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A Review of the IDP Rising Schools Program at Sinapi Aba in Ghana

Trying to serve a rural, low income population is never an easy task for a financial institution – and providing finance to the affordable private primary schools that serve this market is even tougher. A unique pairing of a funder, the IDP Foundation based in Chicago, Illinois, and an MFI lender in Ghana, Sinapi Aba, developed a formula that profitably serves this market, reaching the “higher hanging fruit” among private schools. The program demonstrates that commercial financial institutions can be sustainably lending to low cost private schools.

The IDP Rising Schools Program (IDPRSP) is designed to support low-fee private schools in Ghana. The IDP Foundation identified education of children of low-income families as its priority, and particularly decided to address the need for financial literacy of proprietors and good schools management to improve school operations. It hoped that the training would ‘move’ more marginal schools into a position where they could become potential loan customers, to finance expansion and improvement of facilities, and thereby build the schools that could provide the quality education that low-income children need. The program particularly targets unregistered schools (which are encouraged to register with the Ghana Education Service), as well as “C” and “D” rated schools, with low-income students and poor infrastructure.

Finding the right partner was critical, a financial institution that could identify potential clients and deliver services on the ground, but equally important which shared the spirit of the venture. Although a for-profit savings and loan, Sinapi Aba has a strong social change mission, and sees itself as a “mustard seed” which provides opportunities for enterprise development and income generation to the economically disadvantaged to transform their lives. Sinapi Aba espouses a Christian orientation and philosophy, but its products and services are available to any financially responsible customer.

The IDPRSP is a combination of training (for school proprietors), which includes nine modules delivered over nine weeks, and eligibility to receive loans with discounted interest rates for school needs, including fixed assets and working capital. Loan proceeds are commonly used for adding classrooms and other facilities (such as toilets and washrooms), and/or for the purchase of school buses. The schools may borrow again once initial loans are repaid, and some borrowers have successfully acquired multiple loans. Working capital loans are rare; however, they are occasionally used to cover salaries during a break or for bulk purchases for the canteen.

The proprietors applaud and endorse the program training and are excited to share what they have learned and are practicing, for example, having separate school and individual accounts, accounting record maintenance, paying proprietors as a line item rather than considering profits available for personal use, exercising financial planning, and following suggestions for increasing student enrollment. Additionally, the program includes units on nutrition and sanitation, which have been particularly appreciated.



Several of the proprietors also mentioned the spirit of comradery developed amongst their peers during the training, and the connections are maintained long after training has concluded. A major source of new candidates for the program come from referrals from proprietors who have completed training. Participation in training is mandatory for all IDPRSP borrowers and limited to schools with at least one year of operating experience.

The key indicators of the program's success are:

1. **Strong partnership between IDP Foundation and Sinapi Aba.** IDP Foundation brought a deep commitment to the project with a "pilot and learn" approach and patient capital to support the initiative. Sinapi Aba provided their extensive network of branch offices along with a deep commitment to social impact.
2. **The lending model combined the loan distribution with training,** which was embedded into and a precondition to lending. The indications are that this built a more loyal pipeline.
3. **Pricing/spread was sufficient** to allow for learning, inefficiencies, and some bad debt; however, moving forward, there are opportunities for both the efficiency and pricing structure. The program is financially viable, and is sustainable even with training included; however, support from third-party entities or fees charged to cover the training costs could further enhance sustainability.

4. **Productive/reasonable relationship with regulator**, in part facilitated by schools participating in the program becoming registered with Ghana Education Service (GES). Moving forward, the program could be strengthened by increased support from the government.
5. **The proprietor training has been well-received and sought out** by low-income school proprietors, and is a quality product that could be adapted for use in other markets. The program also developed some quality pedagogical training materials that could be widely used in Ghana, and adapted as needed for other markets.

Since IDPRSP has targeted financial literacy and school management, it has not particularly focused on educational achievements or school ratings. It does track the initial and subsequent Ghana Education Service school grading - to maintain the focus on low-income schools - and whether an informally organized school registers as a business and with GES. These are both identified as measures of success. It will also track information such as number of children per class, gender of proprietors, teachers, and pupils, whether the school owns the land it is located on, number of toilets, classrooms with concrete floors, and the like. From a business perspective, it counts the number of schools using different ledgers, whether schools' bank accounts are separate from those of their proprietors, and whether the proprietors are paid a salary.

The proprietors tend to measure their success by number of classrooms being added and overall growth of the school. A typical pattern is to try to expand by a grade each year, since parents typically will keep their children in a school that they already know and trust. The proprietors also gauge success by the same measures as the IDPRSP and Sinapi Aba – is the school registered with GES, is the school using recommended bookkeeping tools, and are separate accounts being opened. Schools also track the performance of their graduates by monitoring if they attend and succeed in secondary school.

The initial goal of the IDP Rising Schools Program was to test the plausibility of extending an SME business loan to a very high-risk market. Therefore, the focus of the program was on the teaching of skills to make this possible, stabilization and better management of the schools, as well as the cost of undertaking this type of measurement, rather than trying to simultaneously focus on education outcomes. As a next phase of the IDPRSP project, the program seeks to actively engage in the development of an ecosystem of support services, which will include developing ways to measure academic impact.

To learn more about this inspiring story visit www.idpfoundation.org/idp-rising-schools

