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Education Researchers Respond to The COVID-19 Pandemic

Research Report

Theme 12:

Innovative finance for education during and after COVID-19

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Standard Bank tutuwa COMMUNITY FOUNDATION

JET EDUCATION SERVICES

Executive summary

The funding needs in the education sector, both during and after the pandemic, far surpass the government's ability to pay for them. This is coupled with an already strained and inefficient system which has prioritised access over quality and equity for the last few decades. The fault lines are showing in the poor and unevenly distributed learning outcomes, even in comparison with less resourced countries. There is a need to increase both the quantum of capital in the short term and the effectiveness of that spend in the long term.

Innovative finance is one of a growing set of tools and strategies that are being developed to harness private capital to address the United Nations (UN) Sustainable Development Goals (SDGs). Governments are supporting these private markets to grow as it is within their best interests to do so. These methods are mobilising additional resources from traditional and non-traditional sources, increasing the effectiveness, efficiency and equity of current funding, stimulating innovation in delivery, and maintaining the education policy profile during the health crisis.

Current critical needs in the basic education and post-secondary education and training (PSET) sub-sectors include enhanced health and safety; and centralised and distributed high- and/or low-tech at-home learning modalities. Longer-term needs during the recovery phase follow pre-COVID-19 priorities in terms of infrastructure and ICT as well as clear learning goals, such as improved literacy and numeracy, and improved teacher capacity.

The current funding flows of ±R350bn come predominantly from the public purse, although the 15% from official development assistance (ODA) is a reasonable amount. It far exceeds that from the donor community, which is made up of mainly corporate foundations who contributed ±5Rbn in 2019. The global/local impact investment community has been slow to invest, with between 1–5% of SDG-aligned investment going into the sector.

This report makes the case for (i) a coherent policy approach by establishing an Innovative Finance Unit; (ii) increasing investment in public schools through establishing a development bank, issuing education bonds and creating a comprehensive ICT funding strategy; and (iii) harnessing the skill and capacity of non-state actors by driving performance-based funding, accelerating growth of the impact investing market and forming high-value collaborations between the public and private sector.

Finally, we make a set of clear recommendations that can be explored further.

1. Address short-term health and safety funding requirements using a COVID-19 bond or loan structure. This solution can be used if government requires bridging finance or short-term liquidity.
2. Create a portfolio of social or education bonds to address long-term infrastructure and ICT requirements according to policy commitments. This will be required as budgets are slashed and the cost of government borrowing increases.
3. Centralise learning through broadcasting over the course of this full school year. This can be done through TV, radio and the distribution of printed materials for the purposes of supporting catch-up

and in case of further lockdown, and can be funded through strategic local and international corporate partnerships.

4. Develop a comprehensive financing solution for the roll-out of an ICT end-to-end solution where investment terms are conditional on learning outcomes. A phased approach will be required based on capacity development at every level, and which enables strategic evaluation and course correction.
5. Use non-governmental organisations (NGOs) and social enterprises (SEs) as incubators for the public sector system and not just as delivery partners. They bring flexibility, innovation and additional funding streams which can be harnessed to align with long-term public sector objectives. Support them in the short term by extending flexible funding terms and speeding up deployment. Support them in the long term through three-year, conditional, flexible contracting terms and by using policy levers to enhance non-traditional investment.
6. Capitalise on momentum in the market to build a Foundation Phase literacy and numeracy outcomes fund. Initial market scoping has ratified the use case for programmes, such as the Early Grade Reading Study (EGRS), the Primary School Reading Improvement Programme (PSRIP) and Funda Wande, that require capital to scale.
7. Explore collaborative models to test and support alternative pathways to initial teacher education. Use Teacher Internship Collaboration South Africa (TICZA) as an operational example on which to design future public–private collaborations which can be instigated and/or led by the Department of Basic Education (DBE)/Department of Higher Education (DHET) to address other key issues.
8. Fund accelerated skills development programmes for sectors with high absorption capacity for first-time job market entrants using collaborative funding models where risk is shared between the public and corporate sectors.
9. Establish an Innovative Finance Unit or partnerships in the market to institutionalise learnings and guide future developments. Build capacity in government to attract alternative and results-driven forms of funding.

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
ASISA	Association of Savings and Investment South Arica
AUM	assets under management
BRICS	Brazil, Russia, India, China and South Africa
CBI	Climate Bonds Initiative
CET	community education and training
CSI	corporate social investment
DAC	Development Assistance Committee
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DEL	Department of Employment and Labour
DFI	development finance institution
DFID	Department for International Development (UK)
DHET	Department of Higher Education and Training
DSI	Department of Science and Innovation
ECD	early childhood development
EGRS	Early Grade Reading Study
EPWP	Expanded Public Works Programme
ESG	environmental, social and governance
FSCA	Financial Sector Conduct Authority
GIIN	Global Impact Investing Network
GPE	Global Partnership for Education
GRIA	Global Reporting Initiative
GSG	Global Steering Group for Impact Investment
HEI	higher education institution
IADB	Inter-American Development Bank
ICMA	International Capital Markets Association
ICT	information and communications technology
IBWG	Impact Bond Working Group
IISA	Impact Investing South Africa
IPASA	Independent Philanthropy Association of South Africa
ISFAP	Ikusasa Student Financial Aid Programme
JSE	Johannesburg Stock Exchange
LMIC	low and middle income country
M&E	monitoring and evaluation
MDB	multilateral development bank
MTEF	medium-term expenditure framework
NASCEE	National Association for Social Change Entities
NECT	National Education Collaboration Trust

NGO	non-governmental organisation
NPO	non-profit organisation
NSFAS	National Student Funding Aid Scheme
OBC	outcomes-based contracting
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PE	private equity
PPP	public–private partnership
PSET	post-secondary education and training
R4D	Results for Development
RBF	results-based financing
REIPP	Renewable Energy Independent Power Producers Programme
RESEP	Research on Socio-Economic Policy, University of Stellenbosch
SABC	South African Broadcasting Authority
SDGs	Sustainable Development Goals
SE	social enterprise
SETA	sector education and training authority
SME	small and medium sized enterprises
SMME	small, medium and micro-enterprise
TICZA	Teacher Internship Collaboration South Africa
TVET	technical and vocational education and training
UNDP	United Nations Development Programme
Unesco	United Nations Educational, Scientific and Cultural Organization
Unicef	United Nations Children's Fund
Unisa	University of South Africa
VC	venture capital
WASH	water, sanitation and hygiene

A. Innovative finance

What is innovative finance?

Innovative financing is an approach to funding organisations, businesses and projects that optimises positive social, environmental and financial impact. It uses all available commercial and philanthropic financial tools to support the growth of these initiatives, and when existing tools do not work, it creates new ones. This is done in order to improve developmental results by making funds go further and by raising funds from new sources. These mechanisms are designed to complement traditional local and international resource flows.

Most countries in the world, including South Africa, have signed up to the 2015 United nations (UN) Sustainable Development Goals (SDGs). To date, 193 countries have ratified that agenda whilst at the same time realising that traditional government and philanthropic sources are insufficient to deliver results at the scale required. Thus, in the same year, the Addis Ababa Action Agenda committed those same countries to developing innovative financing plans that would include both public and private sector investors.

The COVID-19 pandemic has created an urgency for the development and use of these mechanisms. It is imperative we bring all our collective complementary and supplementary resources to bear on this crisis and the period to follow. Even more so than before, they will be required to (i) mobilise additional resources; (ii) increase effectiveness of funding; (Iii) increase innovation in delivery; and (iv) maintain the education policy profile during the health crisis.

Table 1: Investment strategies and types within this family of approaches

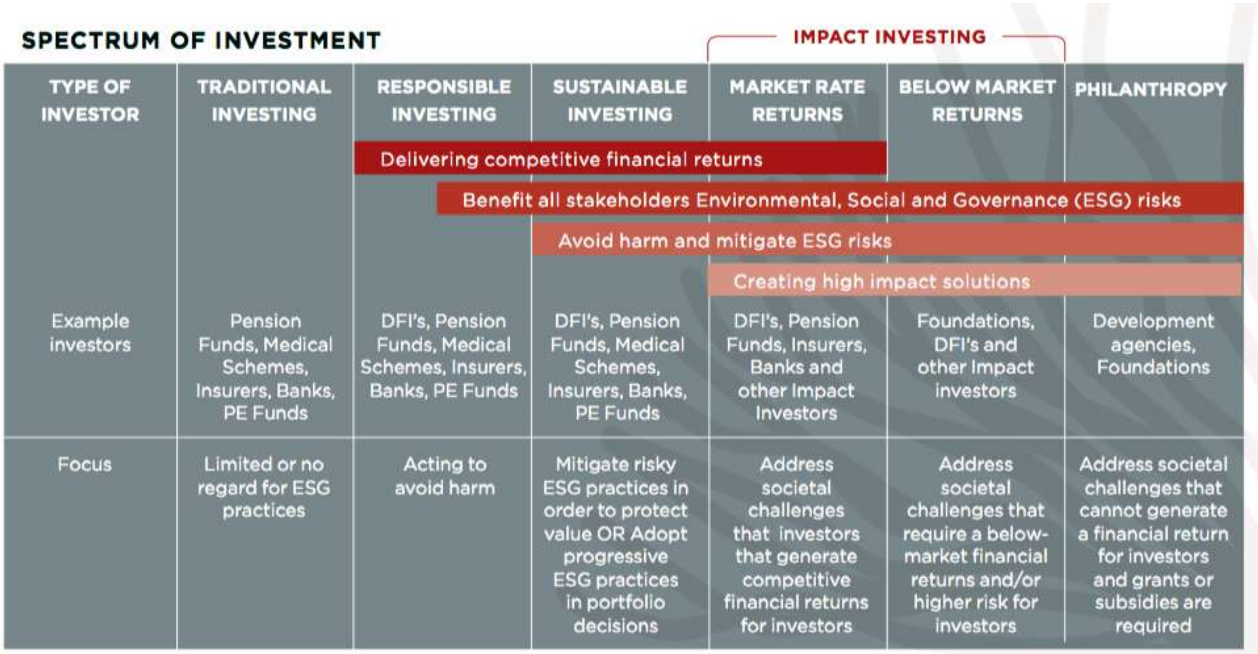
Term	Definition	Source
Innovative finance	Innovative financing is an approach to funding organisations, businesses and projects that optimises positive social, environmental and financial impact. It uses all available commercial and philanthropic financial tools to support the growth of these initiatives, and when existing tools do not work, it creates new ones. This is done in order to improve developmental results by making funds go further and raising funds from new sources. These mechanisms are designed to complement traditional local and international resource flows.	UCT GSB Bertha Centre
	Non-traditional applications of solidarity, public–private partnerships (PPPs), and catalytic mechanisms that (i) support fund raising by tapping new sources and engaging investors beyond the financial dimension of transactions as partners and stakeholders in development; or (ii) deliver financial solutions to development problems on the ground.	World Bank
	Mechanisms of raising funds or stimulating actions in support of international development that go beyond traditional spending approaches by either the official or private sectors, such as: (i) new	Organisation for Economic Co-operation

Term	Definition	Source
	approaches for pooling private and public revenue streams to scale up or develop activities for the benefit of partner countries; (ii) new revenue streams (e.g. a new tax, charge, fee, bond raising, sale proceed or voluntary contribution scheme) earmarked to developmental activities on a multi-year basis; or (iii) new incentives (financial guarantees, corporate social responsibility or other rewards or recognition) to address market failures or scale up ongoing developmental activities.	and Development (OECD)
Impact investing	Investment seeking a financial return ranging from commercial to sub-commercial, with the intention of creating social or environmental impact and a commitment on behalf of the investor to measure that impact. It is an investment strategy rather than an asset class. The core characteristics and baseline expectations include (i) demonstrate intentionality; (ii) use evidence and impact data in investment design; (iii) manage impact performance; and (iv) contribute to the growth of the industry.	Global Impact Investing Network (GIIN)
Responsible/ sustainable investing	Responsible investment is a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership. Sustainable finance encompasses financial models, services, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the SDGs and climate resilience.	National Treasury, FSCA, UNPRI, GRIA, ASISA
Environmental, social and governance (ESG)	A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls, and shareholder rights.	Global Steering Group for Impact Investment (GSG)
Catalytic investment	Catalytic capital is investment capital that is patient, risk-tolerant, concessionary and flexible in ways that differ from conventional investment. It is an essential tool to bridge capital gaps and achieve breadth and depth of impact while complementing conventional investing.	Catalytic Capital Consortium
Concessionary finance	Concessionary finance is investment that offers more generous terms than market rate debt or equity These terms may be lower interest rates, a longer pay-back period, or grace periods.	OECD
Blended finance	Blended finance is a structuring approach that allows organisations	Convergence

Term	Definition	Source
	with different objectives to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend of both). The main investment barriers for private investors addressed by blended finance are (i) high perceived and real risk; and (ii) poor returns for the risk relative to comparable investments.	
Patient capital	Patient capital is long-term capital where the investor is willing to make a financial investment in a business with no expectation of turning a quick profit. Instead, the investor is willing to forgo an immediate return in anticipation of more substantial financial or social returns down the road.	Acumen
SDG investment	Private sector allocation of capital towards advancing the SDGs and related targets, including (i) acting to avoid harm to the SDGs; (ii) benefiting stakeholders in relation to the SDGs; and (iii) contributing to solutions to the SDGs.	United Nations Development Programme (UNDP)

Investors and donors generally expect a certain level of financial and social return on their investment, which is represented across this spectrum. With impact investment, there is not an automatic tradeoff between financial and social return, as demonstrated below.

Table 2: Spectrum of investment



Why do we need innovative finance?

Experience would suggest that simply advocating for increased resources based on a financing gap analysis has not been and will not be effective. We should rather think differently about traditional and non-traditional funding sources.

1. Mobilise additional resources to address financing gaps:
    - Increase amount of funding from traditional sources
        - This includes public sector sources, ODA and private donors.
    - Attract funding and investment from non-traditional sources
        - This includes commercially and philanthropically orientated private investors that require a social as well as a financial return on their investment
        - These types of investors include foundations, high net worth individuals, development finance institutions (DFIs), fund managers (private equity/venture capital alternative debt), asset managers, pension funds, insurance companies, etc.
        - Investment tends to be selective and reflects a shift of support to market-based solutions.
    - Build collaborative funding models to enhance resource flows to key priority areas
        - Governments, donors and private investors are increasingly cooperating to deliver against the same set of objectives through formal and informal arrangements
        - Reduce fragmentation of funding which has tended to inhibit good quality, systemic programmes from reaching critical mass.
2. Increase effectiveness, efficiency and equity of current funding:
    - Use limited amounts of grant and concessionary funding in a catalytic manner to address specific market failures and leverage more risk-averse capital.
    - Use conditional funding mechanisms judiciously to create laser focus on performance and accountability as well as to attract large individual and country donors who want to pay for results.
    - Focus on quality and equity, not just access.
3. Stimulate innovation:
    - Build market infrastructure to institutionalise learning and practice associated with use of innovative finance.
    - Use new technologies and availability of data to improve and streamline programme delivery and funding flows.
    - Maintain alignment with domestic strategy and learning outcomes whilst allowing flexibility in delivery models.
4. Maintain the education policy profile and the momentum of improvement in education despite focus on health crisis.

B. Education funding needs during and after the COVID-19 crisis

Most government responses around the world have been to close schools during general lockdown periods, affecting up to 70% of the world's student population. This has resulted in interrupted learning, poor nutrition, gaps in childcare, increase in domestic violence and financially distressed families. In these and other developed countries some learning has been possible for the majority of the population via online or televised means, albeit at a reduced rate. There are some reports that developing countries are fast-tracking high- and low-tech programmes to enable children to learn at home[1] . In South Africa there is likely to be virtually no curricular learning taking place in the poorest 80% of households because of lack of access to hardware, equipped parental support and data.

There is thus a learning imperative to re-open both schools (especially for younger children as evidence suggests that they are both less likely to contract or transmit the disease) and universities. The value of this policy choice has been thoroughly explored by the Research on Socio-Economic Policy (RESEP) team at the University of Stellenbosch, concluding that "South Africa's choice to re-open schools is in-keeping with a number of other countries that have far greater COVID-19 outbreaks and some with shorter lockdown periods", including China, Denmark, Israel, Finland, France, Germany, Japan and the Netherlands[2] .

Any short- and long-term response would need to take into account the varying levels of access, quality and equity across the existing system. From the ability of households to facilitate home learning through to improving reading outcomes in the lowest school quintile, these factors will influence both emerging policy and concomitant resource allocation.

Table 3: Access, success and equality in basic education and PSET sub-sectors

	Basic education	Post-secondary education and training (PSET)
Access	25 574 state schools Enrolment 96% 77% of pupils are in no-fee schools 1 856 independent schools	Improved over last 10 years HEI enrolment: ± 1m TVET college enrolment 700k 18% participation rate
Success	Poor performance on regional and international benchmarking tests including SACMEQ, PIRLS and TIMSS	HEI ±53% throughput after 5 years TVET ±10% throughput after 6 years

[1] https://en.unesco.org/covid19/educationresponse/nationalresponses
[2] https://nicspaull.files.wordpress.com/2020/05/spaull-2020-schooling-policy-brief-10-may-2020.pdf

Equality	Learners split: 25% well performing to 75% poor performing. Factors causing split include race, fees, school-status, province and quintile, e.g. 3% of high schools produce 50% of Maths distinctions.	50% of white population and 16% of black and coloured population accessing PSET

Funding needs during the crisis[3]

Basic education

Public sector

There is no publicly available needs analysis that has been released around additional funding requirements, although there is recognition that this is a moving target. Although 90% of the budget sits in the provinces, the Department of Basic Education (DBE) is looking to coordinate the broader strategy centrally.

The current policy of the DBE is to phase in the resumption of school grades, trim the curriculum and reduce holidays to enable the academic year to finish within the calendar year. This policy may be revised depending on how the disease spreads and needs to be controlled. The costs associated with ccurriculum review and trimming will be borne by the DBE under their usual budget. The main cost drivers in the current schooling system will remain the same.

Additional costs would include those associated with health and safety, some of which would be covered by other departments. These include (i) COVID-19 essentials (basic sanitation and hygiene package); (ii) water and sanitation (mobile facilities to replace pit latrines); (iii) cleaners (Expanded Public Works Programme [EPWP]); (iv) screeners (EPWP); (v) additional teaching posts to deal with overcrowding (no class should have more than 40 learners); (vi) additional substitute posts to replace staff due to long illness; (vii) provision of mobile classrooms to deal with overcrowding as temporary measure; and (viii) incubation camps for progressed and weaker learners.

Nutrition is a key area where funding is allocated but where access has been hampered. This may be resolved in future lockdowns either through the grant system or through distribution by NGOs who are integrally involved in the scheme.

Existing plans to digitise may be ramped up and rolled out earlier than planned. There is no additional budget allocation just an intention to expediate the roll-out depending on provincially controlled plans.

Some centralised TV/radio learning materials have been made available although perhaps not fully communicated to parents in the race to shut down. These will continue to be useful but inadequate

[3] This includes immediate needs during periodic lockdown periods as well as the resulting catch-up/recovery phase over the course of 2020. Since the pandemic may last until a vaccine becomes available into 2021, we can consider that similar needs may arise next year.

throughout the year and include public and private offerings. These can and should be expanded to include more grades, subjects and languages.

- **Public:** The DBE has partnered with the SABC (TV/radio) to bring lessons to Grades R and Grade 10–12, covering ±5% of curriculum broadcast on SABC TV; access to resources (past papers) on the DBE website and Gauteng Education Platform[4] .
- **Private:** eTV, DStv and mainstream and community radio channels[5] ; electronic readers, made available on different platforms by the cell phone companies MTN, Telkom and Cell-C; free access to Siyavula Maths and Science support, in partnership with MTN; free access to Vodacom Virtual Classroom, Vodacom e-School[6] , Vodacom Digital Classroom and Za.ixl.com[7] ; DStv partnership includes Mindset on channel 318, which will carry most grades except Grade 4–9, and a pop-up channel on 317 that will carry content for Grade 4–9[8] .

In addition, a focus will be given to lower tech solutions including the distribution of printed material (both for use by children daily tasks and to guide parents in supporting their children)[9] . WhatsApp is widely used and thus mobile phones could present a viable form of communicating with families, but data costs would prohibit more active use. WhatsApp Photos could be used to distribute worksheets and instructions for parents if it is not possible to distribute printed material.

Psychosocial support which includes bereavement support will be needed.

Additional security is needed as nearly 1 000 schools have been vandalised since the start of lockdown with administration blocks and laboratories targeted, and ICT equipment has been stolen as well as food. Schools in hotspots need to be protected through law enforcement.

There is potential for savings to be made as they arise from operational efficiencies during lockdown, for example savings can be made on virtual vs in-person convening such as HEDCOM meetings. Ultimately those savings could be re-directed to cover some additional expenses.

Private sector (mainly NGOs)

Just like any small and medium-sized enterprise (SME) affected by the crisis, NGOs require cashflow to pay operational expenses and are making similar cuts in salary bills, etc. Unlike SMEs however, most funding for NGOs comes from government and donors, not from the clients or beneficiaries themselves, thus most funding has been allocated in advance and predicated on the delivery of certain activities and outputs.

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[4] https://education.gauteng.gov.za/Pages/index.aspx
[5] Mvumvu Z. (2020, 25 March). Classroom and Easter services will come to your TV during lockdown. *Times Live*. Available at: https://www.timeslive.co.za/news/south-africa/2020-03-25-classroom-and-easter-services-will-come-to-your-tv-during-lockdown/
[6] ttps://www.vodacom.co.za/vodacom/services/vodacom-e-school
[7] https://za.ixl.com/
[8] https://www.dstv.co.za/whats-on/news/articles/mindset-network-launches-new-primary-school-pop-up-channel/
[9] Theme 1

According to a study[10] of 89 education NGOs, ±25% have shut down, and ±45% have significantly reduced activity whilst developing ways to reach beneficiaries through online means. This is partly due to social distancing regulations as most are in-contact services, but it is also largely due to funding constraints which are likely to have a lasting effect, as has been seen in previous crises.

For the duration of the crisis, grant funding is and will likely continue to move from education into health; school fees have dried up; government temporary employer relief scheme (TERS) support has been slow to materialise; funders are hesitant to allocate new or follow-on funding; and existing commitments have been reduced or cancelled. This is in line with what is happening elsewhere even in developed countries such as the UK, where 60% of non-profit organisations (NPOs) are cutting down on staff, 86% are trimming operations and 37% indicated that they could not survive longer than six months without additional funding[11] . Thus, as was the case in the previous financial crisis, there is a high likelihood that significant numbers of education NGOs will not be able to survive the current pandemic.

Post-school education and training (PSET)

The Department of Higher Education and Training (DHET) is predominantly relying on the fact that they will also be able to make up time in the academic year by reducing holiday periods. More so than basic education, higher education lends itself to online delivery. Yet the distribution of resources across institutions is patchy and unequal. The DHET is in the process of conducting a needs analysis around online access which is not available at present. This report does not detail any other needs such as student housing, additional personal costs and the opportunity costs associated with a reduction in research output.

Of the three sub-sectors (i) CET are not equipped to go online; (ii) 20% of technical and vocational education and training (TVET) colleges have the capability of going online; and (iii) online capabilities in higher education institutions (HEIs) are largely split along previously advantaged vs disadvantaged university lines. Even the larger and wealthier institutions such as the University of the Witwatersrand, the University of Pretoria, Stellenbosch University and the University of Cape Town cannot cover all elements for all courses in all faculties. But these universities are certainly doing more to provide content as well as hardware and data for students who do not have access in their own homes.

Ongoing funding needs[12]

Ongoing funding needs have to take into account access, quality and equity[13] . Some commentators are calling 2020 a lost year for learners and students. Regardless of how we fair during the current crisis, we will face the same problems we had going into it and will need to continue to address those systematically.

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[10] Theme 2
[11] https://blogs.claconnect.com/nonprofitinnovation/financial-leadership-in-the-face-of-impossible-choices/
[12] This would encompass existing needs in the system coupled with the likelihood of the need for remediation to deal with potentially 12–18 months of interrupted learning
[13] The term equity is used instead of equality, recognising that if we are to achieve equitable outcomes, we need to move to a pro-poor policy of funding.

Access

Without minimising the importance of the range of resources required to improve quality, the report focuses on access to **information and communications technology (ICT) and infrastructure.**

ICT services are of paramount importance to achieving the objectives of South Africa's educational National Development Goals for 2030[14] . The digitisation strategy that is being developed is not sufficiently developed to be rolled out at speed, and there is a danger of prioritising access over a comprehensive, complementary e-learning framework. The plan as of last year was to do so over the coming five years. **Strategy and policy has been defined to some degree in the 2004 e-Education white paper and 2015 Operation Phakisa**[15] **work, but implementation is limited, progress is slow** and teacher professional development is inadequate; the huge amount of content is un-curated; hardware and bandwidth is limited and unequally concentrated across provinces and quintiles; security is inadequate; and management and integration is poor. A National Education Collaboration Trust (NECT) report states that "ICT is relevant within education as a means of supporting a process of teaching and learning, and is best employed in support of a value creation process. It is not a focus in itself", **and recommends a phased approach to implementation detailed in the report, focusing on capacity development and not learner performance**[16] **.** The critical success factors identified in the NECT report apply to the effectiveness of this learning aid during a crisis as much as it does in a long-term, well-planned strategy. In addition, the government is right to be wary of rushed private sector partnerships in this space as companies use cheap or free products as loss leaders before tying the public system into lengthy and expensive contracts.

Table 4: Summary of best practices and critical success factors for an effective ICT eco-system

National and provincial • Provide leadership and facilitate integration. • Leadership, vision, clear objectives, accountability, a strategy for ICT integration in support of pedagogy, a strategy for integrated teacher development, policy to ensure technology and content choices that are relevant to the context, enablement of other levels.
Province and district • Create an enabling environment. • Capacity for support and enablement (teachers, technology, operations); community engagement; facilitate communities of practice.
School management, teachers, projects • Create an enabling environment, learn and apply, integrate with the context.

[14] National Development Plan 2030, Chapter Nine: Improving education, training and innovation

[15] Operation Phakisa is an initiative of the South African government. This initiative was designed to fast track the implementation of solutions on critical development issues. This is a unique initiative to address issues highlighted in the National Development Plan (NDP) 2030 such as poverty, unemployment and inequality.

[16] https://nect.org.za/publications/technical-reports/the-state-of-ict-in-education-in-south-africa/view

• Create an enabling environment (systems, practices, scope for training); participate in appropriate professional development; learn from each other; develop and integrate context-specific, transferrable and affordable solutions; engage the community.
All levels of the educational system • Ensure alignment. • Ensure alignment from strategy through implementation. Align external stakeholders and ensure integration with the system before transfer of projects or programmes. • Also, recognise that different activities need to happen at different levels. Ensure that the right things are happening at the right places, in line with where the skills, scope and decision–making authority reside. For example, policies need to be developed and implemented to ensure that solutions are cognisant of the local realities; this needs to happen at the provincial rather than the national level. Furthermore, policies to ensure consistent standards need to be developed at national level, not provincial level.

The New Growth Path (2011) and National Development Plan (2013) call for significant spend on infrastructure, and the Presidential Infrastructure Coordinating Commission is currently overseeing the implementation of these policies. There is a 10-year, R700bn pipeline that needs to be addressed. To add to the R5.6bn backlog in education infrastructure, we would now need to replace or repair the 1 000 schools vandalised during the lockdown period.

Quality

Unesco, Unicef and the UNDP have developed guidelines and policies including the SDGs that shift focus from access to quality. The SDGs do not only talk about access such as "all girls and boys completing primary school" or "participation in post-secondary learning in low-income countries to near levels seen today in high-income countries". They also refer to quality in objectives such as "all 10-year-olds having functional literacy and numeracy" and "the proportion of girls and boys achieving secondary-level skills in low-income countries to reach current levels in high-income countries".

Some improvements in the basic education system have been documented by the RESEP team at the University of Stellenbosch since 1994[17], but progress has stalled. According to the same research team, in 2016[18], the binding constraints identified in system which fall into a category of either lack of accountability or capacity include (i) weak institutional functionality; (ii) undue union influence; (iii) weak teacher content knowledge and pedagogical skill; and (iv) wasted learning time and insufficient opportunity to learn. **They go on to conclude that the most damaging result of these constraints is that >60% of learners cannot read for meaning by the end of Grade 3 and this hampers them from reading to learn any other subject matter**. The resulting recommended strategy is multipronged but focused on initial and ongoing teacher education where accountability and capacity go hand in hand.

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[17] Van der Berg S & Gustafsson M. (2019). Educational outcomes in post-apartheid South Africa: Signs of progress despite great inequality. In N. Spaull and J Jansen (Eds.), *South African schooling: The enigma of inequality.* Springer.
[18] http://resep.sun.ac.za/wp-content/uploads/2016/05/PSPPD_BICiE-email.pdf

The DBE's current priorities have been articulated a number of times over the past 18 months, including in several high-profile addresses by the President. Arguably, their clearest expression was given by Minister Motshekga in her speech to the Ninth National Congress of the South African Democratic Teachers' Union on 26 September 2019[19], in which she detailed 11 foci to strengthen the sector and improve outcomes.

- Priority 1: Improve the foundational skills of literacy and numeracy, especially "Reading for meaning".
- Priority 2: Immediate implementation of a curriculum focusing on skills and competencies for a changing world, which must take into account the disruption caused by the 4th Industrial Revolution (4IR) as well as the introduction of entrepreneurship and schools of specialisation or focus schools.
- Priority 3: Collaborate with the DHET to equip teachers with skills and knowledge to teach literacy and numeracy.
- Priority 4: Deal decisively with quality and efficiency through the implementation of standardised assessments to reduce failure, repetition and dropout rates.
- Priority 5: Eliminate the digital divide by ensuring that within six years all schools and education offices have access to internet and free data.
- Priority 6: Urgent implementation of the two years of early childhood development (ECD) before Grade 1; and the systematic function shift of the responsibility for ECD from the Department of Social Development to the DBE.
- Priority 7: Decolonisation of basic education through the teaching and promotion of African languages, South African and African history and national symbols to all learners up to Grade 12.
- Priority 8: Cooperate with the South African Police Services and the Department of Health, as well as Sport, Arts and Culture, to teach and promote school safety, health and social cohesion.
- Priority 9: Complete an integrated Infrastructure Development Plan, informed by infrastructure delivery and regular, resourced maintenance.
- Priority 10: Increase the safety-net through pro-poor policies to cover learners who are deserving in programmes such as ECD and learners with special education needs (LSEN).
- Priority 11: Strengthen partnerships with all stakeholders including the private sector, and promote integrated governance, intergovernmental relations and labour peace.

Equity

Eighty percent of the basic education budget is pro-rich in seven out of nine provinces[20]. **Policies that address both pro-poor personnel (biggest cost driver) admissions and quotas could go part way to addressing this imbalance.** Increased resources to 60% of the poorest schools have not translated into

[19] https://www.sadtu.org.za/content/speech-minister-basic-education-mrs-angie-motshekga-mp-delivered-9th-sadtu-national-0

[20] Van der Berg S & Gustafsson M. (2019). Educational outcomes in post-apartheid South Africa: Signs of progress despite great inequality. In N. Spaull and J Jansen (Eds.), *South African schooling: The enigma of inequality.* Springer.

improved results, but there is no clear indication of whether these additional resources were business as usual or **targeted resources**. Growing bodies of evidence would suggest that the latter can indeed improve learnings outcomes. For example, the estimated budget to roll out promising programmes such as the Early Grade Reading Study (EGRS) to address this particular issue are approximately R1.3bn per annum, which represents 0.5% of the basic education budget.

C. Current funding structure and flows

Funds currently come from voted funds, official development assistance (ODA) and private donations and investment. Voted funds are increasing as the population increases but are not achieving the commensurate learnings outcomes. ODA is reducing, which results in a reduction of catalytic funding to test innovative delivery models and enact system improvements. Private donor funding is likely to decrease in the medium term as funding is rerouted to the health response, and private investors are likely to be more risk averse and project specific. Thus, the quantum of funding is reducing per learner/student overall, and the mix of funding is potentially tipping towards the more traditional.

Public sector voted funds

Domestic funding is by far the most important source funding for education and will continue to be the driving force in ensuring access and quality of education across subsectors. Basic education is a concurrent function, which means it is jointly funded by the National DBE and the provincial departments of education. PSET is a national function and is therefore exclusively funded by the DHET.

Although government expenditure has grown, the per learner rate has decreased. Total government expenditure has grown at an average annual rate of 6.9% – below the growth of PSET (16.6%), basic education (7.2%) and ECD (11.5%). This implies that education's proportion of public expenditure has not only been protected, but has actually increased over the last four years. This is however somewhat misleading as, for example in basic education, the per learner rate has been decreasing over the last seven years, predominantly seen in the increase in classroom size from an average of 41 to 48 learners per class in 60% of the poorest schools. South Africa also spends a smaller percentage GDP than all neighbouring countries on education – South Africa (5.9%), Botswana (9.6%), Lesotho (11.4%), Mozambique (6.5%), Namibia (8.3%) and Zimbabwe (7.5%).

Spending has not resulted in sufficient learning outcomes, which is due to both quantum effectiveness and prioritisation of spend. There is a weak positive relationship between spending per student and educational attainment, with huge variability as some countries spend more and achieve less. There is a growing recognition that particular interventions that fix particular problems are not enough and that more attention to systemic reform is urgently needed in a number of areas, including education system management, teacher training and support, and accountability.

Recently R130bn has shifted between departments towards health and social development to deal with the immediate crisis, making accessing a range of funding more important than ever as **education is removed from the priority list of public expenditure**. It is unclear whether the DBE and DHET will need to contribute to this, in which case their own budgets will decrease. This R130bn is in addition to R500bn which will be coming from the fiscus[21].

Government does not have the mechanisms to deploy funding quickly whilst ensuring the effectiveness and accountability of spend. The medium-term expenditure framework governs the disbursement funding in three-year cycles. Although this is generally a suitable planning cycle, it does not cater for an emergency response. Thus any significant changes take a long time to enact, especially outside of usual policy processes.

Table 5: Government expenditure on education[22]

Department	R billions (audited outcome)			Adjusted appropriation
	2015/16	2016/17	2017/18	2018/19
Higher education and training	57.1	64.4	68.6	90.4
% of total government expenditure	4.4%	4.7%	4.7%	5.7%
Basic education	202.1	216.3	230.7	249.0
% of total government expenditure	15.5%	15.7%	15.7%	15.7%
Early childhood development	2.2	2.4	2.7	3.0
% of total government expenditure	0.17%	0.18%	0.19%	0.19%
Education	**261.4**	**283.1**	**302.1**	**342.5**
% of total government expenditure	**19.9%**	**20.4%**	**20.3%**	**21.3%**

Official development assistance (ODA)

ODA, channelled by the National Treasury's International Development Cooperation unit (NT: IDC) in the Treasury, from bilateral government cooperation into the fiscus, is reducing. Some countries have "out-phased" bilateral support to South Africa and continue to provide support directly to the private and civil society organisation/NGO sectors. So, where South Africa received about 0.1% of its GDP in grants during the years between 2007–2010, the country now receives less grant funding to the public sector. This follows an international trend, with global ODA/private donations dropping from 13 to 10% since 2002, and multilateral contributions dropping from 10 to 7%.

ODA is used for innovation, catalytic interventions, pilots, etc. in South Africa. It should not be used as a gap-filler/supplementing operational and general public sector responsibilities (e.g. pay for public sector wage bill; general IT infrastructure). The NT: IDC is in the process of setting up an infrastructure technical

[21] https://mg.co.za/article/2020-04-24-covid-19-economic-relief-package-gets-a-r800-billion-boost/

[22] National Treasury. (2019a). Consolidated Expenditure. Available from: www. vulekamali.gov.za
National Treasury. (2019b). Estimate of National Expenditure. [Online] Available from: www. vulekamali.gov.za
National Treasury. (2019c). Estimates of Provincial Expenditure. [Online] Available from: www. vulekamali.gov.za

assistance facility, supporting the National Industrial Participation Programme (NIPP)?, planning and providing quality research/project preparation.

The majority of funding has and will go to health. The bulk of the donor support from bilateral partners has historically been towards the social sectors – health receiving most support from donors towards HIV/Aids. This is likely to continue to be the case for the foreseeable future as additional funds are re-directed.

Although funding processes have been shortened during COVID-19, they are still too long and funding is rather being channelled directly via partner organisations to the frontline. The process of securing funding can take anytime between 12–25 months, from negotiating the funds up to financing agreement sign-off/implementation start. For COVID-19 emergency funding, the process has been shortened significantly.

The emphasis in education is currently on youth employability programmes with some going to teacher development. The last big budget support programme from the most prolific funder, the European Union, ended last year (Primary Education Sector Support Programme – PrimEd [DBE] to the value of €122m or R1.2bn). Other of the latest investments include (i) European Union – Education for Employability programme: €30m (DBE, DHET and DEL); (ii) Teaching and Learning Development Sector Reform Contract: €26m (DHET); (iii) Germany – Promotion of Vocational Education and Training: €8.25m (DHET); (iv) Skills Development for a Green Economy programme: €9m; and (v) Digital Skills for Jobs and Income: €9.6m.

Table 6: Total ODA to South Africa by sectors in millions of current US dollars

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health	43.7	19.3	80.2	57.8	92.7	34.5	93.6	98.8	123.9
Reproductive health STDs and HIV	569.0	569.4	586.4	609.0	565.2	603.2	343.5	472.1	531.6
Education	74.1	110.6	98.9	94.5	52.6	44.7	86.9	51.5	60.7
Economic infrastructure	92.3	77.7	237.8	51.1	187.4	313.8	563.0	427.6	192.0
Production	27.1	49.0	31.6	49.2	35.7	31.9	31.1	20.2	19.2
Multi sector	285.9	235.6	403.1	316.8	431.3	273.6	339.7	164.2	156.4
Other	12.8	16.2	29.6	80.8	90.8	16.7	87.5	79.9	54.1

Private local donors

There is a reasonably sized influx of donor funding in education from local foundations in the form of corporate social investment (CSI). Trialogue's annual research specifies that CSI spend in 2019 was estimated at R10.2bn, representing a real increase of 5% compared to the 2018 investment of R9.7bn. Education was the most supported cause, supported by most companies, and received 50% (approximately

R5.1bn). Health received about 7% (approximately R700k). The three top contributing sectors were retail and wholesale, mining and quarrying, and financial services[23] .

That funding quantum is likely to decrease in the short and medium term. According to Broad-based Black Economic Empowerment (B-BBEE) regulations, the quantum of funding is dependent on 1% net profit after tax (NPAT), which will decrease significantly in the ensuing global recession. The three top sectors are going to be among the hardest hit. Already anecdotally, we are seeing donors rerouting funding to frontline health initiatives. Thus, the quantum of funding available for education will likely decrease.

Table 7: Public and philanthropic funders in the education sector

Type	Outcomes funder	Basic education work	Foundation Phase work
Corporate social investment (CSI)	FNB	Yes	Yes
	Hollard	Yes	Yes
	Nedbank Eyethu Community Trust	Yes	Yes
	Old Mutual Foundation	Yes	No
	Standard Bank Tutuwa Foundation	Yes	Yes
	Allan Gray Orbis Foundation	Yes	No
	Sanlam	Yes	Yes
Grant managers (Intermediaries)	Tshikululu Social Investments (grant manager)	Yes	Yes
	Trialogue	Yes	Yes
Foundation	Citadel Philanthropy Foundation	Yes	Yes
	Zenex Foundation	Yes	Yes
Government	National DBE	Yes	Yes
	Provincial departments of education	Yes	Yes
	Education, Training and Development Practices Sector Education and Training Authority (EDTP SETA)	Yes	Yes
International agency	Unicef	Yes	Yes
	USAID	Yes	Yes
	DFID	Yes	Yes
Trust	ApexHi Charitable Trust	Yes	Yes
	DG Murray Trust	Yes	Yes

[23] https://trialogue.co.za/publications/businessinsociety-handbook-2019/

Private investment

There has been a global move to harness private sector investment for public good. Capital has traditionally been agnostic to the positive or negative impact on people and planet, but this has resulted in widescale environmental degradation and inequality. The principles that have developed to govern this type of behaviour are starting to mainstream, with 25% of the global assets under management (AUM) currently being screened for sustainability practices and a subset being allocated to specifically address issues associated with the UN SDGs. South Africa is no different, as fund managers, asset managers, asset owners, banks, high net worth individuals and foundations look to align their entire portfolio, and not just their CSI or philanthropic spending, to ensure optimal financial and social impact.

Although momentum is growing, private capital is still risk averse and relatively niche. The characteristics defining education investment specifically have tended to make it difficult to create a business case, especially with investors who have short-term profit motivations. For instance, it is not easy linking inputs to outcomes – the investment timeframe is long, the public sector is by far the biggest actor especially in basic education, and performance metrics are complex, unlike in areas such as health. Nevertheless, there is a substantial amount of impact-seeking capital looking for a home and people are finding ways to funnel it into both public and private sector education initiatives.

Table 8: Self-described impact funds in South Africa

Abrazo Capital	Grovest Venture Capital Company (Pty) Ltd
Adinah Capital Partners	Growth Capital Partners
African Infrastructure Investment Managers (South Africa) (Pty) Ltd	Harith General Partners
Agis Investments (Pty) Ltd	IDF Managers
Agri-Vie	Imbewu Capital Partners
Anchor Asset management	Inspired Evolution Investment Management (Pty) Ltd
AngelHub Ventures	International Housing Solutions (Pty) Ltd
Ata Capital (Pty) Ltd	Investec Asset Management – Africa Private Equity Fund
Anuva Investments (Pty) Ltd	Jarvie Group (Pty) Ltd
Aveng	Kagiso Tiso Holdings (Pty) Ltd (KTH)
I-cubed capital	Ke Nako Capital (Pty) Ltd
Broadreach	Kleoss Capital
Engeli Venture Capital Limited	Knife Capital
Smart Capital Limited	KZN Growth Fund
Gateway Capital	Leaf Capital
KZN Venture Capital Fund (Pty) Ltd	Makalani Management Company (Pty) Ltd
Kingson Capital (Pty) Ltd	Medu Capital
LinkMakers Capital (Founded 2016)	Musa Capital Fund Managers (Pty)Ltd
Lucid Ventures	Nedbank Capital Private Equity

Nesa Venture Capital Investments (Pty) Ltd	Nisela Capital
Open Window Growth Partners (Pty) Ltd	Novare Equity Partners
Athena Capital	PAEAN Private Equity (Proprietary) Limited
Inqo	Pan-African Private Equity Fund Managers (Pty) Ltd
Bopa Moruo Private Equity Fund Managers	Pembani Remgro Infrastructure Managers (Pty) Ltd
Business Partners	RH Managers
Cadiz	RMB (Ventures)
Capital Eye Fund Managers	RMB Corvest
Carlyle	Sampada Private Equity
Cartesian Capital	Sanari Capital (Pty) Ltd
Citizen Entrepreneurial Development Agency (CEDA)	Sasfin Private Equity Fund Managers (Pty) Ltd
Coast2Coast Investments	Senatla Capital
Collins Private Equity Holdings	South Suez Capital Limited
Comanco Community Growth Funds	Spear Capital
Convergence Partners	Sphere Private Equity
Coreshares	STANLIB
Development Partners International (DPI)	Tamela Holdings (Pty) Ltd
Ecsponent	TANA Africa Capital Managers (Pty) Ltd
eleQtra (ISSIF) LLP (Excl South Africa)	Third Way Investment Partners (TWIP)
Emerging Capital Partners (ECP)	Takura Capital
Emira Property Fund	TriVest
Enablis Financial Corporation SA (Pty) Ltd	UFF
GAIA Fund Managers (Pty) Ltd (Website blocked by UCT)	Utho Capital (Pty) Ltd
Global Capital	Vantage Risk Capital
Global Environment Fund	WDB Investment Holdings
Grofin	Zico Capital (Pty) Ltd

D. Innovative finance toolbox

Table 9: Variety of innovative finance mechanisms

Innovative finance instruments	Source
• Education venture fund • Debt conversion development bonds • Diaspora bonds • Travellers savings for bond development	Task Force on Innovative Financing for Education[24]

[24] https://www.leadinggroup.org/IMG/pdf/5-_Innovative_financing_for_Education_-_Moving_Forward-3.pdf

Innovative finance instruments	Source
• Public–private partnerships • Private fund raising • Micro-donations from individuals	
Levy-based fund: • FIFA soccer levy • World Cup Legacy Fund • Teacher union in developed country levy International mobilisation: • Tax on international financial transactions • Linking climate change financing to education • Remittance levy for schools • Diaspora bonds • Debt swaps for education • Buying down IDA debt for education • Endowment fund funded by sovereign wealth fund Domestic mobilisation: • Cost-recovery and cost-sharing schemes for tertiary education • Public–private partnerships, e.g. NGOs, voucher schemes for non-state providers, academies • Parent-funded tutoring • Bond financing for higher education • Bond financing for municipal education related infrastructure Improve international resource effectiveness: • Improve Education for All Fast-Track Initiative • Support children in conflict zones • Cash on delivery (COD) aid Improve domestic resource effectiveness: • Conditional cash transfers • Education venture fund	Results for Development[25]
Public sector innovation: • Frontloading or smoothing aid • Global taxes or solidarity levies • Result-based financing or aid (e.g. debt buy-downs, performance-based funding)	CABRI[26]

[25] https://www.yumpu.com/en/document/read/28090196/innovative-financing-for-education-burnett-berminghampdf

[26] https://www.cabri-sbo.org/en/publications/ensuring-value-for-money-in-education-innovative-financing-for-education

Innovative finance instruments	Source
Private sector innovation: • Blended value investing (e.g. impact investments) • Cap-and-trade, and other markets for environmental services • Catastrophe risk management and other insurance mechanisms • Co-payments and input subsidies • Guarantees to reduce risk of commercial investors • Research and development (R&D) incentive mechanisms • Voluntary solidarity contribution Case studies: • Innovative finance from an international donor: COD • Innovative finance from an impact investor (equity finance): The education venture fund • Innovative finance from an impact investor (debt finance): Indian School Finance Company • Innovative finance from a philanthropic organisation: The 2010 FIFA World Cup • Legacy trust • Innovative finance from the diaspora community: Diaspora bonds • Innovative finance for schools: Low-cost private education • Innovative finance for families and students: The use of vouchers in Columbia • Innovative finance for teachers: Pay-for-performance in OECD countries	
• Global taxation • Debt contract securitisation for bonds • Social impact bonds/development impact bonds • Debt swaps • IDA-buy-downs debt conversion development bonds • Advance market commitments • Impact investing • Blended instruments • Microfinance and insurance • Global Education Investment Bank	Open Society Foundations[27]
• World Bank's Program-for-Results (P4R)	Brookings (2015)

[27] https://www.opensocietyfoundations.org/uploads/02f45170-5869-4ae7-ac58-5a0feb72acfa/innovative-financing-global-education-20140106_0.pdf

Innovative finance instruments	Source
• Norway–World Bank Results in Education for All Children (REACH) programme • DFID Girls' Education Challenge programme • Global Partnership for Education (GPE)	
• Global Financing Facility for Education (GFFE) • Outcomes-based financing • Education bonds • Loan buy-downs • Innovations in student financing • Risk financing • Social impact investment • Global solidarity levy for education • Harnessing remittances • Catalysing the school/provider financing market	R4D

Ensuring coherent policy and approach

Establish an education-focused innovative finance unit

Eco-system infrastructure is required to institutionalise learnings. Many of these innovative funding models have been introduced to government by various external parties over the last five years, but there is little internal capacity to evaluate or capitalise on local private sector initiatives and emerging global best practice. Consideration should be given to how innovation and learnings on resource mobilisation and effectiveness can be institutionalised in the public sector and development finance institutions (DFIs). This can be done by building internal capacity or by creating a network of partners that can systematically support this agenda. It can be done at national, sectoral or sub-sectoral level. We recommend it is done at sectoral level and includes the ECD, basic education and PSET sub-sectors.

The purpose of the unit would be to evaluate and support the development of innovative financing mechanisms and market-based solutions to education gaps. The hub would also serve as a knowledge hub which would function to reduce transaction costs by making available template and exemplar contracts, data on market activity, peer learning groups, etc.

- This would enable policy ownership and an anchor point for coordination of these kinds of initiatives, as well as driving further collaboration and market action alongside internal advocacy.
- This would be done through providing a repository of information, research capabilities, central and provincial capacity-building, strategic multi-sectoral convenings, incubation of high-quality ideas and the evaluation of solicited and unsolicited private sector initiatives.
- Much of this work is happening through a network of private sector partners in partnership with government at the moment, but this model should be further formalised.
- High-level political support would be required.

- There would most likely be appetite in international donor-funding circles to support this, considering the focus of market-based solutions in the strategy of all development agencies and DFIs.
- It could be situated in government (e.g. DBE/DHET/NT); or in an existing PPP (e.g. ISFAP/NECT); or in research organisations (e.g. the UCT GSB Bertha Centre/JET Education Services); or in a network of affiliated organisations between whom work can be distributed or partnerships could develop.

Table 10: Specialised innovative finance units affiliated with the public sector

Name	Description
Technology Innovation Agency (TIA) at the Department of Science and Innovation (DTI)[28]	National public entity that serves as the key institutional intervention to bridge the innovation chasm between research and development from higher education institutions, science councils, public entities and private sector commercialisation.
Impact Investing Institute (UK)[29]	An independent NPO which aims to accelerate the growth and improve the effectiveness of the impact investing market. It will do this by raising awareness of, addressing barriers to, and increasing confidence in, investing with impact. Launched in 2019, the Institute brings together two existing groups: the Implementation Taskforce for Growing a Culture of Social Impact Investing in the UK (government body) and the UK National Advisory Board on Impact Investing (private sector coalition).
GreenCape (SA)[30]	An NPO established in 2010 that drives the widespread adoption of economically viable green economy solutions from the Western Cape. They work with businesses, investors, academia and government to help unlock the investment and employment potential of green technologies and services, and to support a transition to a resilient green economy.
Secretariat of Innovation and New Businesses of the Ministry of Industry, Foreign Trade and Services (Brazil)[31]	Impact investing as a policy area is the specific remit of a small team in the Directorate for Innovation and Intellectual Property. It acts as a co-ordinating team, working with other institutions , including the Civil House of the Presidency of the Republic, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Social Development, along with many others to create a collaborative impact-investing agenda across government.

[28] https://www.tia.org.za
[29] https://www.impactinvest.org.uk/about-us/
[30] https://www.greencape.co.za
[31] http://www3.weforum.org/docs/Behind_the_Scenes_of_Impact_Investment_Policy-making_report_2018.pdf

Name	Description
Task Force on Innovative Finance for Development, Ministry of Foreign Affairs (Netherlands)[32]	Knowledge and expertise hub for innovative financing mechanisms as well as a coordinating unit to source new opportunities for innovative financing for international development policy delivery, such as development impact bonds (DIBs) and guarantees. Policy staff and financial controllers from the Directorate General for International Co-operation (DGIS) comprise the task force. They not only share their experience, but also explore new instruments to actively advise DGIS staff on project proposals with innovative finance elements. This work should be mainstreamed within DGIS in two years.

Increasing investment in public schools

Establish an education development bank

According to a GIIN study conducted in 2016, local and international DFIs have invested USD111m in education out of a total of USD24bn invested across all developmental sectors (75% of this capital has been disbursed since 2005)[33]. This represents less than 5% of capital disbursed, which tracks international norms. Global platforms such as the Global Partnership for Education (GPE) and Global ECD Action Network have made it clear that, outside of increasing domestic funding, the multilateral development banks (MDBs) offer the best current opportunity to fundamentally change education financing in terms of both achieving scale and improving effectiveness.

GPE have recommended that the World Bank and other MDBs increase non-concessional funding more than three times from USD1.5bn today to USD5bn annually until 2030. This is in addition to 3.5-fold increase of concessional funding from the Development Assistance Committee (DAC) and non-DAC donors and philanthropists[34]. In addition, they have recommended the creation of a dedicated MDB investment mechanism for education to be able to show leadership, leverage a large capital base, improve coordination between banks, and provide the technical expertise to be able to innovate. The Education Commission estimates that this could mobilise up to USD20bn annually for education by 2030. This idea may indeed come to fruition, but South Africa could both adopt the idea locally and pre-empt the MDB in order to support the local eco-system as well as be poised to tap into the MDB were it to become a reality.

- This type of function/mechanism could be built within an existing local institution such as the Development Bank of South Africa (DBSA) or the Industrial Development Corporation (IDC).
- It could provide a platform on which funders could coordinate, innovate and learn, for example the DBSA has been working with the Association of Savings and Investment South Africa (ASISA) on

[32] http://www3.weforum.org/docs/Behind_the_Scenes_of_Impact_Investment_Policy-making_report_2018.pdf
[33] https://thegiin.org/assets/documents/pub/Southern%20Africa/GIIN_SouthernAfrica.pdf
[34] https://report.educationcommission.org/wp-content/uploads/2016/09/Learning_Generation_Full_Report.pdf

resolving the student housing issue, so there is a precedent for a local development bank to lend their technical expertise to education-related issues.

- It would provide a capital base from which different types of concessional and non-concessional funding could be leveraged. This could include funding from a multilateral institution or bilateral investor.
- The DFI would on-lend to both public sector (e.g. municipalities for upgrading of local education infrastructure), private sector (e.g. fintech platforms for student finance) and public–private sector collaborations (e.g. the Ikusasa Student Financial Aid Programme [ISFAP] for student housing).
- A use case can be built in the event that spending can be front-loaded and then repaid from local revenue generation (e.g. taxes) or savings.
- Investment terms could be tied to education outcomes.

Table 11: Sectoral specialisation within development finance facilities and institutions

Name	Description
International Finance Facility for Education (IFFEd)[35]	To provide grants and guarantees to participating MDBs – such as the Asian Development Bank (ADB), African Development Bank (AfDB), and the Inter-American Development Bank (IADB) – to help lower the cost of lending to low and middle income countries (LMICs). Four times the leverage effect expected, aims to mobilise at least USD10bn in additional international finance towards achieving SDG 4. The European Commission, the Netherlands, and the United Kingdom pledged €600m thus far (USD600m).
Global Innovation Lab for Climate Finance[36]	The DBSA has initiated a partnership with the Global Innovation Lab in addition to their partnership with the Climate Finance Facility. The Lab's purpose is to accelerate well-designed financial instruments that can unlock billions for energy efficiency, renewable energy, sustainable transport, climate-smart agriculture, and curbing deforestation, while also reducing private investors' risks and improving their financial returns. The Lab is a public–private partnership in the countries in which it has been set up, which include India and Brazil.
Regional Education Finance Fund for Africa (REFFA)[37]	First regional education finance facility for Africa providing technical assistance and funding for on-lending to financial institutions and intermediaries – including banks,

[35] https://educationcommission.org/updates/2020-update-the-international-finance-facility-for-education-iffed/
[36] https://www.climatefinancelab.org/about/how-it-works/
[37] https://www.reffa.org/reffa

Name	Description
	microfinance institutions, credit co-operatives. It comprises nine financial institutions in eight countries, serving 319 education providers and approximately 150 000 students and learners. Initiated by the German Development Bank (KFW) and funded by the German Ministry for Economic Cooperation and Development (BMZ), managed by BlueOrchard Finance Ltd.
Landbank	South Africa has multiple examples of specialised DFIs including the Landbank, which provides financial services to the commercial farming sector and agri-business, and makes available new, appropriately designed financial products that would facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds.

Education bonds

What are these?

Otherwise known as education, social, sustainable or SDG bonds, an education bond functions as a debt investment instrument that links investment (and potentially the return on investment) to education development objectives. They can be used to raise a large amount of initial capital that can be repaid over time. They can be secured or unsecured; the coupon rate can be linked to outcome targets; and they can be designed as blended instruments to crowd in commercial investors.

- They can be "use of proceed" bonds, where investment needs to be used for clearly defined, eligible activities related to social outcomes in accordance with standards like the Green and Social Bond Principles of the International Capital Markets Association (ICMA) or the Climate Bond Standards of the Climate Bonds Initiative (CBI). These can be issued for assets and projects by companies and national or local governments.
- They can be "general-purpose bonds", which are issued by companies that have adopted an SDG-aligned strategy across their entire business. They can also be issued by government and provide an extra layer of accountability to social outcomes for investors.

How are these instruments useful?

- South Africa is forced to borrow money at higher rates because of the ratings downgrade. Issuing an education bond that is set up within a credible and independent accountability structure sends a strong message. This may have the effect of increasing investment, increasing the range of investors, and potentially increasing the flexibility of funding. This may reduce the cost of borrowing.
- Bonds are fixed-income tradeable instruments that are familiar to institutional investors. As a result the 'savings and investment' industry is more likely to diversify resources into education if investments are structured in this manner.

- Education bonds could be used for education projects that demonstrate measurable results (or have results that have already been reliably proven) and require significant initial capital, such as school infrastructure development, infrastructure for teacher education institutions, student housing, or ICT equipment and connectivity.

What are the international and local trends?

- Green, social and sustainability bonds accounted for 4.5% of the total global bond market in 2019, which was an increase in 3% from the year before. Social-focused bond issuances are forecast to total USD25bn in 2020[38].
- The sovereign social bond market is nascent, but presents an opportunity for governments to apply their external debt towards public policy goals.
- COVID-19 bonds have been issued and do not only relate directly to health services. They can also be used to fund the effects of COVID-19 on other parts of the system. The ICMA[39], the most recognised bond standard setter, explains ways in which existing issuances can be re-purposed to include COVID-19 response initiatives[40].
- The exponential growth of green and climate bonds provides a model of how other SDG-linked issues can be financed through the bond market – although it is recognised that education generally offers a longer-term investment with lower returns.
- The growth of the climate bond market in South Africa has been largely due to government policies around the Renewable Energy Independent Power Producers Programme (REIPP).
- Bonds can be structured using blended finance strategies, which means that they can be used to fund higher-risk projects.
- Social, SDG and education bond standards are emerging. These include the ICMA, UNDP-SDG Bond Standards, the Climate Bond Standards, etc.
    - Impact standards, including bond and enterprise standards, are emerging to create a clear framework for integrating social outcomes especially related to the SDGs into business and investment decision-making. They bring transparency and assurance, and encourage best practice, which will ultimately mobilise more resources for development from the private sector.
    - Institutional investors and sovereign wealth funds are starting to use these frameworks to frame their investment guidelines and push for standardisation and assurance on bonds making claims about SDG impact.

Table 12: Education, social, SDG and COVID bonds

Name	Description

[38] https://iclg.com/briefing/11388-social-bonds-in-response-to-the-covid-19-crisis-a-guide-for-issuers
[39] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/SB-COVID-Case-Study-Final-30Mar2020-310320.pdf
[40] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Social-Bonds-Covid-QA310320.pdf

Name	Description
International Finance Corporation (IFC)[41]	USD1bn of notes with a three-year maturity designated as social bonds to support the private sector and jobs in developing countries. The IFC has historically issued 172 green bonds in 20 currencies, totalling more than USD10bn.
African Development Bank (AfDB) "Fight Covid-19" social bond[42]	USD3bn of notes with a three-year maturity and 0.75% interest rate under its social bond framework. Bids exceeding USD4.6 billion with contributions ultimately from allocated to central banks and official institutions (53%), bank treasuries (27%) and asset managers (20%). And geographically, Europe (37%), Americas (36%), Asia (17%), Africa (8%,) and the Middle-East (1%). The AfDB has issued three other social bonds prior to this[43].
Ecuador[44]	First sovereign social bond with an issuance of USD400m and a USD300m Inter-American Development Bank (IDB) guarantee. Will provide access to housing for more than 24 000 families and mobilise approximately USD1.35bn in private investments.
Absa Corporate Investment Banking[45]	Lead the issuance of first USD social bond along with Bayport, issued USD260m senior unsecured social bond, which is due in 2022. Proceeds will be used to finance or re-finance projects that deliver a wider social impact including job creation through SME financing, as well as financial inclusion.
Green bonds in South Africa	Two municipal bonds: R1.5bn Johannesburg + R1bn Cape Town. Private: R1bn GrowthPoint Properties + R5bn Nedbank = USD200m Standard Bank
Diaspora bonds	Israel and India have been on the forefront of issuing diaspora bonds, raising nearly USD44bn to date. The World Bank estimates suggest that annual diaspora savings of sub-Saharan Africa could be in the range of USD5 to USD10bn.
Charity bonds e.g. Retail Charity Bonds (RCB)[46], Allia[47]	Many charities in the UK operate as businesses, generating revenue from their activities. Like with any other business, loan finance can enable them to expand their activities and generate more income, which means delivering more benefit for the people they work with. A charity bond provides charitable organisations with a simple and affordable way to raise medium or long-term, fixed-rate debt through a secured or

[41] https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/covid-19-market-updates/covid-19-market-updates-sustainable-finance/
[42] https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-launches-record-breaking-3-billion-fight-covid-19-social-bond-34982
[43] https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/social-bond-program
[44] https://www.iadb.org/en/news/ecuador-issues-worlds-first-sovereign-social-bond-support-idb-guarantee
[45] https://www.absa.co.za/media-centre/press-statements/2019/absa-appointed-joint-book-runner-in-africas-first-usd-corporate-social-bond/
[46] https://rcb-bonds.com
[47] https://allia.org.uk

Name	Description
	unsecured loan of £10m or more on the London Stock Exchange. For established charities with strong credit worth, it offers a lighter alternative to bank debt, as well as the opportunity to engage with a wide audience of individual investors.

Considerations for use during the crisis

- COVID-19-specific bonds could be issued to bridge the cost of acquiring personal protective equipment (PPE) and upgrading of water, sanitation and hygiene (WASH) facilities for schools. This can be done as procurement processes within government take time and schools need to be up and running before the June start.
- These bonds can be issued as a joint venture, with departments responsible for delivering these services (e.g. Public Works and Health) and with private sector donors such as the Solidarity Fund providing anchor investment (government funds junior tranche, donor funds mezzanine tranche, or financial guarantee and senior tranche sold to institutional investors).

Considerations for use on ongoing basis

- National and local government could consider issuing internationally accredited education bonds to attract a diverse set of investors (and possibly some concessionary funding) to fund the infrastructure and digitisation strategies over the next 10 years.
- Financing of asset-backed education programmes could be structured to include multiple instruments including bonds, and, in this way, attract different and more investors. For example, private equity investors could take a high-risk portion whilst bond investors could take remainder of a de-risked portion.
- Tax incentives could be considered for investors in SDG-linked bonds, although they would need to be accredited to avoid impact washing.
- Coupon rates can be linked to education outcomes. This could link into the appetite of the Johannesburg Stock Exchange (JSE) to create listing requirements for bonds that achieve social outcomes but are big enough to attract institutional investors.
- Any education bonds that are issued should include green listing requirements if possible, particularly those to do with infrastructure. This would enable issuers to tap into the deep pools of climate-related investment capital in Europe and beyond. It will also (i) encourage new technologies around low emissions projects and job creation; (ii) continue to reduce emissions to mitigate climate change, which presents an additional threat to our health and economic well-being; (iii) accelerate implementation of climate change policy as essential investment is made; and (iv) change how we measure the success of investment by ensuring it not only addressed direct outcomes but also inclusivity and climate resilience.

Funding ICT

What is this?

Many education ministries are turning to educational technologies (edtech) to provide remote learning opportunities. Global responses can be categorised into two groups: (i) complete digital e-learning; and (ii) blended learning model.

Digital e-learning: These countries have adopted a pure digital learning model, where curated digital resources targeting teachers, administrators and parents are delivered through television and radio mediums. In addition, on-demand digital materials are also available which include self-learning material.

Blended models: E-learning materials are made available to students as well as student–educator interactions following place-based methods leveraging virtual classrooms.

Across all the countries reviewed, irrespective of the approach taken, partnerships were established with telecommunications companies to lower the cost of data as a barrier to accessing the online learning materials.

In South Africa, many of the DBE's interventions have focused on revisions to lesson plans, academic calendars, and printing and distribution costs. The long-term cost of data, hardware equipment, teacher and educator training, support to schools to provide social distancing within the classrooms have not been considered. Given these needs, a few innovative collaboration funding models could be considered for further exploration.

Trends and lessons learned before the crisis

Data access and connectivity: On average, 10.6% of South African households have access to the internet at home, while 61.8% of households have access to the internet anywhere[48]. The 2017 StatsSA household survey further evidences that internet usage is mostly accessed in metropolitan and urban areas, accessed via mobile devices, at internet cafes, educational facilities or at work, with smaller numbers in rural areas.

In many of the provinces, infrastructure investment will be required given the low levels of internet and data access. Any solution requiring technology cannot be achieved in the short term.

Online learning resources: The concept of online learning is not new to South Africa; however it has not been widely adopted or utilised. Some provinces had already invested in online learning resources that are now being accessed following the pandemic, such as the Gauteng Department of Education which has a digital content and assessment platform[49].

There is a risk that, in a bid to provide the "hardware" required to access the online learning materials, very little investment will be made into the creation of online digital content, which is critical to the sustainability of an e-learning or blended learning model.

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[48] StatsSA. (2017). General Household Survey 2017, page 48.
[49] Staff Writer. (2019, 14 October). Gauteng education's digital content platform goes live. ITWeb. Available from: https://www.itweb.co.za/content/lLn147myeo37J6Aa

4th Industrial Revolution (4IR): The National Student Funding Aid Scheme (NSFAS), with an annual budget of R30bn, provides funding to over 450 000 HEI students. In anticipation of the 4IR, the NSFAS launched a scheme with the University of South Africa (Unisa) to provide laptops to 95% of the students who met Unisa's 60-credit requirement[50]. The NSFAS will be providing laptops to funded students across South African universities.

The DBE's Lockdown Digital Classroom is a free and voluntary classroom that encourages pupils to continue learning during the lockdown, and was created by the NPO, Africa Teen Geeks (ATG).

Table 13: Examples of collaboration in ICT delivery

Competitor collaborations	Google and Apple have joined forces to leverage bluetooth technology to assist global governments and health agencies reduce the spread of the virus. The "opt-in" contact tracing solution identifies who else an infected person has been in contact with, in the hopes of preventing them from infecting others with the virus. This solution will ensure user privacy as it limits the ability of either governments or hackers to use the computer server logs to track specific individuals and identify their social interactions.
Education and training	The NECT in partnership with the DBE and the private sector are providing support to 13 million pupils. The support covers six main areas, including online learning, communication dissemination, nutrition, health and hygiene, monitoring and evaluation (M&E), and teacher engagement. Private sector investment was received from Old Mutual, Momentum Metropolitan Holdings, FirstRand, the SABC, DStv and four of South Africa's network providers[51].
Telecommunications industry interventions	Major telecommunications companies Telkom, Vodacom and MTN have agreed to zero-rate the data cost for university pages, to ensure that students do not incur data charges to access them. What is unclear is whether the support is being provided by the telecommunications companies pro-bono, or whether, like in South Korea, the government is supporting the cost of the zero-rated education websites. In Kenya, the government has partnered with the Kenya Civil Aviation Authority (KCAA), Alphabet Inc. and Telkom Kenya, enabling Google's Loon Balloons to float over Kenyan airspace carrying 4G base stations providing internet connectivity to rural and remote communities. The high-altitude balloons in the stratosphere create an aerial wireless network with up to 4G-LTE speeds, providing internet connectivity across an 80km diameter area.
MTN Foundation	The MTN Foundation has committed R3m sponsorship for Grade 10–12 students, enabling full access to maths, computer-applications-technology (CAT), information

[50] https://www.unisa.ac.za/sites/corporate/default/News-&-Media/Articles/Unisa-NSFAS-laptop-drive-is-a-right-step-towards-4IR

[51] Motha S. (2020, 8 April). Education and learning in the time of COVID-19. *City Press*. Available at: https://city-press.news24.com/News/education-and-learning-in-the-time-of-covid-19-20200408

	technology (IT) and physical science materials that can be accessed via their Siyavula website. MTN has also invested R27m to support the 13 broadcasting studios that the provincial governments have established.

Considerations for use during the crisis

- Any partnerships with private sector players during this crisis should come with no strings attached. Partnership criteria should be developed to avoid government being tied into long-term expensive commitments once the loss leader has been utilised.
- Those companies that have been accused of corrupt dealings over the last 10 years should be given special curated opportunities for improving their reputations by supporting government efforts to contain health, economic and education repercussions of COVID-19. These companies include Vodacom, McKinsey, KPMG, Deloitte, SAP, MultiChoice (Naspers), etc.
- Considerations for use on ongoing basis
- Develop a comprehensive performance-based funding strategy for the roll-out of the digital strategy. Performance targets should be tied to learning outcomes. In this way, one can avoid implementing full digital or blended strategies that end up being underutilised and ineffective.

Harnessing skills and capacity of non-state actors

Performance-based funding

What is this?

Performance-based funding, which is also known as results-based financing (RBF) or outcomes-based contracting (OBC), is a type of contracting mechanism where the payment is based on the results or outcomes. Contract types vary depending on whether payment is based on outputs or outcomes and how the service is financed upfront. Types include output-based aid, conditional cash transfers, performance-based loans, performance debt buy-downs, prize-based challenges, and social and development impact bonds. The most significant difference between impact bonds and other OBC tools is the inclusion of an investor. An outcomes fund is a funding mechanism that enables several outcomes-based contracts[52] to be developed and supported in parallel under a common framework. This speeds up the process and enables learning between multiple contracts. These tools are better suited to harnessing capacity of non-state providers to improve outcomes rather than as structures to operate within the public sector. Nevertheless, they can be used to scale and institutionalise public sector driven strategies in a number of ways.

Why is this tool useful?

The finance mobilised by impact bonds and other outcome-based instruments can be additional in a couple of ways.

[52] https://golab.bsg.ox.ac.uk/the-basics/innovative-partnerships/

- If the risk of service delivery and the achievement of outcomes is meaningfully shifted to the private sector, then governments and donors can use this capital to test more cost-effective solutions to intractable problems. Ultimately, this will lead to a reduction in the cost of service delivery through more effective and accountable implementation. The market has not, however, reached sufficient maturity, and the evidence is still being collected, before any overarching claim on the cost-effectiveness of these new instruments can be made.
- In principle, if governments and donors were able to use the mechanism to free up capital to spend on other services, they could achieve outputs and outcomes in other parts of their portfolios in advance of needing to pay out impact bond commitments. In other words, if government were able to budget taking the bridging finance aspect of impact bonds into account and provided they were not otherwise required to set funds aside to meet future commitments, they could use the capital that was freed up to spend on other impactful initiatives.

What are local and international trends?

- There have been four OBCs launched with three more impact bonds and one outcomes fund in development in South Africa. The National Treasury is integrally involved in both the MRC Imagine Impact Bond and the EGRS Impact Bond, with a view to institutionalising knowledge of these instruments.
- The Global Education Outcomes Fund is poised to raise USD1bn for education outcomes funds in Africa and the Middle East, starting with Ghana, Liberia, Sierra Leone and South Africa. The UCT GSB Bertha Centre, JET Education Services and DNA Economics have just completed a scoping study to investigate the use case for Foundation Phase literacy in the public school system. There is an opportunity to raise USD50m international donor funding for this initiative.
- Most recently, the RBF Database developed[53] by the Global Partnership on Results-Based Approaches (GPRBA)[54] of the World Bank contains details of 300 projects across developing countries. There are a few, and growing, number of rigorous studies of RBF, but currently evidence of cost-effectiveness is weak.
- Despite growing momentum, impact bonds and other outcomes-based approaches have not been mainstreamed in either development finance or public spending, and have yet to demonstrate a route to scale. In 2018, an Impact Bond Working Group (IBWG)[55] was convened by a group of 23 public and private sector donor organisations to assess barriers to scale and to test strategies to enable governments and development agencies to use impact bonds and other outcomes-based funding to help meet the SDGs. The objective of the group is to design strategies that will help members use impact bonds and related pay-for-success instruments effectively and at scale, thereby improving the quality and impact of development projects and contributing to meeting the SDGs. The current objectives include:

[53] https://app.powerbi.com/view?r=eyJrIjoiMzk3MmEwNzUtNzhjNi00MmE4LWEwNDItYWFmYTg5ZDk3Y2RhIiwidCI6IjUxMzE1OTA5LTk3NGYtNGUyZC04MWM2LWZmZTU1NTNmZDIyMyIsImMiOjN9
[54] https://www.gprba.org/
[55] http://www.ib-wg.com

- Accelerating OBC for high-priority development challenges through demonstration outcomes funds. This would be done through the development of an "outcomes accelerator" which will: (i) create a platform to coordinate and translate commissioner priorities into a predictable demand for outcomes; (ii) channel design and feasibility funding to accelerate a pipeline of next generation impact bonds, outcomes funds and other outcomes-based initiatives; (iii) facilitate provision of technical support to donors and governments to help build internal capacities around outcomes-based commissioning with the goal of mainstreaming these tools into their core operations; (iv) strengthen market infrastructure to support greater learning, knowledge-sharing and dissemination of best practices; and (v) provide a forum for outcome funders and industry to engage in forward looking ideas around the strategic direction of market.
  - Deepening capacity in the marketplace and enhancing knowledge-sharing infrastructure. This work has commenced with the development of a knowledge Go-Lab Hub[56] with South Africa (UCT BSG Bertha Centre), which is set to be a regional partner to share learnings across geographies.
  - Engaging investors and mobilising private finance through outcomes-based contracting. This work is underway under leadership of UBS Optimus, with ambitions to raise USD100m of outcomes-based investment. Bridges Ventures is likely to be lead fund manager, with the CDC (UK) as a potential anchor investor.
- The JSE has conducted a workshop with a variety of market stakeholders to better understand opportunity for creating a listed-bond structure to fund the working capital required in a social impact bond[57] project. Because of the size and bespoke nature of impact bonds, they have yet to attract this type of funding globally. But there is appetite to create large enough projects to absorb commercial capital seeking financial and social returns.
- The principles of performance-based funding are being combined in a myriad of ways to shift spending from ineffective to high performing programmes. These do not necessarily involve complex impact bonds upfront, but rather involve foundational elements (including strong M&E), enabling tight feedback loops which in turn can support adaptive management practice (including incentives structures as necessary). Government can quickly see which programmes are performing better and increase spending on those whilst at the same time ensuring further improvements.

Table 14: Local and international performance-based funding

Name	Description
Impact Bond Innovation Fund	R40m outcome funding from the Western Cape Department of Social Development and the Apex HI charitable trust to pay for developmental outcomes in children 3–5 years in home-based ECD programmes in Atlantis and Delft. Investment from Tutuwa, FutureGrowth and LGT

[56] https://golab.bsg.ox.ac.uk/
[57] The word bond in the name is a misnomer. A social impact bond is not a fixed income instrument but rather an outcome-based contact that is usually prefunded through a hybrid type financial investment.

Name	Description
	Philanthropies. Service delivered by the Foundation for Community Work (FCW) and intermediated by m2m and Volta Capital.
Bonds4Jobs	On to second phase of skills development performance-based funding initiative, with Harambee delivering services. Initial investment round >350m for pilot from Nedbank, Tutuwa and Yellowwoods. Outcomes include placement in semi-skilled job for one year. Alternative to TVET education, done over much shorter and cheaper timeframe.
City of Cape Town OBC for workforce development	R16m contract. No working capital requirements as contract split between outputs and outcomes. Output payments recycled back into delivery. Young people placed in low skilled work in City of Cape Town. Metro expanded learning to other areas of contracting.
MRC Imagine Impact Bond	R120m from the Department of Science and Innovation (DSI), development funded by Global Fund and delivery of project through the MRC. National Treasury keeping close eye on project because of keen interest from large philanthropic donors and high impact area. Outcomes related to adolescent girls and young women in school at high risk of HIV and teenage pregnancy. R50m investment required.
ISFAP Impact Bond	Designed in conjunction with student finance facility, recognising that access is not sufficient to ensure success, but that students rather require academic and psychosocial support to pass.
EGRS Impact Bond	Led by the Government Technical Advisory Centre (*GTAC)*, a Flanders government-funded project where the EGRS programme was selected to be contacted through OBC. Just been through feasibility study and about to enter the procurement phase where an implementer will be selected. Mix of outputs and outcomes over two-year period and some working capital will be required. Test case for contracting NGOs in this critical area of public sector system support.
National Education Outcomes Fund	Inception and scoping report completed on national Foundation Phase literacy outcomes fund. Government support required before international fundraising drive begins, supported by the Education Outcomes Fund for Africa and the Middle East (EOF). Long-term fund (5–10 years) with an initial raise of USD50m desired.
Global Education Outcomes Fund for Africa and the Middle East (EOF)	Focus on Africa and the Middle East with aim of raising >USD1bn in outcomes funding to support education. Initial countries include Liberia, Ghana, Sierra Leone and South Africa.
Green Outcomes Fund	R90m from Jobs Fund to pay for green jobs and a set of 16 outcomes related to water, sanitation and hygiene (WASH), energy and climate. Funding to support funds that invest in small businesses. Fund managers will use grant funding to de-risk portfolios.

Table 15: Potential and actual local and international OBC investors

Type	Potential investor	Previous experience with OBC	Historical basic education work	Likelihood of accepting below market rate financial return	Likelihood of offering grant-based working capital investment	B-BBEE-incentive relevant
Impact investor	*Public Investment Corporation*	*Yes*	*No*	*None*	*None*	*No*
	Ashburton Investments	No	Yes	Low	None	Yes
	FutureGrowth Asset Management	Yes	Yes	Low	None	Yes
	Yellowwoods Investments	Yes	Yes	Low	None	Yes
	Goodwill Investments	No	Yes	Low	None	Yes
	Nedbank Legacy Partners	Yes	Yes	High	High	Yes
	Investec	No	No	Medium	None	Yes
	Mergence Investment Managers	No	Yes	Medium	None	Yes
	UBS Optimus Foundation	Yes	Yes	Medium	None	Yes
DFI	African Development Bank	Yes	Yes	None	None	No
	World Bank	Yes	Yes	High	High	No
	International Development Corporation	No	Yes	Medium	None	No
Inter-national agencies	USAID	No	Yes	High	High	Yes
	Unicef	No	Yes	High	High	Yes
	DFID	No	Yes	High	High	Yes
Found-ations	FNB	Yes	Yes	High	High	Yes
	Hollard	Yes	Yes	High	High	Yes
	Old Mutual Foundation	Yes	No	High	High	Yes
	Sanlam	Yes	Yes	High	High	Yes

Type	Potential investor	Previous experience with OBC	Historical basic education work	Likelihood of accepting below market rate financial return	Likelihood of offering grant-based working capital investment	B-BBEE-incentive relevant
	Standard Bank Tutuwa Foundation	Yes	Yes	High	High	Yes
	Tshikululu Social Investments	Yes	Yes	High	High	Yes
	LGT Venture Philanthropy	Yes	Yes	High	High	Yes
	The Rockefeller Foundation	Yes	Yes	High	High	Yes

Table 16: International Impact Bond Working Group funders

Agence Française de Développement
British Asian Trust
DFID
Enabel
Fred Hollows Foundation
Ministry for Europe of Foreign Affairs, France
Fundacion Corona
Global Affairs Canada
Global Financing facility
IDB
IFC
Ministry of Foreign Affairs, Belgium
Ministry of Foreign Affairs, Netherlands
Swiss Agency for Development and Cooperation (SDC)
SECO, Switzerland
Tata Trust
The Global Fund
UBS Optimus Foundation
United Nations Secretariat
UNDP
UN Special Envoy for Haiti
USAID
Unicef
World bank
Gates Foundation
Wellspring Philanthropic Fund
World Bank
US International Development Finance Corporation
BNP Paribas
IKEA Foundation

Consideration for use during crisis

- These instruments have historically taken a long time to design (the quickest one was done in six months). However, the principle of incentivising and verifying performance could be applied to any type of contract. This could prove especially valuable during times when procurement times are shortened and accountability may suffer as a result. A percentage of each “emergency” contract should be contingent on transparent results.
- The following principles inherent in OBC should be incorporated into procurement in both the public and private sector (e.g. the Solidarity Fund) at this time:
    - Value of cross-sector partnerships

- Need to align around clear definition of success
  - Value of using data to monitor progress and course correct quickly if necessary
  - Transparency and accountability
  - Incentives for innovation
  - Incentives for spending efficiency.
- These principles could not only be applied to government supply chains, but to the multiple private sector or public–private sector funds that have sprung up, including the Solidarity Fund.
- Investigate and tap into international multilateral, bilateral and international donor support that is specifically earmarked for RBF or OBC.

Considerations for use on ongoing basis

- Support the pipeline of impact bonds and outcomes funds that are currently under development – all of which touch on the education sector.
- There is a particularly significant opportunity to support the local Education Outcomes Fund, with the possibility of tapping into up to USD50m international donor funding to support Foundation Phase literacy. The annual gap to roll out an EGRS-type programme is estimated to be R1.3bn. Corporate foundations generally give in the region of R5bn to education annually. The fund could be anchored by multilaterals and national government, with the potential of topping up with local donor funding over the next 5–10 years.
- Further investigation into the use of outcomes funds for other issues, such as initial teacher education, would be warranted.
- Outcomes funds can be used in multiple ways to: (i) solve a specific problem over a set period of time using the agility/flexibility/innovation to be found in frontline NGO organisations; and (ii) procure outcome at scale on an ongoing basis. Either way, they can be designed to complement the public sector system and not create parallel private systems.
- Expand existing pay-for-performance initiatives in the TVET/skills development sector such as has been done by Harambee and Bonds4Jobs. This form of delivery provides a fast, cost-effective alternative to technical courses, and fast-tracks semi-skilled workers through intensive programmes, ensuring they leave with marketable skills.
- Keep track of the work undertaken by the JSE to attract large amounts of investment into these instruments.
- Pay-for-performance principles should be used when implementing the e-learning strategy.

Impact investing

What is it?

Impact investments are investments made with the intention of generating positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals. Impact investing is a strategy rather than an instrument, and thus can be made across the full range of asset classes.

The size of the global sustainable investment market is USD30.7tn[58] and the impact investment market USD502bn[59]. There are no recent market sizing reports, although the Bertha Centre Barometer[60] estimated the impact investment market at USD17bn in 2017 (calculated using publicly available data) and the GIIN Southern Africa report[61] at ±USD30bn in 2016 (including all DFI spend).

According to another GIIN report, the allocation of a representative subset of impact investors to education was 4% AUM, with 37% of the sample indicating that they were planning to increase their investment the following year[62]. In South Africa, 1% (or USD49m) of non-DFI impact investment and 0.5% (or USD111m) of DFI impact investment is on education[63]. Private investors have till now shown an interest in predominantly private businesses or social enterprises (SEs) that address student finance, affordable private schooling and edtech. There is room for growth.

NGOs and SEs are able to access impact investment in a number of ways to scale and improve their programmes. This has been done either through innovative debt and equity mechanisms such as charity bonds, or through innovative contracting structures such as impact bonds. In the last five years, there have been 14 impact bonds launched globally, with 330 thousand lives affected and >USD52m private capital raised[64]. The EOF, with the aim of strengthening national education systems through results-based financing, hopes to increase investment across Africa and the Middle East specifically[65]. South African investors have invested >R100m in three transactions thus far, with a further R60m in the pipeline for the coming year.

Local and international trends

- Over three-quarters of impact funds in Africa have a vintage year of 2000 or later. More precisely, 18% were launched between 2000 and 2004; 34% were launched between 2005 and 2009; and 19% have been launched within the last five years. These figures evidence the rapid growth of the impact investing industry over the last decade, and an increase in global impact investors interested in sub-Saharan Africa impact investment opportunities.
- Recent local market-building activities would suggest that significant interest in core constituencies with increased investment is starting to happen:
    - Asset Owners Forum consisting of the largest 20 pension funds led by Batseta and Impact Investing South Africa (IISA), with the objective to allocate more assets to infrastructure and impact investing
    - SAVCA-led impact investing special interest group for private equity and virtual capital funds (e.g. Ethos, Phatisa, Metier, Edge Growth)

58 http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
59 https://thegiin.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf
60 http://www.gsb.uct.ac.za/files/ImpactBarometer5.pdf
61 https://thegiin.org/assets/documents/pub/Southern%20Africa/GIIN_SouthernAfrica.pdf
62 https://thegiin.org/assets/GIIN_2019%20Annual%20Impact%20Investor%20Survey_webfile.pdf
63 https://thegiin.org/assets/documents/pub/Southern%20Africa/GIIN_SouthernAfrica.pdf
64 https://sibdatabase.socialfinance.org.uk
65 https://www.educationoutcomesfund.org

- Out of 1 208 funds in South Africa, 57 have self-identified as impact investment funds[66]
- The IISA[67] is affiliated with the Global Steering Group for Impact Investing (GSG)[68], with cross-sectoral representation putting market building initiatives in place, (e.g. Fund of Funds, Impact Measurement Management Guidelines, Investment Map with the UNDP)
- Government policy signalling including: (i) the Financial Sector Conduct Authority (FSCA) Directive on Sustainable Finance; (ii) the Department of Trade and Industry (formally the Economic Development Department) green paper on social economy; (iii) National Treasury-led Sustainable Finance Initiative with a recent report[69]; and (iv) a partnership with the IISA on the South Africa Investment Conference.

- Asset allocation into the education sector has been slow for a number of reasons including (i) low return and slow growth in comparison with other high growth impact sectors such as agriculture/energy/climate[70]; (ii) generally small deal sizes globally (<USD5m); and (iii) lack of a pipeline, mainly because this sector has historically been the preserve of the public sector.
- Two percent of the R45bn worth of blended finance transactions in sub-Saharan Africa has been into education[71]. Energy accounts for 30% of transactions. DFIs are the most frequent investors, although in South Africa, Standard Bank, Nedbank, Absa, Rand Merchant Bank (RMB) have bene involved in >20 blended finance deals.

Table 17: Impact investment vehicles with education-focus or applicable model

Fund name	Overview
Affordable private schools: Despite the ideological tension, low-cost private schools have burgeoned in LMICs across the world. At their best, they offer poor and working-class learners a higher chance of succeeding economically, benefits which spill over to families, communities and the economy at large. At their worst, they bankrupt poor families, offer poor learning outcomes and draw money out of the public sector system.	
Old Mutual Schools Investment Fund[72]	R1.4bn debt and equity currently allocated. It is the first (2011) and largest education impact fund in South Africa. The fund finances infrastructure and education-related requirements of affordable independent schools as well as further education and training (FET). It has attracted investment from institutional investors such as OMLACSA, GEPF and EPPF. Examples of investments include Meridian Schools, Prestige Schools, Royal Schools.

66 http://www.gsb.uct.ac.za/files/ImpactBarometer5.pdf
67 http://impactinvestingsouthafrica.co.za
68 https://gsgii.org
69 http://www.treasury.gov.za/publications/other/Sustainability%20technical%20paper%202020.pdf
70 Bellinger, A., Terway, A. and Burnett, N. (2016). Innovative Financing Recommendations: International Commission on Global Education Financing. Washington, DC: Results for Development.
71 https://www.convergence.finance/news-and-events/news/6uLybhmuaQGF43gLWbCPcT/view
72 http://ww2.oldmutual.co.za/old-mutual-investment-group/boutiques/alternative-investments/our-capabilities1/development-impact-funds/our-products/schools-investment-fund

Fund name	Overview
Pearson Affordable Learning Fund (PALF)	Launched with USD15m of Pearson capital in 2012 and another USD50m in 2015. In-house venture capital fund to invest in affordable private schools at the base of the pyramid. Built to expand PALF's work within emerging markets to meet a growing demand for affordable educational services across Africa, Asia and Latin America.
New Schools Venture Fund[73]	Venture philanthropy fund raising money from charitable donors and investing into innovative public schools, edtech and diverse leaders. Portfolio includes 300 organisations with over USD345m invested in first 20 years in the form of early and late stage debt, early and late stage venture, seed and grant funding.
Innovation Edge[74]	Over 42 investments totalling ±R25m made into ECD ideas and initiatives which aim to transform early life experiences for children aged 0–6 years. This is a catalytic grant fund, but the investments have gone on to leverage ±4x that amount in further investment. Some of the grantees are SEs with sustainable businesses models. There is also a recently launched a R2m Early Childhood Rapid Response Fund to safeguard children and caregivers. This will be distributed as a grant.
Student finance: Models emerging using fintech/non-banking financial institutional models, most of which are based on incomes sharing agreements where students agree to pay a percentage of income for a fixed period of time post-graduation, and where higher-earning students pay more than lower-earning students. There is no global precedent, but in the USA a typical graduate pays 2–10% income for the first 5–10 years post-graduation when they land a job paying >$20–30k pa.	
Prodigy Finance[75] (Future Finance, MPower and UniFi have similar models)	This innovative platform offers loans to international post-graduate students attending top universities. Assesses applicants based on numerous variables such as projected earnings rather than historical credit, allowing the company to provide funding to students without a co-signer, guarantor, or collateral. Strong community platform of lenders including alumni. In first 10 years, funded 9 900 students across 328 schools; which translates into nearly USD500m in education loans. The average annual percentage rate for student loans is 8.4%.

73 https://www.newschools.org
74 https://innovationedge.org.za
75 https://prodigyfinance.com

Fund name	Overview
Edtech: Digital spend makes up about 2–3% of total spend on education and stands at ±USD150bn. This has been predicted to double in the next five years. The venture capital market doubled in size between 2014 and 2018 to USD8bn, the majority of which has been in China, followed by the USA. There are over 100[76] edtech start-ups in South Africa, which include content management platforms, e-commerce, internship platforms and tutoring services. The South African private equity/venture capital market is yet to service these companies. Top African venture capital funds include 4D1, Knife Capital, Leapfrog, Novastar Ventures, EWB Ventures, Beyond Capital, Bamboo Capital Partners.	
EdTech Hub[77]	The EdTech Hub (an 8-year edtech research initiative of the World Bank, DFID and the Bill and Melinda Gates Foundation), mEducation Alliance and the Global Innovation Exchange (GIE) have launched a call for proposals to source solutions for the learning crisis faced by the hundreds of millions of students currently out-of-school in less economically developed countries. Selected applicants will be invited to virtual EdTech Pitch Days, with a global network of potential funders, support in adapting and scaling in response to COVID-19, and connections for onward collaboration and funding.
Get Smarter	Self-funded by founders until 2015 and then raised USD5m from Digital Growth Africa Middle East (DiGAME), a subsidiary of Zouk Capital[78]. Then acquired by 2U (US-based publicly traded company) in 2017 for USD103m. Serves >50k students globally, with 90% course completion rate.
Sparkmind VC[79]	Sparkmind VC is the first Nordic venture capital company focused on the learning sector, which invests in teams transforming early childhood, Kindergarten–Grade 12, higher, secondary and vocational education as well as corporate and lifelong learning. Their geographical home field is Europe, while they can also selectively do investments outside the region. They invest from seed to international growth phase, with single investments up to €5m.
Pearson Ventures	Investing USD50m over three years into Africa's edtech start-ups. Primary focus on early-stage start-ups by making Series A and B rounds, typically partnering with venture firms and accelerators through a co-investment structure. Issue areas include employability, lifelong learning and next-generation assessment, artificial intelligence, mobile-first delivery, remote proctoring, augmented or virtual reality, upskilling, income share agreements, as well as solutions that increase higher education access.

[76] https://tracxn.com/explore/EdTech-Startups-in-South-Africa
[77] https://edtechhub.org/coronavirus/call-for-ideas/
[78] https://www.zouk.com/
[79] https://www.sparkmind.vc

Fund name	Overview
Injini[80]	Africa's first edtech incubator and seed investment (R100k grant) programme in Woodstock, Cape Town. Funded by UBS, the Michael and Susan Dell Foundation, and SAIS.
Large funds and innovate finance mechanisms to support SMEs: These initiatives have emerged in the last few months in response to the enormous SME funding need to prevent large-scale closures and mass unemployment. The investment terms and structures include many of the innovative finance mechanisms described and recommended in this paper.	
Sukuma Relief Programme[81]	R1bn fund offering flexible, blended loan/grants to SMEs, with no security required. Unsecured interest-bearing loan of between R250k and R1m coupled with a non-repayable grant of R25k. The loan portion will be interest free for 12 months with no repayment obligations during this period. The loan is repayable after 12 months, and incurs interest at the prime rate from month 13, once the business is on its feet. The money can be used to cover payroll, rental and other monthly operating overheads.
South African Future Trust (SAFT)[82]	R1bn in loan funding for small, medium and micro-enterprise (SMME) employees, distributed through banking system. Funds transferred directly to employees of participating SMMEs, via interest-free loans where employees themselves carry no liability. Partnership between SAFT and six of South Africa's leading banks in administering this scheme: Absa, FNB, Investec, Mercantile Bank, Nedbank and Standard Bank.
Motsepe Family Foundation	R1bn from family foundation and private sector corporations (Sanlam/ARC/ARM) to assist with the current COVID-19 approach in partnership with communities, traditional leaders, faith-based organisations and trade unions.

[80] https://www.injini.co.za
[81] https://finance.businesspartners.co.za/welcome-to-the-sukuma-relief-programme/
[82] https://saft.africa

Fund name	Overview
Bank Guarantee Scheme	The National Treasury, South African Reserve Bank and commercial banks have jointly created a R200bn guarantee loan scheme. The scheme works on the principle that profits and losses are ultimately shared between government and the banks. The scheme will receive all "profits" on the loans, i.e. the difference between the rate at which banks lend the money (together with limited costs). This will include a guarantee fee charged to the banks in relation to the scheme. These profits will be used to offset any losses that the scheme makes. If the scheme suffers any further losses, these will be absorbed by the banks themselves, capped at 6% of the size of the loan. Any further losses will ultimately be covered by the fiscus. Loans offer SMEs a six-month repayment holiday which will commence from first drawdown, although interest will accumulate from the date on which the first drawdown on the loan occurs, repayment of interest and capital starts after six months and businesses have a maximum of 60 months to do so. Borrowers can repay the loan ahead of schedule.

Considerations for use during crisis

- Identify immediate needs, such as bridging finance, with regards to the roll-out of additional infrastructure or ICT that could be addressed by existing bank of local impact investors who have experience in the market. These investments could be made through existing fund structures or new collaborations/commitments.
- Use concessionary funding, such as that raised through initiatives like the Solidarity Fund or Motsepe Family Foundation, to leverage large-scale commercial funding if necessary.
- Build flexibility into grant agreements to enable frontline organisations to pivot to address critical COVID-19-related issues. Encourage donors (country and philanthropic), and especially co-funders, to do the same.

Considerations for use on ongoing basis

- Support existing market-building initiatives and ensure the education sector has representation on relevant task forces and working groups, for example impact measurement and management (to ensure education frameworks are contextualised) and sustainable finance (to identify funding associated with greening opportunities in schools and universities).
- Support policies that are being created to build the market.
- Engage with impact funds/impact investors with regards to their education pipeline in order to identify and possibly support scalable solutions to current issues. Choose to support high-impact business models by (i) sharing of relevant network, (ii) provision of grant funding/technical assistance funding (from the DBE/DHET/ODA/DSI, etc.) and (iii) access to institutional data and systems (e.g. edtech solutions to home learning or Foundation Phase numeracy that can be incorporated into curriculum).

- Support and identify new uses for existing fledgling blended finance schemes such as ISFAP, a student financing public–private partnership.
- Showcase work at the Global Systems Group Impact Summit in Johannesburg in December 2021, which will be an opportunity to collaborate and learn from 1 200 delegates from 60 countries around the world.

Collaboration

What is it?

Collaborations exist between different organisational types and sectors to solve problems and bring about systemic change. Collaborations are needed because the problem is either (i) too big that it requires the pooling of financial and non-financial resources; and/or (ii) too complex and persistent that it requires the aggregation of multiple skillsets and core capabilities to be adequately addressed.

There are novel ways of designing collaborations that could enhance accountability and results. These range from community engagement strategies (such as Violence Prevention Through Urban Upgrading [VPUU]) to shared learning initiatives (such as Bridge Communities of Practice), to public–private partnerships (such as ISFAP), to pooled grant funding arrangements (such as the NECT), to large conditional fund structures driven by multilaterals (such as the EOF).

According to Oxford University's Government Outcomes Lab, collaborations (i) allow sharing of financial and service delivery responsibility across sectors and within the community; (ii) give civil society a more significant role in tackling complex social challenges; (iii) seem to deliver better overall impact and value; and (iv) make the public sector a better place to work[83].

Table 18: Collaborative delivery and funding models

Pooled funding for innovation: Grant funders and private/civil society sector organisations have teamed up to support the implementation of government strategies. These collaborations are set up as a way to ensure flexibility and innovation when testing and scaling programmes that will enhance learning outcomes in the public sector.	
National Education Collaboration Trust (NECT)	The NECT was built to strengthen relationships between civil society and government in order to achieve basic education goals. The Education Collaboration Framework highlights priorities in which state and non-state actors play different and complementary roles. Their last published annual report indicates that 60% of the annual R250m income comes from government and the sector education and training authorities (SETAs), 23% from business and the remainder from foundation and trusts. The COVID-19 response includes (i) the establishment and operationalising of

[83] https://golab.bsg.ox.ac.uk/our-projects/about-future-state/

	an agile, extensive communication strategy to all the 13 million learners (and their parents and teachers) through the nine provincial departments, 75 districts, 980 circuits and close to 25 000 schools; (ii) the curation and production of relevant content, materials and platforms to disseminate to all learners and teachers; and (iii) the activation of partnerships that support and resource contactless learning, communication, and the care and support of learners and teachers[84].
Teacher Internship Collaboration South Africa (TICZA)	An emerging collaboration comprised of a group of stakeholders including: the DBE; distance education providers (Unisa and North West University); NGOs (Global Teacher Institute/Save the Children/ISASA, etc.); research organisations (JET Education Services and the Bertha Centre); funding intermediaries (Trialogue); and multiple aligned grant funders with the common goal of testing and scaling effective internship practices. The TICZA is interested in systemic change, and will seek to establish and demonstrate the efficiencies and impact of teacher internships as a credible alternative pathway via the Institute for Technical Education (ITE) which can generate high quality, effective teachers for public schools in South Africa. If successful, the TICZA will advocate for formal adoption of the pathway by government.
Aggregation of multilateral funds: This is done in order to raise additional funding from bilateral donors, to take advantage of existing distribution systems to increase efficiency, and to ensure funding goes to the most needy and vulnerable.	
Unesco[85]	Launch of the COVID-19 Global Education Coalition to support countries in scaling up their best distance learning practices and reaching children and youth who are most at risk. Multilateral partners include the International Labour Organization, the UN High Commission for Refugees, the United Nations Children's Fund (Unicef), the World Health Organization, the World Bank, the World Food Programme and the International Telecommunication Union, Global Partnership for Education, Education Cannot Wait, the OIF (Organisation Internationale de la Francophonie), the OECD and the ADB. Private sector partners include Microsoft, GSMA, Weidong, Google, Facebook, Zoom, KPMG and Coursera. Philanthropic and non-profit partners include Khan Academy, Dubai Cares, Profuturo and Sesame Street.
Global Partnership for Education (GPE)[86]	Only 25% of total aid for education is delivered through multilateral channels. In addition, as the only dedicated multilateral fund for education, the GPE does not have a global mandate (it is currently focused mainly on low income

84 https://nect.org.za/publications/nect-and-sector-documents/covid-19-letter-to-partners.pdf
85 https://en.unesco.org/news/unesco-rallies-international-organizations-civil-society-and-private-sector-partners-broad
86 https://www.globalpartnership.org/news/global-partnership-education-announces-us8-8-million-funding-help-unicef-covid-19-response

	countries, with an initial focus on basic education), and it has not been able to attract the support needed to coordinate the education sector through a financially strong, pooled fund. Other pooling mechanisms to coordinate and muster financing at the country level have also been developed, but with mixed success. 26 February 2020: USD347m in new funding will strengthen education systems and improve children's access to school and quality learning in Chad, Eritrea, Ghana, Honduras, Somalia, Sudan, Tajikistan and Zanzibar in Tanzania. Already approved new grants totalling USD112.79m with co-financing totalling USD233.95m from the World Bank's International Development Association, the Islamic Development Bank and several other partners. 25 March 2020: the GPE partnered with Unicef to implement a USD8.8m (grant) contribution to Unicef to help children and young people in 87 developing countries access learning opportunities during the COVID-19 pandemic. 1 April 2020: USD250m funding contribution to help developing countries mitigate both the immediate and long-term disruptions to education being caused by the COVID-19 pandemic. The funds will help sustain learning for up to 355 million children, with a focus on ensuring that girls and poor children, who will be hit the hardest by school closures, can continue their education. (USD250m has been made available by repurposing uncommitted funds, with an expectation that additional funding will be required to help developing countries keep their education systems going through the pandemic and assist children who are vulnerable as a result of school closures.) 17 April 2020:USD148.2m in grants and secured USD26.4m in partner co-financing to strengthen education systems in Mali, Rwanda, Sudan and Timor-Leste.
Unicef[87]	USD8.8m partnership with the GPE. Also to provide USD4m of resources to reach an additional 58 countries.
World Bank[88]	• April 2020: Launches its first operations for COVID-19 emergency health support towards strengthening developing country responses .The first group of projects, amounting to $1.9bn, will assist 25 countries, and new operations are moving forward in over 40 countries using the fast-track process. In addition, the World Bank is working worldwide to redeploy resources in existing World Bank-

87 https://www.globalpartnership.org/news/global-partnership-education-announces-us8-8-million-funding-help-unicef-covid-19-response
88 https://www.worldbank.org/en/news/press-release/2020/04/02/world-bank-group-launches-first-operations-for-covid-19-coronavirus-emergency-health-support-strengthening-developing-country-responses

	financed projects worth up to USD1.7bn, including through restructuring, the use of emergency components of existing projects (CERCs) and the triggering of catastrophe deferred drawdown options (CAT DDOs) and spanning every region. • Prepared to deploy up to USD160bn over the next 15 months to support COVID-19 measures that will help countries respond to immediate the health consequences of the pandemic and bolster economic recovery. • Partnership with the Global Education Coalition for the launch of the COVID-19 Global Education Coalition to support countries in scaling up their best distance learning practices and reaching children and youth who are most at risk. • The GPE approved new grants totalling USD112.79m with co-financing totalling USD233.95m from the World Bank's International Development Association, the Islamic Development Bank and several other partners. • The EdTech Hub (an 8-year edtech research initiative of the World Bank, DFID and the Bill and Melinda Gates Foundation), mEducation Alliance and the Global Innovation Exchange (GIE).
Centre for Education Innovations[89]	A non-profit education organisation and a recognised leader in advancing meaningful reforms in public education, focuses on schools as the driving force of public education reform and innovation, and has created a new webpage to showcase of new initiatives, research and opportunities as the education sector adapts and responds to the COVID-19 crisis. ±150 South African innovations and organisations have been previously catalogued on this platform, giving a breadth and depth of services available in the non-profit sector[90].
Non-financial education collaborations: Set up as learning platforms.	
National Association for Social Change Entities (NASCEE)[91]	Created in 2018 off the back of a recommendation from the NECT-hosted Education NGO Leadership Summit, this ±70-member association of education NPOs is working towards maximising the contribution of NPOs towards the national development goals related to education by improving members' capacity, effectiveness, collaboration and influence. Their COVID-19-specific response includeds: • Working with RMB to see if an instance of the Edvision platform can be utilised to geo-map and provide information on COVID-19 preventative measures being undertaken by NPOs working in

89 https://www.educationinnovations.org/topic/covid19-response
90 https://www.educationinnovations.org/topic/south-africa
91 https://nascee.org.za

	education. • Developing a one-pager on the guidelines for unrestricted grants, with the plan to work with the Independent Philanthropy Association of South Africa (IPASA) and other key bodies, such as Trialogue, in this process. • Running a bootcamp for researchers to influence plans and decisions related to COVID-19 during this time (via JET Education Services). • Coordinating the curation of the many online resources being made available. • Noting that there is much to do in the school nutrition front, NASCEE calls for a volunteer to help coordinate this.
Independent Philanthropy Association of South Africa (IPASA)[92]	Voluntary association of independent philanthropists, private foundations and other organisations associated with philanthropy in South Africa. Works like a community of practice. Advice given to members during COVID-19 includes (i) make grants unrestricted so NGOs can respond to current situation; (ii) provide additional or accelerated funding; and (iii) support new initiatives addressing pandemic, etc.
Ford Foundation[93]	Led a group of 40 US-based foundations to allow more flexible funding and quicker administration.
Edvision	Network platform set up by RMB on which service providers and funders can upload information in order to create connections in terms of delivery partnerships and funding arrangements. It has the potential to be used as a showcase for emerging best practice.
Financing for education collaborations: Set up as blended finance mechanisms attracting funding from investors with different risk-return appetites who are aligned on impact mandate.	
Ikusasa Student Financial Aid Programme (ISFAP)	Student finance facility that offers students with households incomes that classify as “the missing middle” to access a mixture of grant and loan funding.
EOF	A USD1bn outcomes fund to support projects across Africa and the Middle East through results-based financing and the strengthening of government capacity to harness NGOs in public sector delivery models.

Considerations for use during crisis

- Tap into existing platforms and collaborations to strengthen public sector policy-making, as well as attract resources to implement emerging best practice.

92 http://ipa-sa.org.za/news/ipasa-members-best-practice-guidelines-during-covid19/
93 https://www.fordfoundation.org/the-latest/news/top-foundations-pledge-flexible-funding-to-grantees-in-wake-of-covid-19-crisis/

- Consider instigating or leading a large-scale partnership, particularly to address the centralisation of learning for the coming year through broadcast means.

Considerations for use on ongoing basis

- Use NGOs and SEs as incubators for the public sector system and not just as delivery partners.
- Support the scaling of these organisations through providing conditional, multi-year contracts. This will enable them to (i) access flexible debt, hybrid and/or equity capital to scale up their enterprises in order to create economies of scale, (ii) enhance quality and (iii) incubate innovative delivery models on behalf of the public sector. This type of finance product that is being developed to help NGOs to scale can be spent on programme delivery, but tends to be spent on infrastructure.
- Shortlist wicked problems and identify where collaboration will accelerate learnings through additional funding, complementary skillsets, flexibility to innovate and adapt models, and high levels of mutual accountability. These could include (i) Foundation Phase literacy and numeracy; (ii) initial teacher education; (iii) the pragmatic digitisation of school/universities; and (iv) rapid skills development for the workplace.

E. Recommendations

1. Address short-term health and safety funding requirements using a COVID-19 bond or loan structure. This solution can be used if government requires bridging finance or short-term liquidity.	
Funding need	WASH facilities in >3000 schools and repair of 1 000 vandalised schools (R5.6bn)
Innovative financing solution	• Create blended structure, if necessary, which could include government or philanthropic guarantee. Debt investors need investment grade guarantees (BBB) not necessarily A to AAA (like the multilaterals used to give them). • Link coupon rate to ESG or impact metrics, which could include outputs or outcomes (including adequate quality facilities within a specific timeframe). Preference given for shared metrics.
Partners	• Consider working with the Solidarity Fund, whose mandate sits in both the immediate health and food scarcity responses. • Departments of Health and Public Works.
Investors	• Start bond portfolio with support of the DBSA. • Attract local institutional investment if scale required. • Consider applying for multilateral support, if possible, through AfDB, BRICS, etc.
Impact	• Adhere to known and accepted bond standards such as the ICMA. • Consider adhering to the draft UNDP Practice Assurance Standards for SDG bonds to familiarise with the framework in advance of certification. • Ensure transparent ESG/impact measurement and management.
Potential volume of additional funding	Transaction sizes should be greater than R50m and preferably closer to R200m to attract institutional investment or corporate and investment banking (CIB).
Replicability and scalability	Use as precursor for further social or education bonds.
Cost-effectiveness	Regulator to consider fast-tracking bond issuance.

Speed and transaction cost of implementation	Limited by procurement timelines. Procure through the Solidarity Fund, with arrangements to reimburse depending on the repayment structure.
2. Create portfolio of social or education bonds to address long-term infrastructure and ICT requirements according to policy commitments. This will be required as budgets are slashed and the cost of government borrowing increases.	
Funding need	R700bn over 10 years (not all education related).
Innovative financing solution	• Partnership with DFIs (e.g. the DBSA) to develop and expand portfolio (e.g. ASISA working with members and DFIs on student housing). • Issuance can be either sovereign, sub-sovereign or private. • Move from blended structure to vanilla structure. • Link coupon rate to social outputs and outcomes. • Green outcomes to form part of listing requirements to be able to tap into climate finance pools, particularly in Europe. • Diversification across portfolio of bonds acts as a de-risking mechanism.
Partners	• Government: a long-term policy horizon is required to interest investors, similar to the REIPP, which attracted long-term investment in the local market. • The JSE has listing requirements for infrastructure projects – enlist support with taxonomy. • Build capability in the DBSA (or other development institute) to build project pipeline over the long term. • Consider the Guarantors/African Guarantee Fund if guarantees are necessary.
Investors	• Concessionary capital from government, large international philanthropies or education multilaterals (such as potential new International Finance Facility for Education [IFFfE]). • Local pension funds seeking ESG/impact opportunities – liquidity is one of the biggest drivers. • Consider applying for multilateral support if possible, through AfDB, BRICS, etc. • International investors seeking SDG investment grade in emerging markets.
Impact	• Track learning outcomes as they correlate with infrastructure upgrades to better understand the benefit. • Adhere to known and accepted bond standards such as the ICMA. • Consider adhering to the draft UNDP Practice Assurance Standards for SDG bonds to familiarise with the framework in advance of certification.
Potential volume of additional funding	Transaction sizes should be greater than R50m and preferably closer to R200m to attract institutional investment or corporate and investment banking (CIB).

Replicability and scalability	Aggressively pursue standardisation as the portfolio is built.
Cost-effectiveness	Economies of scale.

3. Centralise learning through broadcasting over the course of this full school year. This can be done through TV, radio and the distribution of printed materials for the purposes of supporting catch-up and in case of further lockdown. This can be funded through strategic local and international corporate partnerships.	
Funding need	The SABC is bankrupt so its ability to buy and create content is limited. Currently 5% of curriculum is available through these channels. The SABC partnered with DStv during 21-day lockdown but was only available to subscribers. There is a need to increase the amount of content, especially home language content.
Innovative financing solution	• Partner with local and international corporates to acquire and create content, particularly with DStv (government can provide opportunity for MultiChoice to repair reputation in good faith after recent digital migration "misunderstanding"). • If the local private sector is not prepared to be supportive, then international broadcasters could be approached if content is in English. • Content to be screened on the SABC, not just on paid channels.
Partners	• The SABC as a key partner – create multiple channels for different age groups (and teacher training) that can be accessed via live broadcast or digital streaming on demand. • Local corporates, particularly. • International broadcasters. • Unicef/Unesco/GPE are collating material for widespread distribution, which should be investigated for contextual relevance – likely to be funded by large philanthropic donor if accessed through those channels.
Investors	Part of SED (B-BBEE).
Impact	The impact of ongoing provision of material in this manner is not fully known. Track (through surveys or quasi-experimental studies) the effect of this material on learning outcomes.
Replicability and scalability	Once content has been procured or developed, it is available until it becomes obsolete and can be played multiple times over the course of a cycle.
Cost-effectiveness	Cheaper alternative to online curriculum delivery, which is not available to 80% of South African households.
Speed and transaction cost of implementation	Can be set up within one month (as has been demonstrated in other countries).

4. Develop comprehensive financing solution for of an ICT end-to-end solution where investment terms are conditional on learning outcomes. A phased approach is required based on capacity development

at every level, and which enables strategic evaluation and course correction.	
Funding need	• The DBE considers an ICT strategy to be one of the key content delivery options during interrupted school year – expediting roll-out of tablets with learning and teaching support materials starting with poorest schools (multi-grade/rural, etc.), although the DBE does not consider a tablet to be a strategy. • The DHET has not announced similar plans, although more affluent universities have been supplying devices and data to students. • Provinces have not allocated additional funding for an ICT roll-out, but will expedite existing plans.
Innovative financing solution	• The NECT identified critical success factors which can be woven into a comprehensive financing package. • Conditional funding is essential to ensure that learning outcomes remain central. This can range from performance bonuses, to results-based finance, to impact bonds. The key lesson from previous attempts at edtech roll-out is around the capacity to utilise devices. If this does not happen, then the device is expensive and useless. • Requires patient, flexible investment because of long time horizons. • Funded through a mix of education bonds (hardware), outcomes funds (teacher development) and discounts from the private sector for bandwidth for learners/students for the remainder of 2020 (as a gesture of goodwill after Competition Commission findings last year, in particular on Vodacom and MTN). • Challenge funds can be used to solve specific issues such as development and the implementation of standardised assessments.
Partners	• Project Isizwe[94] – internet hotspots in low-income areas – creative ways of delivering lower-cost connectivity at scale using existing infrastructure. • Telecoms companies. • DFIs (the DBSA as part of education portfolio) as well as African (AfDB/BRICS) and multilateral (World Bank/potential IFFfE) partners.
Investors	• Investor types depend on which aspect of the campaign is being funded. • Low risk – asset backed lending could attract DFIs/banks/commercial investors. • Pilot programmes to test learner outcomes could be funded by more philanthropically minded or catalytic funders. • Teacher training could be built into capacity development and HEI programmes.

[94] https://projectisizwe.org/about-us

	• Data could be subsidised through the private sector.
Impact	Key areas to address which could inform an incentive structure: (i) teacher professional development; (ii) content curation; (iii) bandwidth; (iv) security; and (v) integration.
Replicability and scalability	Each province/metro/town/city is different in terms of existing capacity, resources, language, etc., so lessons will need to be meticulously recorded. Not one size fits all.
Cost-effectiveness	• Cost-effectiveness depends predominantly on effectiveness. • Government should be able to negotiate for economies of scale. • Government should ensure that they are not tied into long-term contracts on the back of short-term loss leaders (especially with companies wanting to take advantage during crisis). • All procurement should be completely transparent, and the public given the opportunity to scrutinise decisions on devices, content and connectivity.
Speed and transaction cost of implementation	Because procurement timelines are limited, work with provinces to support roll-out using conditional terms, and aggressively monitor outcomes.

5. Use NGOs and SEs as incubators for the public sector system and not just as delivery partners. They bring flexibility, innovation and additional funding streams which can be harnessed to align with long-term public sector objectives. Support them in the short term by extending flexible funding terms and speeding up deployment. Support them in the long term through three-year, conditional and flexible contracting terms and by using policy levers to enhance non-traditional investment.	
Funding need	• Short-term funding needs include cash/liquidity to pay salary and overhead expenses. • Long-term needs include sustained, adequate financing at affordable rates.
Innovative financing solution	• Follow example of organisations like the Ford Foundation and IPASA to accelerate the administration of existing grants and create flexibility around activities/outputs for existing grantees. • Enable NGOs to pivot in order to address COVID-19-related community issues and provide additional funding if appropriate. • Support the scale and sustainability of promising NGOs. Usually these organisations survive from year-to-year but, if supported, can become much more useful to the eco-system. That support could include longer-term contracts which add risk and so make them conditional on results. Move funding between a cohort of NGOs depending on results, eventually weeding out those who are not delivering. • Provide additional core funding for M&E and management to enable organisations to run data-driven programmes. This funding can be raised

	from donors specifically for capacity development. • Support policies that enable private sector investors to finance NGOs with products such as retail charity bonds, social impact bonds, early-stage equity investment and wholesale funds. • This policy support could be in the form of providing concessionary capital to wholesale funds to support education verticals; supporting edtech models through the DSI/TIA, and student finance models such as ISFAP; and providing outcomes funding for performance-based instruments, etc.
Partners	• NASCEE, TICZA: engage public–private collaborations to harness core capabilities of different stakeholders. Work closely with these representative bodies to identify areas where NGOs/SEs could drive innovation. • The DSI/TIA to create effective contextual edtech business models. • Market builders such as the IISA, National Business Initiative, ASISA, Asset Owners Forum, BASA, etc.
Investors	• Attract non-traditional investors such as private equity/venture capital funds, banks, enterprise supplier development funds, DFIs to fund early and growth stage SEs. • Attract international investment funding, as edtech models especially have no borders.
Impact	• Collect standardised and bespoke output/outcome/impact data to be able to compare and contrast. • Leveraging additional capital will increase pool of capital available to reach more learning outcomes.
Replicability and scalability	• Government can support market building in their capacity as: (i) facilitator (create innovative finance unit and create strategic goals associated with impact investment, which could include unlocking of dormant assets for SDG-aligned investment); (ii) market participant (as buyer of social outcomes or provider of concessionary capital); and (iii) regulator (by providing fiscal incentives or legal reform). • The private market can use these levers to create high-impact enterprises and sustainable NGOs to deliver alongside the public sector with respect to national development goals.
Cost-effectiveness	Initial input which will leverage significant amounts from non-traditional funders and investors.
Speed and transaction cost of implementation	There is incredible momentum in the market, especially off the back of the current crisis. The time to push this agenda is now.

6. Capitalise on momentum in the market to build a Foundation Phase literacy and numeracy outcomes fund. An initial market scoping has ratified the use case for programmes, such as the EGRS, PSRIP and

Funda Wande, that require capital to scale.	
Funding need	±R1.3bn required on annual basis for the next 10 years to institutionalise, which is equivalent to 0.5% of the basic education budget. The system cannot currently absorb that funding, but that capacity can be built-up over a few years through close partnership with public and civil society sectors. The outcomes fund can provide one income stream (USD50m over four years which is ±R250m pa) to complement government spending.
Innovative financing solution	An outcomes fund is a funding mechanism that enables several outcomes-based contracts to be developed and supported in parallel, under a common framework. This speeds up the process and enables learning between multiple contracts. These tools are better suited to harnessing capacity of non-state providers to improve outcomes, rather than as structures to operate within the public sector. Nevertheless, they can be used to scale and institutionalise public sector-driven strategies in a number of ways.
Partners	• Key development partners include the DBE, National Treasury and NECT. • Key civil society partners include teacher unions and NASCEE. • Key academic partners include JET Education Services, RESEP and the UCT GSB Bertha Centre. • The EOF, which has provided development funding for inception and a scoping report, are committed to providing additional technical support plus fundraising capacity. • The International Impact Bond Working Group – specifically with an “outcomes fund accelerator” to provide technical support as well as a link to international donors and investors and large investment funds.
Investors	• A full list of local and international donors and investors has been included in Table 16. • Private and corporate donors can fund outcomes alongside the DBE/DSI. • Investors provide risk capital/bridging finance between implementation and results.
Impact	• Resolve literacy and numeracy binding constraint through large-scale multi-stakeholder initiative to address issues with full and accountable funding for a committed number of years at scale. • Align all resources on achieving this goal, which will have the most significant knock-on effect of any other.
Replicability and scalability	• An outcomes fund can continue to attract international investment if it starts to show results. If institutional change is demonstrated, it could become the poster child for funders who can commit to long-term contributions. • Institutionalise contracting methodology if coaching support continues to be provided by NGOs, and move to a rate card to drive down price. • Alternatively, use the data-driven performance management

	methodology honed during the life of the outcomes fund to seed and grow best practice internally. • Timebound usage of outcome fund development can be considered for the resolution of other wicked problems.
Cost-effectiveness	High transaction costs to set up, but economies of scale will be created through shared M&E, contracting and shared investor relationships.
Speed and transaction cost of implementation	It will take a year to come to market, depending on senior political support.

7. Explore collaborative models to test and support alternative pathways to initial teacher education. Use Teacher Internship Collaboration South Africa (TICZA) as an operational example on which to design future public–private collaborations which can be instigated and/or led by the DBE/DHET to address other key issues.	
Funding need	TICZA will commence in phases with the purpose of quantifying the impact and testing the economic viability of scaling an alternative path to distance learning for initial teacher education. Currently in Phase 1, which includes the formalisation of institutional partnerships, mapping of sectoral capacity, development of shared M&E framework and designing programmatic variations to test the most cost-effective model. Phase 2 will involve implementation and the piloting of variations.
Innovative financing solution	• De-fragment the funder landscape and align against common outcome (similar to that which the NECT is doing, but focusing on a single issue with the support of highly engaged and knowledgeable donors). Much work has been done by each individual organisation and funder named here, but all have expressed interest in combining resources to see whether scale is achievable. • De-fragmentation accompanies high levels of accountability through use of shared M&E frameworks and mutual transparency/comparability. • Funding streams can be diversified when moving to scale. Diversified funding streams involve official support from Funza Lushaka, private investment through performance-based instruments and the use of SEs.
Partners	• Distance learning universities or universities with expertise in ITE models (Unisa/NWU/UJ) and the DHET as custodian of those institutions. • The DBE and public schooling system, through which this programme would scale. • Teacher unions and SAICE (align with NASCEE/Bridge and internship NGOs (Global Teacher Institute/Save the Children/ISASA, etc.). • Private sector organisations who bring financial and investment expertise to investigate collaborative and blended funding model in order to sustain and scale if the economic case is made.

Investors	• A list of education-focused investors has been outlined in Table 15. There is current interest from the Zenex Tutuwa Community Trust, First Rand Foundation, Absa Foundation, Eyethu Community Trust and Maitri. • Capitalise on ODA appetite to support teacher training programmes.
Impact	• Teachers are the most critical component of a functioning school system. Currently 50% of student teachers come through distance learning universities, with an average throughput of 10 years. Internship has been underfunded by the DBE funding mechanisms (including Funza Lushaka) because of poor quality. • Internship support has proven to improve content knowledge and pedagogical capabilities along with improving retention and leadership capacity in the sector. If critical mass is achieved, it can have significant effect over a 10-year period. Aim to ensure 25% of students access internship opportunities.
Replicability and scalability	Suggesting an alternative route to education is a radical proposition even though it is happening already at small scale, supported through the Funza Lushaka bursary scheme (Save the Children, Global Teacher Initiative, ISASA). Internships through public schools have secondary effects on the functioning of the school (additional support) and the student teacher. The system becomes more integrated and aligned.
Cost-effectiveness	Innovation-risk borne by private donors. Cost-effectiveness to be determined before institutionalising.
Speed and transaction cost of implementation	COVID-19 permitting, implementation can happen from 2021. Initial commitments from donors for Phase 1 secured.

8. Fund accelerated skills development programmes for sectors with high absorption capacity for first-time job market entrants using collaborative funding models where risk is shared between the public and corporate sectors.	
Funding need	The concept of funding accelerated skills acquisition programmes for skilled and semi-skilled workers tested through the Bonds4Jobs provides a strong model on which to base further skills development programmes. With TVET expansion under consideration, this alternative should be front of mind.
Innovative financing solution	• A combination of funding required from corporates, SETAs, governmen and investors. • Bonds4Jobs has been set up as a pay-for-performance model – the infrastructure has been set up to scale (in terms of intermediary platform, investment platform, M&E backend), although this may not be the only platform government wants to support. Neither does this exclude other funding models outside of performance-based funding. • However, the principles remain valid for other providers to enter the market – those principles include: accelerated learning techniques;

	sharing risk between the public and private sector; and building marketable skills and close corporate relationships.
Partners	• TVET colleges which bring existing institutional knowledge and infrastructure to bear on scaling technical curriculums and learning programmes. • Government, especially the Office of the Presidency where youth unemployment is one of the major political drivers. • SETAs driven by sectoral priorities. • Companies as delivery partners, investors, outcome funders and employers. • Non-profits, such as Harambee, who bring innovation and rigour to programmatic delivery.
Investors	• A long list of international and local investors in Table 15. • Yellowwoods more than tripled their raise in the second phase of Bonds4Jobs, indicating a high appetite in the market for this type of investment. • Concessional funders have demonstrated a willingness to shoulder initial risk – it can be assumed that they will do so again. • Capitalise on ODA appetite to support employability programmes.
Impact	Considering current functioning of TVET colleges, this provides a cost-effective alternative that ultimately aims to include TVET colleges in a delivery model. With youth unemployment at an effective level of >40%, rapid effective skills development needs to be combined with economic growth to create both jobs and employable candidates in order to avoid social collapse.
Replicability and scalability	• Institutionalise programmes though TVET colleges where costs have already been sunk and political appetite remains. • Ensure ongoing corporate partnerships to ensure relevance and absorption in the market.
Cost-effectiveness	According to an expenditure review, a single TVET graduate currently costs the system ±R1m because of high dropout rates. The alternative model has produced employable graduates at less than 10% of that cost. The intent is to increase the number of colleges and students in the TVET system, but this should not be done without considering leaner, more effective models where graduates have a higher chance of gaining employment after completion.
Speed and transaction cost of implementation	• Build on existing platforms to speed process. • Take control of the scaling of these types of programmes by building a longer-term strategy around transference to TVET colleges.

9. Establish an Innovative Finance Unit or partnerships in the market to institutionalise learnings and guide future developments. Build capacity in government to attract alternative and results-driven forms of funding.

Funding need	Knowledge and market infrastructure to continue and expand on the work being undertaken in various pockets by private and public benefit organisations.
Solution	• It could be situated in (i) government (e.g. the DBE/DHET/NT); (ii) an existing PPP (e.g. ISFAP/NECT); (iii) research organisations (e.g. the UCT GSB Bertha Centre/JET Education Services); or (iv) a network of affiliated organisations between whom work can be distributed or partnerships could develop. • Functions would include (i) providing a repository of information; (ii) research capabilities; (iii) central and provincial capacity-building; (iv) strategic multi-sectoral convenings; (v) incubation of high-quality ideas; and (vi) the evaluation of solicited and unsolicited private sector initiatives. • The hub would also serve as a knowledge hub, which would function to reduce transaction costs by making available template and exemplar contracts, data on market activity, peer learning groups, etc.
Partners	There would most likely be appetite in international donor funding circles to support this, considering the focus of market-based solutions in the strategy of all development agencies and DFIs.
Speed and cost of implementation	Depending on the nature of the form, this could be established within a 3–12-month period and set up (i) as an informal coalition during the crisis to specifically address emergency funding gaps, or (ii) to be able to think through funding options on a long-term strategic basis. The former could provide a precursor to the latter.