



CASE STUDY: AN EDUCATION SECTOR GEARED FOR IMPACT

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ABOUT THE AUTHORS

As the Head of ESG, Dean is responsible for impact investing practice and manages ESG systems and the ESG performance of OMAI's assets.

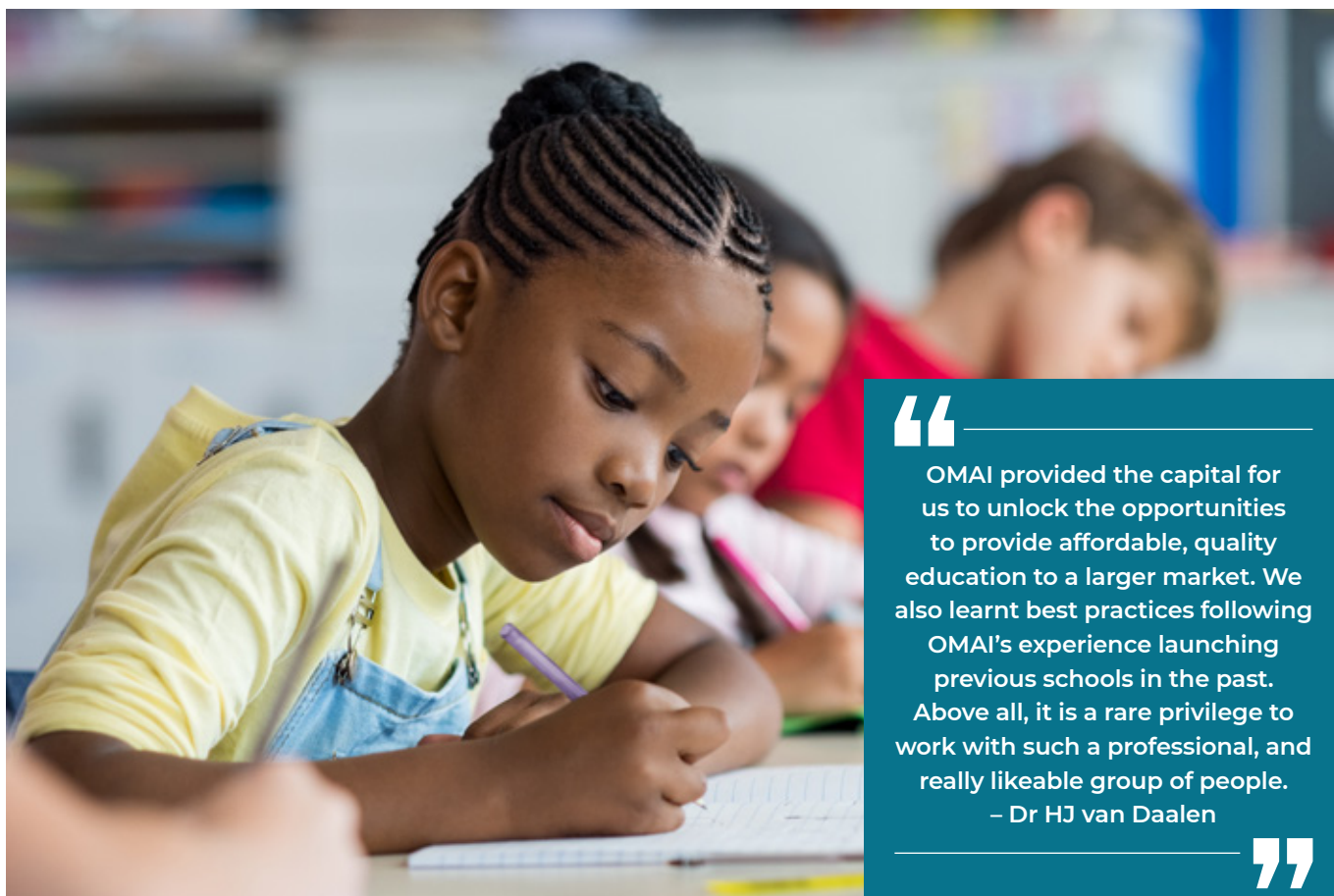
As ESG Advisor, Ilse is responsible for undertaking environmental, social and governance activities across all transactions' execution and asset management for the impact funds.

Impact investing can be viewed as a subset of good ESG practice. The International Finance Corporation (IFC) recently defined impact investing as "investments made in companies or organisations with the intent to contribute measurable positive social or environmental impact, alongside a financial return". It then follows that there are four key elements that an impact investment must embody: intent, a positive impactful contribution, means of measurement and a financial return.

In addressing the challenges in the domestic education sector, Old Mutual Alternative Investments (OMAI) has been investing in the South African education sector since 2011, through the Schools and Education Investment Impact Fund of South Africa (Schools Fund). The primary focus of the Fund is on improving the level of education by creating access to affordable independent schools, while achieving a commercially acceptable return. The first and largest education impact fund in South Africa, the Schools Fund has fully allocated its R1.4bn and further funds are being raised. The Fund had about 21 000

KEY TAKEOUTS

- IN ADDRESSING THE CHALLENGES IN THE SOUTH AFRICAN EDUCATION SECTOR, OMAI HAS BEEN INVESTING IN THE EDUCATION SECTOR SINCE 2011.
- THE PRIMARY FOCUS OF THE SCHOOLS FUND IS ON IMPROVING THE LEVEL OF EDUCATION BY CREATING ACCESS TO AFFORDABLE INDEPENDENT SCHOOLS, WHILE ACHIEVING A COMMERCIALY ACCEPTABLE RETURN.



“ OMAI provided the capital for us to unlock the opportunities to provide affordable, quality education to a larger market. We also learnt best practices following OMAI’s experience launching previous schools in the past. Above all, it is a rare privilege to work with such a professional, and really likeable group of people. – Dr HJ van Daalen ”

learners enrolled in 2019 across 36 schools, with 1 300 staff employed, the majority being teachers. The Fund’s pass rate of 92% in 2019 exceeded the national average of 81.3% and the university exemption rate of 48.1% outperformed the national average of 36.9%. The St Christopher’s School is an example of the positive impact achievable in the broader education sector.

The van Daalen family acquired their first school, St Christopher’s School in King William’s Town, in 2003. Initially with 210 learners, St Christopher’s grew to a fully functional combined school of over 1 000 learners by 2019.

In 2017, with the support of OMAI, construction began on a second school in Kidd’s Beach, outside East London in the Eastern Cape, with the first ten classrooms ready for the January 2018 intake, opening with 171 learners. In its second year, the school exceeded its target of 380 learners to achieve a

growth rate of 140%, breaking the 400-learner mark. The current capacity of the school is 620 learners, which include primary and high school learners. At less than R20 000 per annum school fees (2019), St Christopher’s provides access to quality affordable education to lower- and middle-income families.

Role played by OMAI: The school’s development was made possible by a debt investment of R15m from the Schools Fund managed by OMAI. OMAI maintains a strong relationship with the management team and plays an active role in the investment.

United Nations Sustainable Development Goals (SDG): This investment aligns with UN SDG 4 of Quality Education. OMAI aims to support this goal through its investments in high-quality, affordable schools. The St Christopher’s King William’s Town campus has maintained an average matric pass rate of above 90% for the past 10 years and achieved 98.7% in the 2019 matric results, proving the competence

and quality of the school operator. Similar results are expected for the Kidd’s Beach campus.

THE EDUCATION CHALLENGE IN SOUTH AFRICA

The overburdened public schooling system faces many challenges, including sub-standard infrastructure, poor functionality of governing boards, and limited access to books, teacher absenteeism and an oversupply of vacant posts. The Eastern Cape, for example, had a matric pass rate of 76.5% in 2019. Statistics show that only 51% of Grade 1 learners successfully achieve their matric qualification, while only 48% of learners who were in Grade 10 in 2016 took the matric exam in 2018. South Africa is ranked amongst the lowest performing countries in mathematics, science and literacy. Eight out of ten Grade 4 learners cannot read for meaning. It is within this context that, through investments in quality affordable schools such as St Christopher’s, OMAI aims to contribute to improving the quality of education in the country. Schools in the Fund perform annual numeracy and literacy tests against set targets to continuously improve education outcomes.

TAKING ADVANTAGE OF GREEN ENERGY

OMAI considers many opportunities of positive impact in an investment, and therefore looks at the sustainability of schools from an energy and a water perspective. When the St Christopher’s site was purchased, bulk services needed to be secured. Electricity was a particularly challenging issue, since there was no existing Eskom grid connection available. The management team investigated the installation of a transformer at some R970 000, and along with the inconsistent power supply from Eskom and the reality of continuously increasing cost of power, they decided the best option was to go off-grid.

The current power system consists of 65 x 330W solar rooftop panels with a 57V lithium polymer battery bank, allowing the school to be 100% off the grid with no dependence on Eskom.

SOLAR YIELD VS CONSUMPTION

