



THE MANY PATHS TO FINANCING EDUCATION – PART II

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The MasterCard
Foundation



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The MasterCard Foundation: What Guides Our Work?

Vision

Opportunity for all to learn and prosper.

Mission

The MasterCard Foundation advances youth learning and promotes financial inclusion to catalyze prosperity in developing countries.



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The MasterCard Foundation Initiatives

Innovations in
Secondary
Education

The MasterCard
Foundation
Scholars Program

Next-Generation
Financial Services

Rural and
Agricultural
Finance

Scaling Access

Youth
Employability &
Entrepreneurship



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The African Context



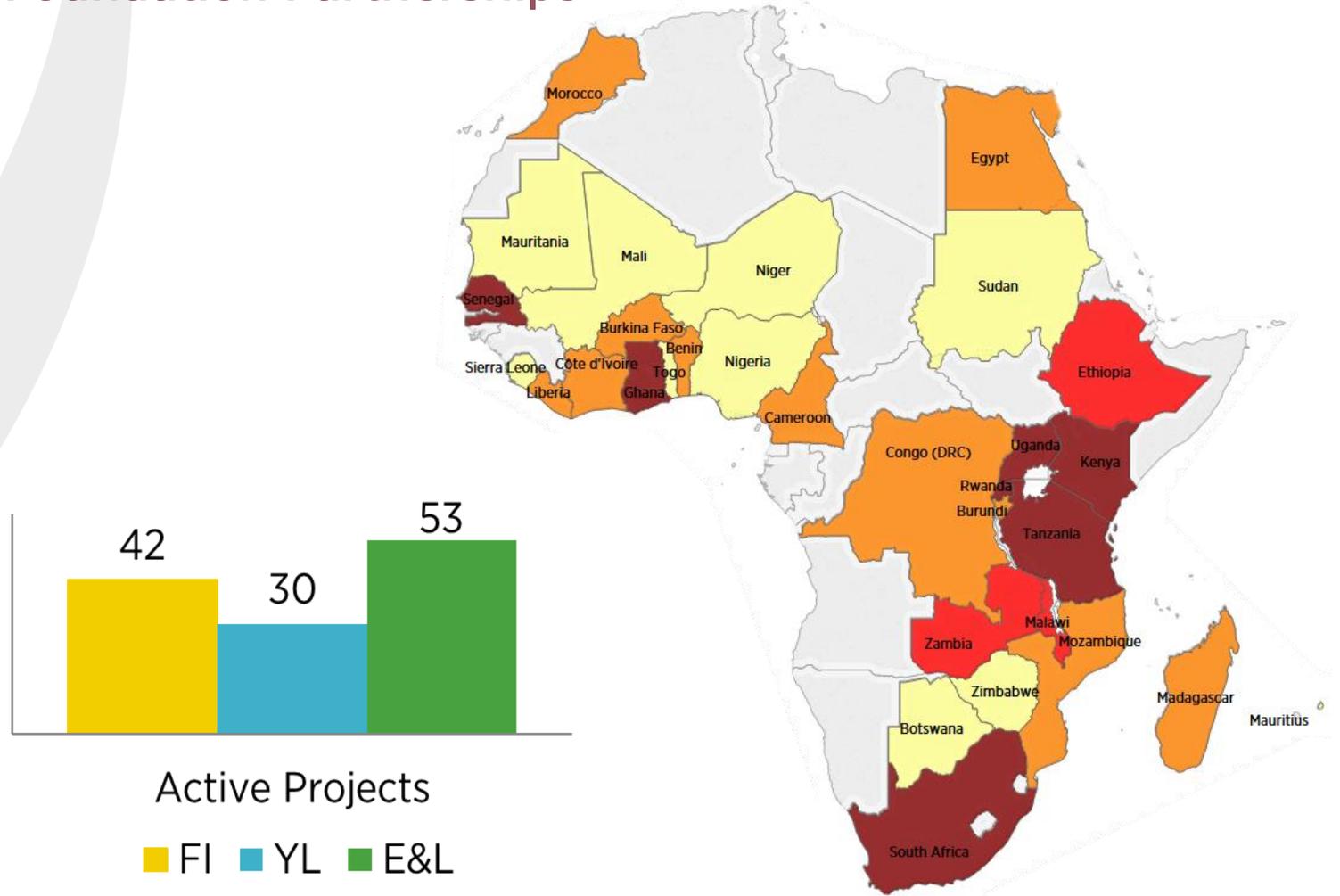
Average figures across the six countries where we invest the most.



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- \$1.75B COMMITTED TO ACTIVE PROJECTS
- Our current partners and projects, in three mutually reinforcing program areas, are making a difference in the lives of millions of clients and young people.

Foundation Partnerships



Why is education finance important for the Foundation?

- It addresses a real need and challenge for African families, and also represents an opportunity for significant social and economic impact
- It explores innovations and fresh approaches to urgent challenges
- It touches on all aspects of Foundation programming





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What are the constraints faced for quality education?

- Capacity and resources (physical, human, knowledge, systemic) in both the public and private sectors to meet demand for education
 - In 2014, 263 million children and youth were out of school
 - From 2008 –2014, only 14% of youth completed secondary school in low income countries.
 - Across 76 countries, 20% of the richest 25- to 29-yearolds had completed at least four years of tertiary education, compared with less than 1% of the poorest.
 - Three in ten primary schools lacked an adequate water supply in 2013. Schools were used for military purposes in 26 countries between 2005 and 2015.
- An education system that often lacks relevance and quality, and fails to equip students for work and life.
 - In 2004-2011, only 6% of adults in 28 poorer countries had every participated in a literacy program; In 2005-2014, 758 million adults (114 million between 15 – 24), cannot read or write a simple sentence; nearly two thirds are women.



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What are the constraints faced in low income countries in financing quality education?

- Poverty and the lack of household resources for education – private or public
 - High levels of household spending on education, especially in rural areas
 - Cash flow management for lump sum or incidental payments
- Limited public financial resources to fully fund teachers, schools, materials and education oversight
 - Recent GEM report calls for an increase from an average of 6.5% to 11.8% of GDP by low income countries between now and 2030 to meet the SDG4 target. (Currently, in at least 35 countries, governments only spend less than 4% of GDP.) Aid needs to increase at least sixfold to fill the US\$39 billion annual education finance gap.



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What are the trends from the private and public sector to address quality and relevance of education?

- Embedding financial education in national school curriculum
- Embedding entrepreneurship in curriculum and extra-curricular school activities; encouraging student enterprise
- Testing and embedding transferrable, digital and life skills
- Supporting teachers real-time through SMS “nudges” on teaching tips (IPA research)



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What are the innovations from the private sector to address this systems failure?

- Student education loans – primary, secondary, higher education (HEFF, REFFA, Others)
- Education insurance (OI)
- Financing schools (OI, Others)
- Developing self-sufficient schools (Fundacion Paraguay)
- Bridge Academies franchise model
- Digital payment solutions

What we know about customers and clients?

- Investing in education is one of the biggest reasons for saving and for borrowing by clients (Findex, FII, other research). Demand is significant.
- Financing needs include larger lump sum amounts, smaller, very short-term costs and also managing cash flows
- The “education journey” is not a linear pathway for most low income households



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What we have learned about education payment systems?

- Digitizing education payments nationally have shown promise: they can also drive an ecosystem for digital payments and drive efficiencies in the education value chain (e.g. GSMA case in Cote d'Ivoire)
 - Currently 99% of annual school registration fee payments for 1.5 million secondary school students are processed digitally
 - MOE has drastically reduced lost payments, fraud, robberies and theft
 - Increased efficiencies and reduced administrative cost of cash (estimated at .5%-1.5% of GDP in CDI). Demonstrated value for schools, students and parents
 - MOE used this initiative to implement digital school registration – providing data for stronger governance, policy-setting and decision-making
 - What's Next: Will the Ministry expand digital registration to 3.4 million primary school students? Will other ministries follow and digitize payments?



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What we have learned about education finance impact?

- Financing private schools and market approaches shows promise for improving the quality of teaching, educational outcomes, among other impact
 - Results from low fee private schools in Ghana in school attendance
 - Results from Bridge pupils in academic performance and operational sustainability
 - Results from research in Pakistan on private school effects





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What lessons are important for financial service providers, investors?

- Identify the problem you are trying to solve! Know your customer segments, their problems and needs. Providers need to build solutions to solve customer problems! No customer value, no business case.
- Examine all elements of the finance and the education systems in your own context.
- Deepen customer segment value by cross-selling, up-selling and building customer life time value --- from both customer and provider perspectives.
- The business case for financing education can be built, but like an SME loan, may require a longer term horizon, higher capital and patient returns
- Diversify approaches to manage risk, deepen market niche and address social mission



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What fundamental questions remain for long term scale and sustainability?

- Provision of education is considered a basic human right and a public good, the responsibility of the public sector.
 - How can private education complement and not displace the public sector?
 - How can the public sector's role be redefined or enhanced? productively? e.g. in setting standards? In certification? In quality control?
 - How can access to quality education – privately and publicly provided – be better available for all, regardless of income levels?
 - How can we better leverage public / private partnerships?



THANK YOU!