



## Strategic Partnerships for Higher Education Innovation and Reform

# WIDENING ACCESS TO TERTIARY EDUCATION THROUGH AFFORDABLE FINANCE – THE LENDING FOR EDUCATION IN AFRICA PARTNERSHIP

The lack of access to quality tertiary education is a significant and growing challenge in Sub-Saharan Africa, where enrolment rates for young people are far below those in developed economies. This critical challenge is exacerbated by an acute student financing gap whereby commercial loans are out of reach for most low- and middle-income students and scholarships are only available for a small group of the highest academic performers. This financing gap offers a compelling opportunity to advance social mobility and economic development by addressing the ‘missing middle’ of tertiary education finance, particularly in light of the strong return on investment delivered by each additional year of higher education for an individual’s earning potential.

Part of the Strategic Partnerships for Higher Education Innovation and Reform (SPHEIR) programme, the Lending for Education in Africa Partnership (LEAP) is a first-of-its kind partnership which has established a social lending fund providing affordable student finance to young people from low- and middle-income backgrounds in Kenya who cannot fully cover the cost of their education through conventional loans, bursaries, scholarships or other means. In addition to direct financial support, the initiative delivers services to support students in their transition into the world of work.

### LEAP’s offer to its Fellows consists of:



Affordable student loan to cover tuition and living costs



Financial literacy training



Career readiness support



Collaborative peer-to-peer network and alumni community

### SPHEIR programme management



Central to LEAP’s proposition is the revolving nature of its social lending fund, whereby loan repayments from LEAP’s students – or ‘Fellows’ – are redeployed for future cohorts. At the same time, LEAP leverages concessionary funding by raising additional private sector impact funding as it proves its business model.

## Key achievements

### Establishment of a first-of-its-kind student lending model.

LEAP was able to successfully build and operationalise an innovative social lending fund in Kenya from scratch and transition its management to a Kenyan entity within the lifetime of the SPHEIR programme. LEAP adapted its original plans in response to the operating environment – including working through a Kenyan financial technology, or fintech, firm called Pezesha rather than a bank to disburse its loans and adjusting loan management processes over time as the team learned more about the optimum approach to engaging with students. LEAP has partnered with five Kenyan universities and six technical and vocational education and training (TVET) institutions to create a diversified portfolio and has secured over £3.5 million of external investment to support its future sustainability.

### Provision of equitable access for Kenyan students.

As of December 2021, LEAP had provided an affordable loan to 913 Fellows and 82% of these students were from the bottom three wealth quintiles in Kenya, demonstrating LEAP's success in reaching financially disadvantaged young people. The equity performance of the LEAP portfolio significantly outstrips the benchmark for post-secondary education overall in Kenya, where only 27% of students come from the bottom three wealth quintiles.<sup>1</sup> Nearly half of LEAP Fellows are the first in their family to attend tertiary education, which is important because children whose parents completed at least secondary school are ten times more likely to attend university in Kenya than those whose parents did not<sup>2</sup> and investment in higher education is a powerful lever for upward socio-economic mobility, with a return on investment of over 20% from each additional year of higher education completed. LEAP loans are being effectively targeted at need, with 81% of Fellows reporting that without their<sup>3</sup> LEAP loan they would not have been able to finance their studies and 20% indicating that they have previously discontinued or deferred their studies for financial reasons.

### Design of fit-for-purpose student support programme.

LEAP developed tailored support services for its Fellows to improve their readiness for the job market and build their ability to manage their loans and wider finances. Developed in partnership with the African Management Institute, LEAP's online career readiness training helps students to prepare for their careers during their last 18 months

of study. All LEAP Fellows are offered virtual training sessions, a career readiness newsletter, town halls, and other networking opportunities. Additionally, LEAP provides financial literacy training via SMS through a provider called Patascore to facilitate access for all students. Fellows average an increase of 20 percentage points from pre- to post-training. *"From the financial literacy trainings I've received, I am able to manage my finances well. I now prepare a monthly budget, make savings goals, repay my interest on time, and manage my priorities better."* LEAP Fellow. LEAP has also established an increasingly Fellow-led peer-to-peer and alumni community, with chapters of LEAP Fellows at participating institutions and connections made between current students and recent graduates to create a support network.

### Scalable and flexible student offer.

LEAP successfully shifted its career readiness and financial literacy offer to an online environment in response to the campus closures in Kenya that resulted from Covid-19. This enabled LEAP students to continue accessing the training during the pandemic. The new online offer also allowed LEAP to test a scalable and cost-effective training model as it seeks to scale up its portfolio.

### Paying attention to gender.

LEAP employs a gender-sensitive approach across all stages of its loan process and programmatic support in order to intentionally facilitate greater access for young women into tertiary education, as well as providing the necessary support to enable their academic and professional success. LEAP's focus on supporting those studying programmes with strong employment prospects has created a portfolio of Fellows from health sciences, engineering, ICT, and accounting and actuarial science courses. As a result of the uneven enrolment on these programmes by gender, around 28% of LEAP Fellows are female. LEAP is addressing this through new partnerships with programmes with high female enrolment rates such as nursing, as well as through targeted outreach and marketing to specifically target female applicants.

<sup>1</sup> Data taken from the World Bank's Edstats database using data collected during the 2014 Demographic and Health Survey. Gross Enrolment Rate (GER) for quintile 1 is 1.5% and 20% for quintile 5.

<sup>2</sup> World Bank, Darvas et al, Sharing Higher Education's Promise beyond the Few in Sub-Saharan Africa (2017).

<sup>3</sup> The private rate of return to higher education worldwide is estimated at 15% for each additional year of education, with even higher returns in low- and middle-income countries. According to most recent data, the return on investment from each additional year of higher education in Kenya is 22%. World Bank, Montenegro, Claudio and Patrinos, Harry, Comparable Estimates of Returns to Schooling Around the World (2014). Note that private returns to education are typically defined as the estimated proportional increase in an individual's labour market earnings from each additional year of schooling completed.

## LEAP in numbers

913 students in Kenya received an affordable loan from LEAP to start or continue their studies

82% of LEAP Fellows are from the bottom three wealth quintiles in Kenya and

61% are from households where neither parent or guardian is formally employed

Almost 50% of LEAP Fellows are the first in their family to progress to tertiary education

93% of surveyed students report that LEAP's financial literacy training has helped them to manage their finances better

LEAP has secured over £3.5 million of external investment in its social lending fund

## Lessons learned

### Adapting the offer

- Building in processes for students to provide formal and informal feedback has enabled LEAP to be more responsive and effective. For instance, student feedback was pivotal in the selection of a financial literacy training provider and has led to an increased provision of student-led community sessions. This tailoring is essential to ensure that the student support services provided by LEAP add value to its Fellows.

### Employability of students

- To help students transition successfully into the job market, it is important that LEAP's selection criteria for study programmes are aligned with market demand and that the training and support provided by the programme help to make students more employable.
- Building relationships with a diverse spectrum of employers is important but engaging individual employers is time-intensive and often too narrowly focused so LEAP also works with employment accelerators to provide its students with direct support to connect to the job market.

### Training students on soft skills

- Ensuring that students take ownership of their learning – by teaching them soft skills such as time management – is a critical part of the training that prepares them to enter the world of work.
- LEAP has found that a blended approach is more effective for career readiness support, whereas the delivery of financial literacy training can be completely virtual. Blended and online approaches enable the initiative to deliver at scale and in a cost-effective way.

### Meeting market demand

- To ensure LEAP supported students whose qualifications are in demand in the job market, it expanded its scope to TVET institutions with shorter study programmes and lower tuition fees and whose graduates – in fields such as health sciences – are in high demand in the Kenyan economy. This also creates an opportunity to extend access to an often even more financially disadvantaged student population.

### Value of strategic partnerships

- Creating partnerships with organisations which are already working with low- and middle-income students enabled the project to efficiently reach high-achieving but financially needy students.

### Balancing social impact and credit risk

- LEAP's model is driven by social impact but relies on becoming a revolving fund where repayments from students provide future affordable finance for others. This means that the initiative has to find the right balance between targeting financially disadvantaged students and managing the overall credit risk in the LEAP loan portfolio. On an individual level, LEAP has refined its processes over time to ensure that low-income students are not overburdened with debt if they are likely to face high financial pressures from their family and extended network when they secure employment.

### Importance of patient capital

- For education initiatives where outcomes take time to materialise, it is critical to have patient capital from funders who are motivated by impact. For LEAP, the grant and first loss funding offered by SPHEIR enabled it to demonstrate proof of concept and has lowered the credit risk for future investors, supporting LEAP's sustainability.

## Sustainability and scalability potential

The LEAP initiative was always intended to continue beyond the lifetime of the SPHEIR programme, which provided the initial seed funding to set up the LEAP fund, through the development of a revolving fund for student loans where income from student repayments is recycled to fund further lending and additional funding is raised from a blend of concessionary sources and private sector impact investors.

- LEAP has already secured over £3.5 million of external investment from a mix of private sector impact investors and grant funders to sustain the fund, leveraging the catalytic contribution of first loss funding from the UK's Foreign, Commonwealth, and Development Office (FCDO) up to four times.
- LEAP has secured further first loss funding from Swiss Development Cooperation which, alongside the SPHEIR first loss funds, can be leveraged to further de-risk the portfolio and attract new investment.
- As an indication of interest in its model, LEAP is undertaking a pilot with Moringa School and the Busara Center for Behavioural Sciences, funded by the MasterCard Foundation, with the goal of determining the best financing products for different profiles of students at Moringa. LEAP is offering a range of tailored loan products to 42 Moringa students taking Core Data Science and Software Development courses. A research study on this pilot conducted by Busara Center has been published.

- LEAP's model of a context-specific, self-sustaining fund for student lending which covers student, programme and institutional selection, tailored loan mechanisms, student support services, and academic, peer-to-peer and psychosocial support has the potential to be adapted to other markets where there is demand for tertiary education financing to support financially disadvantaged students.
- There is broader potential for LEAP to share learning around its approach to career readiness support and financial literacy training for students given the critical need to build pathways to employability for graduates in Kenya and across the region.

## Partners

LEAP is managed by a dedicated team at the LEAP Programme (Kenya). The SPHEIR project was led by Volta Capital (UK), which continues to provide impact and performance management support. LEAP works in collaboration with a suite of educational, operational, and strategic partners including 11 universities and TVET institutes in Kenya, the Kenyan fintech Pezesha, the African Management Initiative (AMI), Patascore, and strategic partners the Mandela Institute for Development Studies – MINDS (South Africa), InHive (UK), Equity Group Foundation (Kenya), and Lundin Foundation (Canada).



### Find out more

[Visit the LEAP website.](#)

[Visit the LEAP profile on the SPHEIR website.](#)

# STRATEGIC PARTNERSHIPS FOR HIGHER EDUCATION INNOVATION AND REFORM (SPHEIR)

Transforming the quality, relevance, scale, access and affordability of higher education in low-income countries

8 partnerships

58 organisations

16 countries

## About SPHEIR

Strong higher education systems are key for accelerating development, building inclusive societies and promoting sustainable economic growth. SPHEIR was a UK Aid programme (2016-2022) supporting change in higher education to better meet the needs of students, employers and society in focus countries in Sub-Saharan Africa, Asia and the Middle East.

The programme was managed by a consortium of organisations, led by the British Council in association with PricewaterhouseCoopers and Universities UK International.

## SPHEIR's transformational impact

**Quality** – In Sierra Leone, a National Qualification Framework for Tertiary Education set new quality standards for higher education institutions. Across East Africa, a new quality review tool was applied in **21 universities** to improve institutional blended learning capacity.

**Relevance** – In Somaliland and Sierra Leone, **13 degree programmes** were redesigned with contextualised content and practice-based learning. In Tanzania and Uganda, four universities are engaging public and private sector representatives through new Joint Advisory Groups.

**Scale** – **4,470** academic and support staff were trained in curriculum design, student-centred and gender-responsive pedagogy, assessment, blended learning and distance

## The SPHEIR approach

Mutually beneficial partnerships brought together different types of organisations – including higher education institutions, authorities and associations, civil society and private sector organisations – to design and deliver innovative solutions to higher education challenges by focusing on transformative change at individual, institutional and sector-wide levels.

education. Over **77,600** students benefitted directly from SPHEIR, including 12,400 from Myanmar who accessed online courses.

**Access** – More than **12,500** students in Lebanon and Jordan accessed study tracks and bespoke short courses with a further **1.1 million learners worldwide** enrolled online.

**Affordability** – **913** students in Kenya received an affordable loan to start or continue university, of whom **82%** were from the bottom three wealth quintiles and nearly half were the first in their family to progress to tertiary education.

## SPHEIR partnerships

**AQHEd-SL:** Assuring Quality Higher Education in Sierra Leone

**PADILEIA:** Partnership for Digital Learning and Increased Access in Lebanon and Jordan

**PEBL:** Partnership for Enhanced and Blended Learning in Kenya, Rwanda, Tanzania and Uganda

**PedaL:** Pedagogical Leadership in Africa in Ghana, Kenya, Nigeria, Tanzania and Uganda

**PfP:** Prepared for Practice in Somaliland

**LEAP:** The Lending for Education in Africa Partnership in Kenya

**TESCEA:** Transforming Employability for Social Change in East Africa in Tanzania and Uganda

**TIDE:** Transformation by Innovation in Distance Education in Myanmar