



7th European Microfinance Award

Microfinance and Access to Education

Explanatory Note

The 7th European Microfinance Award “Microfinance and access to education” is intended to recognise the role of microfinance in enabling access to education for children and/or skill-training for youth and adults to enhance their employment and self-employment opportunities.

The prize of €100,000 will be presented on 17th November 2016 during the European Microfinance Week in Luxembourg.

Organised by:



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs



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InFiNe

Inclusive Finance Network
Luxembourg

European Microfinance Award

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

Previous editions were devoted to the following subjects:

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

To recognise institutions that operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities.

Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea

2014, Microfinance and the Environment

Integrating environmental governance into the DNA of the microfinance institutions and promoting initiatives to improve environmental sustainability.

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative

2012, Microfinance for Food Security

Microfinance initiatives contributing to improve food production and distribution conditions in developing countries.

Winner: ASKI (The Philippines), for serving smallholder farmers and fostering effective market linkages

2010, Value Chain Finance

Outstanding microfinance initiatives in productive value chain schemes

Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain

2008, Socially Responsible Microfinance

Microfinance innovative initiatives to promote social performance

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system

2006, Innovation for Outreach

Microfinance breakthrough initiatives deepening or broadening rural outreach

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

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Microfinance and access to education

Finding ways to deliver and promote access to education and ensuring that youth and adult education is relevant to labour market needs is one of the great challenges of our times. This must be accomplished in countries where governments face severe budget constraints and many, if not most, parents are too poor to cover the costs of their children's education, with children and youth often ending up working and missing out on education.

Major progress has been made towards increasing access to education at all levels. Enrolment in primary education in developing countries has reached 91 per cent, yet bolder efforts are needed for achieving universal education goals. At present, nearly 57.8 million primary school-age children and 62.9 million lower secondary-age children remain out of school¹.

Education is by far the largest determinant of future economic status and self-reliance and one of its benefits is the lower risk of unemployment. However, young people worldwide are three times more likely than their parents to be out of work, with an estimated 75 million young people currently unemployed². This number potentially triples if estimates of underemployment are included. Paradoxically however, employers are often unable to find enough skilled entry-level workers, highlighting a critical skills mismatch. Enhancing skill development programs that are relevant to labour market needs is thus critically important.

Governments have struggled to develop effective responses and often are unable to keep up with population trends. This, coupled with insufficient public funding to education, have generated a practical need for private financial resources to support education access.

The cost of education is thus one of the major barriers to a quality education that students, parents, and providers face at all levels of education. Therefore, financial innovations could contribute to reducing the number of out of school children by balancing the quantity and quality of education provided by state and non-state providers (supply side) with the demand for education from students and their parents (demand side).

On the supply side, improving the financial capacity of the education system is one of the best options to address the lack of schools, teachers and equipment, as well as ineffective teaching practices that lead to poor school performance. Microfinance institutions (MFIs) have been active in providing financial resources for the creation of new schools, the expansion of existing ones, and the improvement of education quality.

On the demand side, barriers to school entry disproportionately impact the poorest children and youth, increasing their probability of never entering the education system or dropping out before completion. Parents in poor communities often cite household economic hardship as well as direct and indirect costs of education as the main reasons for non-attendance at school.

MFIs have shown that they can successfully adapt the traditional microfinance model to provide financial services in the form of credit, savings, insurance, remittances and training, which help expand education access by enabling students to fund their studies and parents to afford their children's educational expenditures.

¹ *Fixing the Broken Promise of Education for All*, UNESCO Institute for Statistics, 2015.

² *Education to employment: Designing a system that works*, McKinsey Center for Government, 2013.

The Award

The objective of the Award is to highlight opportunities for microfinance to improve access and quality of education and to recognize microfinance institutions that respond to the educational challenges in their countries by facilitating families and schools to provide access to quality education for children and skills training for youth and adults.

The Award focuses on initiatives that enhance access to education by serving the needs of both students and schools. These can include financial products and non-financial services that have a tangible impact on children's school education or on programmes aimed at creating employment opportunities for young people and adults.

Applicants should demonstrate institutional commitment to achieving education objectives with education programmes that are embedded in the overall institutional strategy and operations. The MFI commitment will be assessed against the human resources allocated to the initiatives and their suitability to deliver, as well as the systems put in place to monitor client satisfaction and education outcomes. The Award will also assess the effectiveness and quality of the specific programs in terms of quality of design and delivery, scale and outreach, results for the end-beneficiaries (outcome) and sustainability of the operations. Working partnerships with relevant actors to enhance institutional capacity and improve impact on students will be valued.

The initiatives presented for the Award should support the development of the education sector either through formal education system or education-to-employment programmes as described below:

- **Formal education system**: the formal school system can be private or public and generally includes pre-primary, primary, secondary and tertiary education. Tertiary education may include higher education (graduate and postgraduate) and vocational education provided by recognised vocational schools.

Targeted initiatives should be designed to improve quality and access to the formal school system, so that the number of out of school children can be reduced and young people are equipped with the right skills to become active players of socio-economic development.

- **Education-to-employment**: is defined as the provision of any education service targeting youth and adults with a view to fostering employment. It usually occurs at the last stage of the education career/curriculum of a young student. After attending the programme, successful beneficiaries of the initiatives should be well-positioned to gain employment or self-employment suited to their newly-acquired skills.

For the purpose of the Award, we consider included in "education-to-employment" any training course which can be provided, externally from the formal school system, to young people or unemployed adults. Here we refer to financial institutions directly delivering or facilitating (through partnerships with affiliated/external institutions) training initiatives leading to employment or self-employment (creation of a new businesses), such as vocational or entrepreneurship education. These programmes generally involve vocational or skills training courses. Vocational education is defined as technical education that prepares people for a specific trade, craft or profession. Training courses can take many different forms and be provided by different stakeholders, including vocational schools, training centres, industry associations, local and national governments and other private companies.

Examples of microfinance and education programmes

According to an article from the Economist “*finding new ways to fund poor students in emerging markets has become a hotbed of innovation*”³. In the last decade, several actors have launched initiatives to raise funds for students in developing countries. The innovations are not limited to lending⁴. The provision of student financing in favour of the base of the income pyramid⁵ can be facilitated by crowdfunding, peer-to-peer online lending, investment vehicles and risk mitigation strategies with the participation of governments or development finance institutions.

Microfinance institutions are playing an important role in this emerging sector, becoming increasingly involved in education financing. A few examples of some of their education products and services are presented below.

Education Finance Products - Demand Side

- **Education loans for students and their families:** designed to finance school tuition for students whose families often have low income. Credit to finance education can cover tuition fees, transportation fees, exam-related preparation expenses, school material (stationary, uniforms, books, etc.). Funds can be used for partial or complete payment of school expenses and to pay services provided by formal public or private schooling, community colleges and vocational training.
- **Education savings products:** Designed to meet large lump-sum household expenses related to school fees, uniforms, material, books, etc. These products can target either children and youth directly, or parents who wish to save for their children for future education.
 - Term deposit for education with different maturities enabling students and their families to set aside funds for educational purposes (such as tuition fees or non-fees education costs).
 - Commitment savings (savings plans) to finance future education costs by depositing fixed amounts on a regular basis, to ensure that required funds will be available to pay school fees and other expenses when those are due.
 - Flexible savings accounts targeted for education for those families with irregular cashflows who cannot meet the requirements of a fixed savings plan.
- **Micro-insurance products:** these can be linked to education saving plans or loan products to cover school fees for children in specific circumstances, such as the death or disability of a parent. These are generally offered through partnerships with insurance companies.
- **Remittances for education:** remittance programmes that encourage family members working in distant regions or countries to target remittances for educational purposes back home or for families to send funds to students studying away from home. These can also include government subsidies or be linked to education loans from an MFI.

³ *Making the grade*, The Economist (<http://www.economist.com/node/16996791>)

⁴ Investors make an equity-like investment, which pays a set percentage of whatever the student earns in a predefined number of years of employment after graduating. When the student does well, so do the investors. When the student fails, the investors bear the risk.

⁵ In particular at higher education level

Education Finance Products - Supply Side

Education Provider Loans (EPL): these products address different challenges, such as school overcrowding, low-quality educational material, poor physical infrastructure, and other challenges that limit both school access and student educational attainment, including school drop-out.

EPL include credits to low-cost private schools, vocational colleges & institutes, coaching and training centres, whose financing has important implications for access-to-education indicators and for increasing enrolment and providing quality learning and teaching environment for pupils. Funds often allow expansion in marginalized areas (such as rural areas) reaching poor communities with limited access to education.

EPL are aimed at private education providers and can consist of infrastructure loans or cash-based loans. These can be aimed at financing any ordinary or extraordinary expenses related to school venues, boarding facilities, other infrastructures or school transport.

EPL may also be coupled with teachers' and school owners' training and curriculum development support (see the section on non-financial services below). Non-financial and capacity building services can be provided in partnership with external institutions or affiliated entities or can be directly provided by appropriately trained MFI staff.

Non-Financial Services (coupled with financial services) – Demand side

This category includes examples of MFIs involved in the provision of education to employment services, including vocational training or capacity development services for young people and unemployed adults. The target beneficiaries can be young students, students graduating from university or vocational schools or adults who need entrepreneurial or technical training in order to find a job or start their own business. After completion of the training, the trainees are linked with employers for an internship/apprenticeship. After completing the program, trainees can be linked with employers or receive start-up loans from the MFI in order to launch their own business.

The education provider is in most cases a vocational school, or a training and coaching centre external to the MFI that works in partnership with it. In some cases the training/capacity building is delivered either directly by the MFI or by an affiliated institution (ex: part of the MFI's holding company).

Non-Financial Services (coupled with financial services) – Supply side

Education provider loans (EPL) may be coupled with the provision of non-financial services that improve outcomes for the students. Services delivered by low-cost private schools sector can be enhanced via capacity building services aimed at increasing scale, depth, and quality of their educational activities.

These capacity building services can include teacher training, education and financial management training for school owners/entrepreneurs, curriculum development support, enhancing school safety standards, etc.

Eligibility criteria

- Eligible institutions are financial institutions in the financial inclusion sector with activities that enable access to education for children and/or skill-training for youth and adults to enhance their employment and self-employment opportunities.
- Various types of institutions are eligible including NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, and other institutions that directly serve retail clients.
- The following programs will not be considered for the Award:
 - Financial education training
 - General business development training⁶ for existing enterprises. Business development training can be considered for the Award only when provided in conjunction with vocational or skills training to improve self-employment / start-up prospects for graduating youth and adults.
 - Planned projects that have not yet been implemented and are not able to show evidence of client demand and utilization.
- The education programme must be active and ongoing at the time of the application.
- Eligible institutions must be able to provide audited financial statements
- Eligible institutions have to be based in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. A list of Eligible Countries of ODA Recipients as defined by the DAC can be found at:

<http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>

e-MFP MEMBER SUPPORT

Every applicant must be supported in written by an e-MFP member, e.g. by providing a short message or a letter addressed to the e-MFP Secretariat. A list of e-MFP members can be found at: <http://www.e-mfp.eu/about-us>

If an applicant does not have a relationship with an existing e-MFP member, they are welcome to contact the e-MFP Secretariat (EMAward@e-mfp.eu) to be connected with a potential supporter.

⁶ Training for business knowledge enhancement such as how to increase sales and market products, business planning, business and financial management, etc.

Award timeline and application process

When	What	Responsible
1st June 2016, 23:59 pm CET	Deadline for applications	Applicants
June – July 2016	Preselection Phase	Pre-selection Committee
2 nd half September 2016	Selection of 7 to 10 semi-finalists and the 3 finalists among the semifinalists	Selection Committee
17 th November 2016	Selection of winner followed by announcement at the Award Ceremony	High Jury

The Award is launched in three languages: English, French, and Spanish. The application process is on-line. In order to apply, please go to the following website: <http://portal.european-microfinance-award.com/>

During the pre-selection and selection phases, the applicants might be contacted and asked to supply additional information on a case by case basis if deemed necessary.

The judges' decision is final and not subject to appeal. Neither the judges nor the Organisers will enter into any correspondence relating to the decision.

The Organisers regret that information relating to the on-going evaluation of applications will not be released. The three finalists will be announced in the second half of September and the winner will be announced at the Award Ceremony.

The three finalists will be invited to attend the Award ceremony on 17th November 2016, in Luxembourg, which will take place during the European Microfinance Week (EMW), 16th to 18th November 2016. The three finalists agree to ensure the presence of a representative from Senior Management from their organisation at the Award ceremony.

Award Selection Process

Pre-selection phase

In order to be pre-selected and considered for the Award selection phase, applicants must:

- demonstrate a sufficient level of institutional commitment to achieving education objectives, as well as an adequate quality and effectiveness of their educational programme (Component 2 of the Application Form).
- demonstrate sufficient financial and social performance (Component 3 of the Application Form);

The transparency and quality of the application will also be assessed during the pre-selection phase.

Selection phase

Applicants that meet the eligibility criteria (“Eligibility Criteria” section above) and pass the preselection phase will be evaluated on the basis of their education initiatives, taking into account the following sections of the Application Form:

- 2A. Education context
- 2B. Commitment towards education
- 2C. Education programme

These sections shall be evaluated on the basis of the criteria listed in the “General Assessment Grid” below. Only components 2B and 2C will be explicitly evaluated, however, section 2A will provide the basis against which sections 2B and 2C will be assessed.

General Assessment Grid

An overview of the indicative weightings for each of the components is included below. However, decisions will be based on a holistic review of each application.

Component 2	Weight
2A. Education Context	na
2B. Education Commitment	20%
2B1. Education commitment and strategy	10%
2B2. Operations Level – Internal Systems	10%
2C. Education Program	80%
2C1. Description of the programme	25%
2C2. Scale and outreach	25%
2C3. Outcome	20%
2C4. Sustainability	10%
Total Evaluation	100%

The final evaluation will take into account an overall assessment of the application based on its quality, transparency and innovation of the education programme. The score will be calculated as follows:

$$\text{Final evaluation} = (\text{Total Component 2}) * 90\% + (\text{Overall assessment}) * 10\%$$

Component 3	Weight
3A. Financial performance	50%
3B. Social performance	50%
Total	100%

Please note that Component 3 will only be evaluated as part of the Preselection Phase, that’s why it is not considered in the final evaluation score above.

Award benefits

The winner of the Award will receive:

- €100,000 (one hundred thousand Euro)
- An Award Certificate
- Promotion of their organisation and initiative by the organisers of the Award.

The two finalists will receive:

- A Certificate of Achievement
- Promotion of their organisation and initiative by the organisers of the Award.

The winner, finalists and semifinalists will be featured in an e-MFP publication on “Microfinance and access to education”. They will be asked for their consent to include non-confidential information from their applications in this publication.

All eligible applicants will receive a Certificate of Participation.

Winner follow up report

The Award winner will be requested to provide a follow up report by the 31st of January 2018 describing how the Award funds were used.

The instructions on how to prepare this report will be provided to the winner by the end of 2016.