



7th EUROPEAN MICROFINANCE AWARD

Microfinance & Access to Education

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

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European Microfinance Award Background

The European Microfinance Award was launched in October 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, to support innovative thinking in the microfinance sector. Awarded for the first time in 2006 and since 2014 an annual award, it is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg (InFiNe.lu), in cooperation with the European Investment Bank (EIB).

Previous editions addressed the following subjects:

2015, Microfinance in Post-disaster, Post-conflict Areas & Fragile States

Institutions that operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities. Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea.

2014, Microfinance and the Environment

Integrating environmental governance into the DNA of the MFI and promoting initiatives to improve environmental sustainability. Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.

2012, Microfinance for Food Security

Microfinance initiatives contributing to improve food production and distribution conditions in developing countries. Winner: ASKI (The Philippines), for its micro agriculture loans for smallholder farmers and agribusiness and support to market linkages to private sector enterprises.

2010, Value Chain Finance

Outstanding microfinance initiatives in productive value chain schemes. Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain.

2008, Socially Responsible Microfinance

Innovative microfinance initiatives to promote social performance. Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.

2006, Innovation for Outreach

Microfinance breakthrough initiatives deepening or broadening rural outreach. Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.



Microfinance & Access to Education

The 7th European Microfinance Award “Microfinance and Access to Education” was intended to recognise the role of microfinance in enabling access to education for children and skills training for youth and adults to enhance their employment opportunities, as well as in improving education quality, through financial or non-financial services.

Education may be the so-called ‘silver bullet’ of development. It is, as Nelson Mandela described it, the “most powerful weapon which you can use to change the world”. Increase access to quality education for children and adults and the knock-on effects can be profound – on health, women’s and girls’ opportunities, technology, and the growth of a prosperous middle class and a knowledge economy. Education drives future economic status and self-reliance, however, in its absence breeds unemployment, crime, skills shortages and social isolation.

Increasing both the level of access and quality of education among low-income populations in poor countries is as difficult as it is worthwhile. Within often tight fiscal constraints, how can governments provide new programs that meet the needs of the poor? When parents are burdened, and their livelihoods affected, by the high cost of education, how can we alleviate this stress? How can we ensure that education curricula indeed prepare children and young adults for employment with opportunity for advancement, and not just drudgery and a generational cycle of poverty? How can we ensure young adults have the skills to succeed in fast-evolving work environments? What role should the public, private and third sectors play in increasing access? These are crucial questions to answer to let this “most powerful weapon” achieve its goal.

Progress has been made already, including under the umbrella of the Millennium Development Goals (MDGs), which have overseen an increase in primary education access to 91 percent (although short of Goal 2’s 2015 target of universal access), but much more needs to be done. Population growth in low-



income countries makes the demand for increased education access more important than ever before, notwithstanding piecemeal progress achieved under top-down programs such as the MDGs.

Governments naturally play an important role in addressing this. The philanthropic sector can boast many achievements too. But there is a practical need for private financial resources to support education access. Cost is a major barrier faced by students, parents and providers alike. Innovations that balance quality and quantity on the supply side with the demand-side requirements for education services will be crucial in addressing the challenges ahead.

The microfinance sector can play an important role in many ways here, through supporting families and students in managing their education-related financial needs, through providing financial services to educational providers, and supporting both through non-financial support, including training and capacity-building. To this end, the 7th European Microfinance Award invited applications from institutions that are innovating, experimenting, being bold or taking risks in this area.

Poor access to education can be addressed on the supply and demand side; through either financial or non-financial services. On the supply side, this means improving the financial capacity and efficiency of the

education system. Education Provider Loans (EPL) can give schools, vocational colleges and training centres the investment capital to address overcrowding, insufficient or outdated educational material, poor physical infrastructure, and other challenges that limit both school access and student educational attainment, including school drop-out.

Non-financial services can include capacity-building services aimed at increasing scale, depth, and quality of educational activities in schools and vocational training centres, such as teacher training, education and financial management training for school owners/entrepreneurs, curriculum development support or enhancing school safety standards.

On the demand side, barriers to school entry disproportionately impact the poorest children and youth, increasing their probability of never entering the education system or dropping out before completion. Education finance products can include education loans, for students and their families to pay for tuition fees, transportation, exam-related preparation expenses, or uniforms and other school materials. Dedicated savings products can absorb the shock of periodic household expenses related to school fees, uniforms, school material or books. Microinsurance products can be linked to education saving plans or loan products to cover school fees for children in



specific circumstances, such as the death or disability of a parent. Remittance programmes can encourage migrants to use remittances for educational purposes in the countries of origin, by providing subsidies in the form of matching funds, linking remittances with an education loan from an MFI, or simply providing a reliable means for family members to support a student at a far-off school.

And these are just the financial products and services. ‘Education to Employment’ services include vocational training or capacity development services for young people and unemployed adults, after which trainees are linked with employers for internships or apprenticeships, or offered start-up loans for their own businesses.

Much of these possible models involve partnership with education providers, employers, and local governments – allowing financial institutions to focus on their core competencies.

Eligibility Criteria

Eligible institutions were financial institutions in the financial inclusion sector with activities that enable access to education for children and/or skill-training for youth and adults to enhance their employment and self-employment opportunities.

Various types of institutions were eligible, including NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, and other institutions that directly serve retail clients.

The education programme had to be active and ongoing at the time of the application. Eligible institutions had to be based in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. In addition, every applicant had to be supported in writing by an e-MFP member.



Pre-Selection Phase

A Pre-Selection Committee composed of the e-MFP and InFiNe.lu Secretariats as well as the team of consultants supporting the Award selection process was set up. The applications were assessed at this stage to ensure that all preselected applicants fulfilled the eligibility criteria, had a sufficient financial and social performance and that the responses and strategies presented for the Award were meaningful and significant.

Selection Phase

A Selection Committee with 20 members composed of Ministry of Foreign and European Affairs, e-MFP and InFiNe.lu members selected the 10 semifinalists and, among them, the three finalists: Fundación Génesis Empresarial of Guatemala; Kashf Foundation of Pakistan; and Opportunity Bank Uganda Limited.

High Jury Phase

A High Jury composed of seven members and presided by Her Royal Highness the Grand Duchess of Luxembourg evaluated the three finalists and from them chose the winner.

Selection Process

The Award Selection Process was composed of three phases:

- A **Pre-Selection Phase** in which applicants were preselected on the basis of the eligibility criteria, a sound financial and social performance and the project presented for the Award;
- A **Selection Phase** where the preselected applicants were evaluated by the Award Selection Committee to select the semi-finalists and the 3 finalists; and
- A **Final Phase** in which the High Jury selected the winner from the three finalists; the winner was announced at the Award Ceremony at the EIB in Luxembourg.

7th European Microfinance Award Ceremony



Kashf Foundation was announced as the winner of the 7th European Microfinance Award by Her Royal Highness The Grand Duchess of Luxembourg at the ceremony at the European Investment Bank on 17th November 2016. Kashf was recognised for its support of low cost private schools in Pakistan with a dedicated credit product, coupled with teacher and school management training.

Beginning the ceremony, Werner Hoyer, President of the hosting European Investment Bank, welcomed everyone with a stark message – that on education, we have largely failed. The Millennium Development Goals finished in 2015 (to be replaced by their successor Sustainable Development Goals - SDGs) and missed the target of universal access. In 2013, 59 million children of primary age remained out of school worldwide. 1 in 5 had dropped out. 2 in 5 would never set foot in a school. The SDGs, he said, explicitly recognize that this gap must be closed. In 2013, there were 757 million people aged 15 and over unable to read or write – two thirds of them women. 1 in 10 girls were out of school (compared to 1 in 12 boys). The poorest quintile are four times more likely to be out of school than those in higher income bands. “Missing by such a large margin is a shame on us”, Hoyer said.



And it should be so obvious. “Education is the best investment; there is nothing in the world which benefits [people] more than additional years of schooling”. And Luxembourg is at the forefront of this, with various partnerships between the Government and UN bodies, and over €30 million in the Luxembourg Development Fund, earmarked for this.

Anthony Lake, Executive Director of UNICEF spoke via video message, and echoed Hoyer’s theme – that we know about the impact of education but we are not acting sufficiently on what we know. “Shockingly, 130 million illiterate children spend only up to 4 years in school. This means more poverty, an unequal playing field, perpetuating cycles of poverty and disadvantage, and fomenting civil unrest... we

cannot make a better world unless we invest in quality education - especially for the most disadvantaged... in low income countries, richer children get 18 times the public investment of poorer areas' children". More government investment, and more innovative investment, is needed, he said.

Moving films documenting the three finalists' education access programs were then shown, before Romain Schneider, Luxembourg's Minister for Development Cooperation and Humanitarian Affairs took the stage to detail the various work the ministry is doing. But, he argued, while Awards are important and excellence among the candidates should be recognised, we should not lose sight of who really we are focusing on. "We already have a winner tonight – the children and adults who have better access as a result of these projects, and those of all the other worthy applicants".

Table 1: Other Award Semi-finalists

Institution	Country
Cantilan Bank	Philippines
Crystal Microfinance	Georgia
FUNDAPEC	Dominican Republic
National Rural Support Programme	Pakistan
Procredit Bank Congo	DRC
Sinapi Aba Savings and Loans	Ghana
TrustCo Finance	Namibia

Minister Schneider welcomed Her Royal Highness The Grand Duchess on stage who described how she was honoured to be invited to again chair the High Jury, and how important the role of microfinance can be in driving education access. There remains much to be done in working to achieve the SDGs, she said, and that while enrolment has gone up globally, and illiteracy has declined, there are quality issues, including with the plethora of often-underfunded private schools around the world. "But I am confident that inclusive finance has the way forward, and education and microfinance is an important partnership for peace".

With the announcement of Kashf Foundation of Pakistan as the winner, Her Royal Highness invited the institution's Founder and Managing Director Ms. Roshaneh Zafar on stage to accept the Award. Ms. Zafar said that especially in Pakistan, with its entrenched cultural patriarchy, education can be a huge equaliser. A woman who is earning money is 45 times more likely to send her children to school, and education plays an enormous role in reducing the prevalence of forced and child marriages. So education access, especially for girls and young women, is a key part of the organisation's mission. Kashf has "a special commitment to ensure all women and girls have every opportunity to develop their innate potential...and become leaders of tomorrow". Edgardo Pérez, General Manager, Fundación Génesis Empresarial and John Robert Okware, Chief Relationship Officer, Opportunity Bank Uganda Limited then joined her on the stage to receive finalists' certificates.

Previous winner news

A video of the previous Award winner, Crédit Rural de Guinée, was shown to present how the prize money and exposure from winning the Award had translated into practice on the ground in the fight against, and recovery from, Ebola. The Award has played a major role in the recovery of the economy, the presentation claimed, with prize money going towards a National Solidarity Fund to help clients who were victims with cheaper credit. In addition the Award also gave worldwide recognition to CRG's valuable work.



KASHF FOUNDATION, PAKISTAN

Snapshot

In an environment where over half the state schools have no toilets and no water and 18 percent of teachers are absent every day, Kashf Foundation provides loans to low-cost private schools, along with pedagogical training for teachers to improve teaching practices and specialised school management courses for school owners to improve the school infrastructure and their financial and operational administration. Since 2014, Kashf has worked with 850 schools, serving over 150,000 students.



Type of intervention	Credit to low cost private school coupled with training and capacity building
Country	Pakistan
Year of establishment	1996
Legal status	NGO (Foundation)
Number of clients (2015)	246,912
Outstanding portfolio (2015)	€ 39,571,730
Average loan size	€ 161
Number of branches	183
Number of staff	2,061
e-MFP supporting member	Luxemburg Microfinance Development Fund (LMDF)
Website	www.kashf.org

Institutional Profile

Kashf Foundation (Kashf) was established in 1996 to provide microcredit facilities and other financial and non-financial services to bottom-of-the-pyramid households. It targets mostly women and aims at enhancing their incomes, savings, food security, and

improving access to health and education. It offers a range of products and services including micro-credit, micro-insurance (health and life insurance), micro-savings, financial education, business development services, and social advocacy interventions aiming at creating awareness about gender discrimination and social issues at the community level.



Context

With an average of 37 students per teacher, 18% of teachers absent every day, unsafe school environments, 58% of state schools without toilets, 64% without access to water, and 46% of students (class 5) not able to read, it is evident that there is an “education quality” issue in public education, mainly due to insufficient Government investment in the sector. In particular, there are 25 million out-of-school-children in Pakistan, two thirds being girls (girls’ enrolment rates are significantly lower than boys’). As a consequence, the number of private schools has substantially grown in Pakistan, with Low Cost Private Schools (LCPS) accounting for 30% of total school enrolments (2014). However, LCPS have weaknesses, especially related to the lack of appropriate teachers’ training as well as lack of access to finance for infrastructure investments.



LCPS can use the loans for different purposes, including basic infrastructure (new classrooms, toilets), maintenance and repair costs, or furniture and computer systems for students or resource materials for the schools.

Kashf launched KEFP in 2013 and piloted it in 10 schools in Lahore, before rolling it out in 4 additional districts of Pakistan. Currently, it is implemented in 162 out of the 187 branches of Kashf.

Education Intervention

“Kashf School Sarmaya” is Kashf Foundation’s low-cost private school program (hereafter referred to as Kashf Education Finance Program - KEFP). It is a holistic credit facility providing access to finance to LCPS as well as capacity building and training for teachers and school owners, and a training of trainers on Financial Education for Youth. With this program, Kashf aims to support low-cost private schools by helping them improve school infrastructure, teaching methods and school management skills.

The loan amounts range between USD 570 – USD 3,000 (the average loan size is about USD 900) and are repayable in either 12 or 18 months. In order to ensure the program caters to the more disadvantaged populations, the loan disbursement criteria includes selection of schools that are operating on less than PKR 1,200 (USD 10.4) class fees per month and with a minimum female enrolment of 40% (minimum 80 students) in the school. Schools below



the said female enrolment are encouraged to increase this ratio and reapply for the loan program.

The Pedagogy Training for teachers focuses on three main aspects: 1. Teaching (roles and responsibilities of a teacher, effect of teacher belief, values and attitude on teaching practices, lesson planning, students assessments and testing); 2. Classroom Environment (managing the classroom, classroom setting, using soft-boards to aid the learning process, and child friendly environment); 3. Child Psychology and Learning (learning styles, teaching styles to match learning, managing child behaviour and qualities of a good teacher).

The School Management Training for school owners focuses on: 1. Quality education (importance of having a school mission/vision; understanding data/reports generated on school quality); 2. School Environment (health, hygiene and safety); 3. Financial Practices (record keeping and managing school expenses; categorizing revenues; calculating profit; increasing profits while cutting costs); 4. Human Resources Management (hiring, firing and people management; incentivizing teachers; importance of team building); and 5. Marketing (how to better market schools to increase attendance).

Training generally consists of a 3-day session that can be delivered either on individual basis or in clusters of 2-3 schools (depending on the geographical location and school preference). All training material is translated to Urdu.

Kashf partners with several institutions. Collaborations are established with the Beaconhouse School System for the development of training content and the delivery of Training Of Trainers of Kashf educa-

tion team; Acumen provides finance to be on-lent to schools (50 million PKT), while Pakistan Poverty Alleviation Fund provides funding which gives Kashf access to funds for on-lending and to finance part of the capacity building component.

Institution Commitment Towards Education

Education objectives are part of the overall strategy of Kashf Foundation. Kashf has an ad hoc strategy for 2014-17 which provides an analysis of the education challenges in the context and guides the implementation of the education program. Specific operational targets include the following: Expand program outreach to 1,500 schools; Train 7,500 teachers and 3,000 school owners; Ensure delivery of KEFP's Financial Education for Youth module to 150,400 students; Measure school performance for every school completing a loan cycle, using the quality monitoring framework and questionnaire.

The school loans are embedded in the overall operations of Kashf and delivered by standard loan officers. However, a dedicated education team delivers the trainings and deals with the other activities specific to the education initiative. An education business unit, led by an education manager (directly reporting to the COO), has been created to manage the program. It has dedicated and specialised staff: one field coordinator and one data analysis and impact associate based in the head office, and 10 school development associates (SDAs) in the field. SDAs are responsible for training, quality monitoring and data collection; they conduct the quality monitoring visits every six months after the disbursement of the loan to assess improvements and outcomes, gathering information on indicators related to school quality and students' progresses. The staff involved in the education program receive both class as well as on the job training.

Intervention Impact

As of December 2015 there are 727 active school clients; 428 school loans were disbursed in 2015 (850 cumulatively). With its initiative, Kashf was able to reach more than 150,000 students out of which 75% are female students (77,000 students reached



in 2015). A majority of school owners are female entrepreneurs (77%); it is an institutional objective to maintain this ratio at no less than 70%.

Outcome analyses are conducted for all the schools that have completed a loan cycle with Kashf. Results from outcomes data for 55 schools that have completed their first loan cycle in KEFP: 69% of the schools have experienced an increase in enrolment (average increase of 37 students per school). The trainings have also had a good impact as evidenced through increase in schools using lesson plans (11%), increase in schools with library corners (15%), increase in schools using time-tables in class (11%), increase in schools that display children's work in class (7%), increase in schools with school mission and vision visibly displayed (27%), increase in schools with first aid boxes available (16%), increase in schools with an opinion/feedback box (24%) and increase in schools with visible emergency exits (29%). Internal studies also show that on aver-

age there is an increase in female enrolment by 10 female students per school.

Use of the Award

The Award will be used to keep investing in the Kashf Education Finance Program with the aim of further improving it. In particular to: 1. Improve the outcome monitoring and the baseline data mapping, thanks to an in-depth review of the school appraisal form and the provision of further training to the SDAs; 2. Revise and upgrade the existing training modules, to create more advanced modules for the schools that request a repeat loan with Kashf (to create incentive for the school to become a loyal client); 3. Developing new school training curricula for example on tolerance, conflict resolution, empathy and business planning.



FUNDACIÓN GÉNESIS EMPRESARIAL, GUATEMALA

Snapshot

With just 13 percent of young Guatemalans completing higher education, Fundación Génesis offers customised loans for university studies and post-secondary vocational training. These are provided to students from low-income families and are complemented with additional services, such as job-placement fairs, career mentoring, financial education and job placement via strategic partners. Since its launch in 2014, this innovative program has helped 685 students gain access to higher education that otherwise would have been unaffordable.



Type of intervention	Higher education finance
Country	Guatemala
Year of establishment	1988
Legal status	NGO
Number of clients (2015)	89,370
Outstanding portfolio	€ 72,424,572
Average loan size	€ 962
Number of branches	59
Number of staff	836
e-MFP supporting member	Luxemburg Microfinance and Development Fund (LMDF)
Website	www.genesisempresarial.org

Institutional Profile

Fundación Génesis (“Génesis”) was founded in 1988 to provide financial and nonfinancial services to rural community members and small business owners to help them achieve sustainable development,

accelerating the progress of Guatemala. Génesis offers loans, training and consulting, micro-insurance and fund transfer services, to a predominantly female and rural client base (as for December 2015 67% of clients are female and 87% rural, 54% indigenous).



Context

Guatemala suffers from a very high level of poverty (23.4% extreme poverty rate), with chronic malnutrition affecting 43% of children below the age of 5. This situation affects education enrolment and retention and has knock-on effects on children's potential throughout their lives. In 2014 statistics show that 15-year olds attend on average only 5.5 years of schooling, and that among them indigenous people are disadvantaged with 50% of them being illiterate. Also the rural population falls behind in terms of enrolment rates. In higher education, 87% of students are from urban areas and only 14% are indigenous. Indeed a barrier to higher education is cost, which is high and rising fast. This barrier could be weakened if low-income students had access to student loans.

Education Intervention

The intervention presented for the Award was the CREE Programme (Programa Crédito Educativo) that was piloted in 2012-2013 and launched in 2014. It offers education financing for higher education (university and technical studies) to students from low-income families, along with continuous career mentoring and orientation, financial education, academic counseling and monitoring, job fairs, and direct employment opportunities through strategic alliances in a few sectors. It can also finance equipment for starting a career after studies. As of 2015, the programme was offered in 40 of the 59 branches.

Based on the career path identified by the student and its financial costs, the CREE promoter visits the student's residence to help in filling out the necessary documentation and to define the loan amount needed to finance the studies. The credit is generally disbursed within 72 hours after the visit.



Loans can cover a great diversity of education-related expenses (school fees, books, health costs, transport, etc.). Students can pre-pay the loan at any moment without being charged penalties, thus reducing the cost of the loan.

Génesis has successfully built partnerships with 185 high education institutions (of which 13 are foreign and national universities). These partnerships enable Génesis to discount students' fees with upfront payments along with allowing marketing of the education product and enabling the collection of information about the students' academic performance, which improves monitoring of the program outcomes.

Génesis also organizes job-placement days, higher education and career orientation, and financial education for the students. It facilitates students' job placement through alliances with specialised institutions and other enterprises. In particular, Génesis has also established partnerships with a nursing education centre to provide jobs in national and private hospitals, and with English schools to provide jobs in call centres.

Génesis is also in the process of establishing a scheme to enable students to purchase equipment

for their technical careers at cheaper costs in order to optimize their study budget. In addition, for the rural areas, the institution is working on a project to enable students to use a computer with a television as a monitor so that, without an internet connection, students have access to encyclopedias, English language courses, and other materials.

To ensure that funding goes to sustainable career paths, the CREE program conducted a labour market study and developed a roster of careers in high demand. The result means that students who complete their studies can be expected to find employment and repay their loans.

Institutional Commitment Towards Education

The president of the Board of Directors (BoD) is the founder of two universities in Guatemala and the BoD is committed to education achievements. It was indeed under its request that Génesis started the collaboration with the Higher Education Finance Fund in 2011. HEFF provides Génesis with soft long-term loans and technical assistance supporting the institution on the development of the education loan



methodology, compiling market analysis, producing lending manuals, training materials and tools, digital marketing and building the capacity of Génesis' staff on how to provide student loans. HEFF also offers support for students with financial planning seminars, academic counselling, job planning and career guidance, and organization of job fairs.

A specific branch has been structured to run the CREE program, including physical space where students are provided with advisory support. The educa-

tion team has to date grown to 18 people, including 14 dedicated CREE promoters who physically meet with the students in their households. The education credit is embedded in the overall operations and is promoted also by the 282 Multiproduct Development Promoters. The CREE promoters undergo a standard training which comprises the commercialization of the education product and dealing with students, through e-learning courses, tests, and direct face-to-face trainings.

When monitoring the programme implementation, the institution tracks not only financial indicators but also the student's academic performance.

Intervention Impact

The programme reached 318 students in 2015 and 685 cumulatively. In total 803 loans were disbursed in 2015, and 1621 cumulatively (the MFI used to account subsequent loan disbursements to the same student as new loans which accounts for the difference between the number of students and loans).

A plurality (43%) of students served by CREE live in Guatemala City, 51% are women, 19% come from rural areas, and 5% are below the poverty line based on the PPI tool. 86% have seen an increase in their income, 87% found a job in less than 5 months, 62% found a job in the sector they were trained in, 69% used the whole loan and 79% finished their studies in time.

Thanks to the support of HEFF on digital technologies, Génesis recently started to use an App developed by Harvard University (KoBo Toolbox) which allows the institution to access each students' profile and receive their concerns and needs, and thus better define strategies to provide students with adequate academic or financial assistance.



OPPORTUNITY BANK UGANDA LIMITED

Snapshot

Facing an underfunded public education system and with only 25 percent of children completing primary school, Opportunity Bank Uganda Limited helps children stay in school by extending loans to their parents to cover school fees, providing savings and insurance to families to build a safety net for their children's education, and giving credit to low-cost private schools to cover cash-flow and other financing needs – along with professional development and a school support network to facilitate exchanges for school owners. Since 2012, Opportunity's education programme helped 315,000 students.



Type of intervention	Education finance for schools and families
Country	Uganda
Year of establishment	1995
Legal status	Non-Bank Financial Institution
Number of clients (2015)	154,568 (28,147 borrowers)
Outstanding portfolio	€ 10,888,103
Average loan size	€ 359
Number of branches	19
Number of staff	365
e-MFP supporting member	Credit Suisse
Website	www.opportunitybank.co.ug

Institutional Profile

Started in 1995 as Faulu Uganda by Food for the Hungry International (FHI), Opportunity Bank Uganda Limited (OBUL) became a member of the Opportunity Transformational Inc (OTI) in 2006. In December 2008, Opportunity Bank Uganda Limited acquired a

Tier 2 Financial Institutions license from Bank of Uganda to operate as a regulated credit institution able to offer a wider range of financial services, including micro and SME loans, savings and insurance products and payment services to micro-entrepreneurs and small businesses in urban, peri-urban and rural environments. In October 2016, OTI sold



the majority of their stake to the Luxembourg FinTech MyBucks. OBUL serves its clientele through a network of 19 branches spread across nearly all the regions of Uganda.

Context

The introduction of a Universal Primary and Secondary Education policy in Uganda has seen a stark increase in school enrolment rates nationally, particularly in primary school (94%). However education challenges persist, with very high dropout rates resulting in 25% completion rate for children in primary education, a very low (24%) enrolment rate in secondary schools mainly due to households' lack of financial resources. The number of girls enrolled drops as children progress through Uganda's education system. Social and household factors contribute heavily to the lack of gender parity, as do the infrastructure and social challenges in school (girls are marginalized in the classroom, gender-separated toilets and dorms are not readily available, etc.).

Even with relatively high levels of government investment in education (3.2% of GDP), the public education system remains underfunded which results in insufficient infrastructure, personnel and sustainable financing. As a result, the country sees high and growing enrolment rates in private schools (13% in primary and 51% in secondary schools), with Low Cost Private Schools playing an important role in expanding the access to and quality of education in Uganda.

Education Intervention

OBUL's Education Programme is designed to respond to major issues preventing access to formal education at pre-primary, primary and secondary levels in Uganda. This programme is implemented as part of the Opportunity International Education Finance programme, which was established in 2007 to further access to quality education through micro-finance institutions. At OBUL, the education finance program was piloted from 2008 to 2011 and was



fully rolled out in 2012. Currently, it is offered in all 19 branches.

The core products offered under the education program are the School Improvement Loans (SIL) targeting affordable low cost private schools and School Fee Loans (SFL) targeting parents and families unable to pay the full cost of education.

The School Improvement Loans (SIL) supports school proprietors to smooth cash flows and invest in making improvements in the learning environment. The SIL offers a wide range of loan amounts from USD 1,000 to USD 75,000 (average loan is about USD 12,000), and charges an interest rate of 24-26% (on declining basis) with associated fees totaling 1.8-2.3%. The SIL product is coupled with the following non-financial services:

- School Leadership Professional Development trainings, targeting proprietors in schools receiving the SIL to learn better ways to manage and operate high-quality schools. The topics range from effective teaching and learning strategies to school governance, leadership, budgeting, development planning, enhancing child protection, and managing community relationships. They are free of additional charges (except for the interest rate and commissions paid on the loan).

- School Clusters (Self Improving School System) recently started where 5-15 schools gather to interact and learn from each other, in a community of joint practice development for quality improvement.

School Fee Loans (SFL) is aimed to prevent absenteeism and ensure parents send children to school without eroding their assets. SFL can be delivered under the individual or group methodology, the average loan amount is about USD 184 and clients are charged an interest rate of 26-27%, (either flat or declining balance), with 2-3.1% total fees.

Other education finance products offered are:

- EduSave: savings for education purposes plus insurance for parents' death or illness to ensure children can continue to study. The built-in insurance comes with no additional costs and comes into effect automatically when parents save up to a certain level. At that point the child's education cost coverage is ensured at a rate of 5 to 10 times the parent's account balance.
- Child & Youth Savings Accounts targeting children in schools to overcome barriers to education completion. This service is coupled with the provision of financial education to students.



OBUL partners with several education specialized networks and support entities such as: 1. PEDN (Private Education Development Network), supporting OBUL on financial education delivery to participating schools; 2. AFLATOUN, overseeing the curriculum associated with the delivery of Child and Youth Financial Education; 3. Friends Consult, an evaluation partner, supporting with field-level analysis of client feedback; 4. Insight Consulting, supporting OBUL on school managers' training; 5. Opportunity International providing funds and technical assistance and DFID which is financing the overall Girls' Education Challenge (GEC) Program (see section below).

Institution Commitment Towards Education

Commitment to education objectives at OBUL is proved by ensuring that a minimum of 20% of the outstanding portfolio is dedicated to education finance loan products. The Board of Directors (BoD) supports the education program and is committed to increase this proportion up to 30%.

OBUL education program has dedicated staff: an Education Manager (plus an Assistant Manager) has been appointed for all education-related operations at OBUL and he directly responds to the Chief Relationship Officer. The dedicated team also includes: 1 Monitoring and Evaluation Officer working 50% time to collect feedback from clients about quality of services, 9 dedicated Relationship Officers supporting the education finance loan products, and 9 Marketing Officers whose focus is on mobilization of Child

Savings Accounts and EduSave savings-plus insurance accounts. Moreover, other 33 standard relationship officers are currently involved in the delivery of education finance.

Staff involved in the education initiative is mainly trained by the Education Finance Manager and by Opportunity International EduFinance Regional Officers, which are in turn trained by external specialised education partners, such as AFLATOUN.

Intervention Impact

135 schools were financed through the School Improvement Loans (SIL) in 2015 (496 cumulatively), while 10,914 School Fee Loans (SFL) were disbursed in the same year (47,693 cumulatively). 3,513 Child and Youth saving accounts were opened in 2015 (5099 cumulatively), 498 school owners were trained in 2015.

OBUL estimates a total outreach of 67,000 students in 2015 and 315,000 students since the start of the programme in 2012. Special attention is given to gender issues through the Girls' Education Challenge (GEC) program whose mission is to help address both supply and demand factors affecting girls' education. Specific objectives of the program are to increase improvements in learning and retention of girls in primary and secondary education. 37% of the schools financed by OBUL's Education Programme are managed by women and loans are often directed to enhance the school environment for girls (separated toilet, dormitory, etc.).

The School Fee Loan has assisted parents in paying upfront for school fees at the beginning of the term, reducing (by 13%) students' absenteeism, which in turn resulted in increased learning outcomes (13% increase in literacy scores from standardized testing). Improvements in the learning environment facilitated by the SFL have led to improved literacy scores (by 60%), and to increased enrollment (by 17% in secondary schools), with girls' enrollment increasing by 25% over "control" schools.



European Microfinance Platform

The European Microfinance Platform (e-MFP) is the leading network of European organisations and individuals active in the microfinance/financial inclusion sector in developing countries. Now in its tenth year, it has grown to 130 members from all geographic regions and specialisations of the European microfinance community, including consultants & support service providers, investors, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

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OF THE GRAND DUCHY OF LUXEMBOURG
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