#	Indicator	Explanation	QoE Dimension	How to report (tbc)
7	Recreational space	Is there availability of land/ space for recreational activities (either owned by the school or one that is easily accessible to the school?)	Learning environment (Health)	Yes/ No
8	Teacher qualification	Are practices in place to provide further training to teachers?	Teaching process	Yes/ No
9	Student-teacher ratio	What is the student/teacher ratio by the number of students per teacher?	Teaching process	Comparison of student teacher ratio with peer schools ("below, comparable, above")
10	Financial student support	Percentage of students who receive special support from the school (e.g. scholarships, fee reductions or other support)	Enabling inputs	Comparison of percentage with peer schools ("below, comparable, above")
11	Student performance	What is the performance of students in the school's/ country's standardized tests? (e.g. average score or passing rate)	Learning outcomes	Comparison of average student performance with peer schools ("below, comparable, above")
12	Student graduation rate	What percentage of students graduate or successfully complete their level of schooling in the following categories? <ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> </ul>	Learning outcomes	Comparison of student graduation rate with peer schools ("below, comparable, above")



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## Affordability

- “Affordable private education” is defined as **education whose costs can be covered by a family without major sacrifices.**
- In the process of qualifying a school as affordable, **attention may be given not only to its school fees, but also to the income level of the target group, i.e. to whom is this school affordable?**
- In practice, the challenge lies on **finding ways to measure affordability in a realistic and feasible manner.**





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## Affordability calculation methodology

### GNI per capita & average household expenditures in education

- The following indicator is proposed: annual school fees vs GNI per capita
- This can be applicable to REFFA's investees and may not require major changes in their MIS to start reporting and implementation.
- The indicator is applicable much like the monitoring of average loan sizes vs. GNI in microcredit programs. However, interpreting the indicator would require the following considerations:
  - GNI threshold for affordability would also **vary depending on the level of education** (the higher the level of education the higher the cost of school fees) and in some cases this would be hard to split quantitatively for example where we have schools with both primary and secondary or nursery and primary or all three combined.
  - GNI as an indicator is **skewed given that the median income for households is likely to be lower** than the level of GNI of a particular country and may not give a very precise indication on affordability.
  - The indicator can **vary from country to country** and thus requires a threshold for each market.



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