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SCENARIO SERIES

USING STRATEGIC FORESIGHT TO SHAPE PHILANTHROPY'S ROLE

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FRAMING THE IEFG SCENARIO SERIES

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The International Education Funders Group (IEFG) provides space and curates knowledge that enables philanthropy to see the wider context in which it operates. Global education does not exist in isolation: it is shaped by political, economic, social, and environmental forces that are shifting rapidly. By stepping back to view these dynamics, philanthropy can make more strategic use of the full range of tools at its disposal: resources, influence, networks, expertise, and convening power.

The **IEFG Scenario Series** is one way we aim to support this perspective. Each Scenario highlights a theme emerging from global debates on development, aid, and education, and considers what this could mean for education philanthropy.

Scenarios are not forecasts. They are structured thought experiments: hypothetical, positive-framed futures that help test assumptions, expose tensions, and explore the implications of change. Their purpose is to prompt reflection and discussion.

What might this trajectory mean for education, and how should philanthropy respond?

Each Scenario will include:

- a short narrative vignette that brings the future into view;
- commentary from a range of perspectives (governments, civil society, business, educators, and philanthropy);
- a synthesis of themes and implications for philanthropic practice.

This publication introduces the **first Scenario in the series**. It is offered as a stimulus for reflection, not a prescription. We invite readers to consider both the opportunities and risks it surfaces, and to share your own reactions. Later in the publication, we bring together these reflections to identify common threads and questions for further exploration.

SCENARIO 1

More money flows into education from private capital

What begins as a shift in financial architecture goes on to redefine the economics of education itself, making it possible to imagine a future where no child is denied opportunity for lack of investment.

SCENARIO 1: IN THE FUTURE, MORE MONEY FLOWS INTO EDUCATION FROM PRIVATE CAPITAL

IMAGINE...

...it's 2027, and significantly more money is flowing into education systems in low- and middle-income countries not from traditional donors, but from private investors and businesses. What begins just a few years earlier as a trickle has turned into a discernible current of capital. The global development landscape has shifted as the old paradigm of grant-based charity gives way to investment-led approaches.

Aid agencies and development banks now routinely speak the language of returns, market creation, and leverage. Blended finance, impact investing, and outcome-based financing are no longer fringe innovations but central pillars of the development finance ecosystem. Education, once sidelined in this space, is carving out a growing share. Instruments like education bonds, social and development impact bonds, and concessional finance vehicles are increasingly being deployed to fund everything from early childhood education to vocational training systems.

LOOKING BACK

Back in 2023, the OECD reported over $50 billion in private capital mobilized for development,[1] but education captured only a sliver of that (just around 7%, compared to a 40% share for health). The education finance gap, then estimated at $97 billion annually for low- and lower-middle-income countries,[2] loomed large. Policymakers and financiers began to realize that the scale of underinvestment in education demanded structural solutions, not just incremental aid.

This push toward innovative finance carried major implications for domestic budgets. In 2023, the World Bank estimated that 90% of all education spending came from domestic sources, yet low-income countries were spending just $55 per child per year, compared to nearly 200 times more in some OECD countries.[3]

1. OECD (2023). Amount Mobilised from the Private Sector
2. UNESCO GEM Report (2023). Closing the Education Finance Gap
3. World Bank (2025). Emerging Findings from the Global Education Financing Report (forthcoming)

LOOKING FORWARD

In our scenario, by 2027 early signs of transformation are visible. Average spending per child in low-income countries rises, not just because of increased domestic allocations, but because external capital helps unlock stalled reforms by digitizing education payments, expanding access to quality providers, and scaling learning technologies. This frees up public resources, allowing governments to focus spending on teacher salaries, inclusion, and long-term system-building.

In this scenario, in some countries outcome-based financing mechanisms help reduce inefficiencies, targeting funds more effectively, boosting learning outcomes and attracting even more capital. What emerges is not just a new funding stream but a dynamic education investment ecosystem. Innovative providers, EdTech firms, teacher training hubs, and assessment platforms grow in response to new financing flows. These developments are not displacing the state but strengthening its ability to act as the lead investor, amplifying public budgets and expanding fiscal space over time.

In this imagined future, governments are now spending not just $55 per child but $100, then $150, because the return on education (higher earnings, stronger tax bases, more stable economies) is becoming increasingly visible and measurable. As the sector continues to 3
demonstrate value, more private and public capital follows.

What begins as a shift in financial architecture is now redefining the economics of education itself, making it possible to imagine a future where no child is denied opportunity for lack of investment.

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PERSPECTIVE A: THE PHILANTHROPY ACTORS

"It's time to close the loop between values and vehicles: between how we make money and how we give it away."

Education has long been seen as a public responsibility: essential, universal, and non-excludable. But this logic has had an unintended consequence: it has kept private capital largely on the sidelines. Unlike in health, where impact investors have backed diagnostics, vaccines, digital health platforms, and direct service provision, education has seen a fraction of that attention. According to the Global Impact Investing Network (GIIN), less than 7% of global impact investment assets target education, compared to nearly 30% for healthcare.

This isn't just a funding imbalance. It's a missed opportunity.

We are a group of philanthropic actors who believe that capital, when aligned with purpose, can catalyse education systems. It shouldn't replace public financing, but complement it intelligently. We've each taken different paths to get here: from mission-aligned investing and outcomes-based financing to blended public-private partnerships. But we share a common conviction: **capital can (and must) work for education.**

Capital can (and should) be mission-aligned

Of roughly 100 members of the International Education Funders Group (IEFG), we think only one (the Ursimone Wietlisbach Foundation) has formally aligned all of its capital with its mission. This should not be the exception.

Philanthropic foundations that generate income through conventional investment portfolios chase high, short-term returns, regardless of how those returns are made. Then they deploy that income into education programs designed to fix the very systems those investments may be undermining: extractive industries, environmental degradation, or exploitative labour practices. The result is a paradox. One hand gives while the other quietly takes away.

The Ursimone Wietlisbach Foundation is proving there's a different way. By committing to a 100% mission-aligned investment strategy, it ensures that every dollar works toward systemic transformation. Its capital does not sit idle; it invests in enterprises and funds that improve learning environments, expand teacher training, and build data infrastructure, all aligned with its core values.

Capital can flow into education and deliver returns

There's a persistent myth that education in LMICs is 'uninvestable': that outcomes take too long, markets are fragmented, and social returns are hard to quantify.

We reject that.

Across our organisations, we have deployed a range of financing tools to bring more capital into education.

Blended finance is one approach gaining ground. In Ghana, a recent $118m financing package for a remedial teaching programme known as GALOP combined public, private, and philanthropic funds. The deal, supported by a dozen partners and led by the Jacobs Foundation, shows how shared risk and pooled expertise can stretch government budgets and unlock additional resources for national priorities.

In Cote d'Ivoire, the Jacobs Foundation, UBS Optimus Foundation, the Ivorian government and 11 cocoa and chocolate companies have created the Child Learning and Education Facility. CLEF brings together government, cocoa companies, and philanthropic funders in a long-term, country-led fund to support education in Côte d'Ivoire. Unlike typical pooled funds, it blends global and local actors with very different incentives (child rights, supply chains, and national priorities) into a shared financing and governance structure. This model is a demonstration of the ways in which sustained, cross-sector collaboration can align interests over time: not just co-fund projects, but co-own solutions.

Foundations are also experimenting with concessionary capital to draw in new investors. Some are matching grant budgets with program-related investments from endowments, typically in the form of low-interest loans. IDP Foundation have doubled their qualified giving commitment by matching their grant budget with an additional Program Related Investment budget from their endowment. This is deployed primarily through concessionary debt and leverages local private capital to support schools directly.

For example, in Kenya, IDP Foundation deployed a $1m philanthropic loan to a local microfinance provider and leveraged an additional $2m in commercial capital for low-fee private schools. The model caps fees and interest rates, reaches thousands of community-run schools, and boasts repayment rates of 97%, allowing funds to revolve through the sector. In Ghana, years of consistent lending have enabled some schools to secure over a dozen consecutive loans, steadily improving infrastructure and outcomes.

What unites these approaches is not sentiment, but structure. Each is data-driven, performance-based, and independently verified: precisely the qualities that give both philanthropists and investors confidence. Education finance need not rely on charity alone; with the right design, it can attract capital that stays, scales, and delivers results.

Private capital brings new culture to challenge the 'development' discourse

The private sector and the public or aid sectors often operate in fundamentally different ways, each with its own language, culture, and success metrics.

This disconnect can make collaboration difficult, especially in complex areas like education reform. Philanthropy is uniquely positioned to act as a bridge between these worlds. This bridging role is especially important in education, where systems urgently need fresh approaches to funding and design.

The phrase 'innovative' finance covers a range of financing modalities, as well as some brilliant new ideas and approaches.

For example, IDP Foundation envisions national-level debt funds for affordable non-state schools who do not receive direct support from the national education budget., This would be governed in partnership with Ministries of Education, to direct the priorities for school improvements and define eligibility criteria. Local MFIs act as an extension of the ministry, helping to track school quality and carry out inspections as part of standard business practices, while attracting more private capital for schools in vulnerable communities. When started with catalytic capital and managed appropriately, this could be an evergreen source of financing targeted specifically at the most underserved communities.

Philanthropy can also facilitate direct partnerships with education non-government organisations (NGOs) to integrate a business into their structures to create sustainable, commercially funded education outcomes. The Waterloo Foundation's education fund reflects this in how they provide sustainable financial support. They work in creative, iterative partnership with NGOs, blended capital social enterprises and businesses working in education. Together, they develop commercial models to sustain success, improve existing market-based models, or to improve the education outcomes of education focused business models.

This approach looks different for each group. For NGO partners Waterloo often supports the group to transition from a grant-income funding model to an earned revenue business model. This can be accomplished via non-linear finance mechanisms; a type of market-based sustainability model. When Waterloo works with a business in education (a business that has the potential to generate scaled, sustainable education outcomes) they often support an element of that business to improve.

Conclusion

We're not arguing that every foundation should become an impact investor overnight. And we are certainly not advocating for a wholesale replacement of public funding with private dollars. But we are saying this:

- Capital *can* be mission-aligned.
- Capital *can* flow into education.
- Capital *can* bring discipline and dynamism to a sector that badly needs both.

If we care about equity, let's care about where our capital is coming from. If we care about impact, let's invest in the infrastructure to track it. And if we believe education is the foundation of progress, then it deserves more than 7% of global impact capital.

It's time to close the loop between values and vehicles: between how we make money and how we give it away.

The capital revolution in education isn't theoretical. It's happening. And if more of us (foundations, investors, ministries, entrepreneurs) join in, it could be transformative.

PERSPECTIVE B: THE EDUCATION DELIVERY ORGANISATIONS

"This imagined future will not become reality without deliberate effort to address the systemic barriers that make education a difficult investment proposition."

A growing number of voices across the education sector have explored whether private capital could be part of the solution to financing education in low- and middle-income countries. While the idea is not new, it has been slow to gain traction. Now it is being revisited, as cuts to traditional aid take hold and governments face tighter budgets, alongside a rise in impact investors. IEFG asked us to imagine a future in which private capital does fund education.

We are four education delivery organisations, Kizazi, Educate!, Rising Academies and TeachUNITED, coming to this discussion from different starting points. Some of us were established with revenue-earning models in mind. Others are experimenting with earned income out of necessity. A few of us have examined and explored innovative finance alongside donors, investors, and policymakers to seek new answers.

We do not represent the whole sector. Nor is private capital always central to our current operating models. But across our different geographies and models, we have engaged with this question, both in boardrooms and on the ground, to offer a collective perspective on what it might take to make private capital work for education. We also see where the real barriers might lie.

The Illusion of Available Capital

One persistent myth is that proven, high-impact education models will naturally attract private investment, especially if they demonstrate cost-effectiveness or measurable learning gains. Our experience suggests otherwise.

Rising Academies, a social enterprise operating across multiple countries, has worked deliberately from the outset to diversify revenue streams. This includes:

- running parent-fee-paying schools;
- partnering with governments;
- offering digital products.

But even with well-documented learning outcomes, shifting to models where governments or investors pay for outcomes has been slow and uncertain. In countries like Ghana and Rwanda, government partnerships remain heavily reliant on donor or philanthropic capital. The demand for services exists. The capital, particularly from domestic public budgets or private investors, does not.

TeachUNITED has pursued earned income from U.S-based state and school partnerships for the last five years. The goal of this revenue stream is to serve as an engine for growth to sustain and scale TeachUNITED's global impact. While this generated about 30% of total organizational revenue in 2024, this source is now under threat from domestic education budget cuts.

For Educate! and Kizazi, both of which leverage philanthropic capital within their approach, larger changes in the education financing ecosystem have been slow to materialize. While many sector conversations have highlighted the potential of impact bonds and outcomes-based financing, only a few have translated into new, sustainable funding mechanisms.

Understanding the Structural Challenge

The problem is that education does not yet present the risk-return profile private capital requires, and outcomes can take years to materialize.

Revenue streams in education are unpredictable. Government payments can take years, and interventions must be cost-effective enough to facilitate successful transitions of ownership. Household contributions are often significant but specific. Donor funding, while more flexible in some cases, is typically short-term and project-specific.

There is a tension between investor expectations and the underlying economics of education delivery. The more a revenue model depends solely on grants or unreliable government payments, the harder it becomes to present a credible investment case. The risk is high and the return too uncertain.

When investors do engage, it is usually with adjusted expectations. They may accept lower returns or participate in blended finance structures where philanthropic or aid capital absorbs first-loss risk. But this creates its own confusion. Who is financing the service? Who is paying for impact? Who expects financial return, and who is underwriting social outcomes?

These blurred lines complicate how deals are structured, how value is communicated, and how expectations are managed across funders, investors and delivery organisations.

Towards More Realistic Models

Private capital has a place in education.

We need to move beyond wishful thinking about market solutions and focus instead on the practical mechanics. Many education organisations would benefit from greater support to further understand how revenue-generating models operate within their context.

Public funding is still essential for system-wide delivery. Philanthropy can fund experimentation, absorb early risk, build organisational capacity and support the infrastructure and data systems that any investment case ultimately depends on.

We believe what's also needed is:

- unrestricted funding, allowing organizations to invest where they need it most;
- flexibility to explore revenue-generating models and capacity-

building for service providers;

- sustained funding for market research and testing;
- honest conversations about distinct roles of different types of capital;
- clear, evidence-based routes to future revenue and repayment;
- finance solutions that build for sustainability from the outset;
- revenue models with predictable cash flows;
- risk-sharing structures using blended finance tools so aid and philanthropy can de-risk investor participation.

A Call for a More Grounded Conversation

There are opportunities in merging areas, like low-cost digital learning products, outcome-based contracting for targeted interventions and models that blend household, government and philanthropic payments in more structured ways.

As delivery organisations operating daily at this intersection of mission and money, we are ready to be part of that conversation.

PERSPECTIVE C: THE INVESTORS

"Our on-the-ground experience suggests that with the right approach, education investments can be both financially viable and socially valuable."

We come from different backgrounds: private equity, corporate social investment, and blended finance for impact. What brought us together is a shared view that education offers a distinctive but overlooked opportunity for investors and businesses seeking both financial and social returns.

We recognise the scepticism in many boardrooms and investment committees. Some doubt the potential for meaningful financial returns in education; others question the role of impact alongside profit. Our on-the-ground experience suggests that with the right approach, education investments **can** be both financially viable and socially valuable.

Different routes, shared opportunity

At Kaizenvest, the only emerging markets education investor over the last 15 years, we back education businesses that are commercially scalable across emerging markets. These include edtech providers, affordable private schools, vocational training companies, and student finance platforms.

We invest with the expectation of financial returns. But we recognise that in education, social outcomes and financial performance are interconnected. Companies that fail to deliver measurable educational value lose customer retention and sales traction.

For us, investing is about understanding the drivers of long-term growth and sustainability. Our portfolio companies – PHINMA in the Philippines and Varthana in India, among others – have demonstrated that solutions built on pedagogical strength or business model innovation can improve learning outcomes for millions while delivering consistent returns to investors.

We at DO MORE Foundation, an independent foundation focused on early childhood development in South Africa, take a similar view. Rooted in a corporate social investment approach, we do not seek financial returns, but we do work to activate meaningful, measurable and systemic business involvement in supporting young children. Founded by RCL FOODS (a listed food company), the Foundation reflects the company's long-term commitment to the communities it works in. Recognising that the early years are critical for future development, and that as a business they will exist for decades in partnership with these communities, RCL FOODS invests in early childhood development as a pathway to future workforce readiness and shared economic stability.

Our work has shown that real impact comes from:

- long-term, systemic focus;
- collective action with backbone support;
- strong partnerships aligned with government priorities.

At Save the Children Global Ventures (SCGV) we develop blended finance models mobilising private capital to deliver education outcomes that commercial investors would otherwise avoid. By combining philanthropic capital with commercial investment we unlock funding for ventures with meaningful social impact and potential for financial returns. These models require careful risk allocation, rigorous measurement, and investor education. But they are proven to attract capital that is genuinely additional to philanthropic funding.

Conversations with investors and businesses

For mainstream investors, these main concerns remain.

- Investors worry about government interference and the unpredictability of subsidy or licensing regimes.
- Education businesses often have longer timelines and fewer clear exit routes than tech or consumer sectors.
- Some see education as fragmented or too tied to low-income markets to generate commercial returns.

We acknowledge these challenges. Yet we have also witnessed that in the long-term, companies focused on improving learning outcomes tend to outperform those optimized only for revenues and traction.

Investors who evaluate investment from an outcomes and evidence perspective and adopt longer horizons and flexible capital structures are already uncovering strong opportunities.

From the corporate perspective, education often remains a nice-to-have social responsibility initiative rather than a strategic investment. However, we see a growing recognition especially in markets like South Africa, that investing in education can align with long-term business interests, including talent development and community resilience.

Bridging these perspectives requires better data, more flexible capital structures, and a willingness to embrace blended objectives.

What it takes to scale investment

To unlock greater investment in education, several factors are critical.

- Investors need to see robust evidence linking improved outcomes to revenue growth or cost efficiencies.
- Flexible capital tools beyond traditional venture or equity models, such as blended finance, patient capital, and revenue-sharing are essential to accommodate education's unique risk-return profile.
- Expectations on returns and timelines need to be realistic, as education investments often demand longer

timeframes and generate moderate returns but with impact integrated into the return calculus.

- Backbone organisations must act as public-private partnership connectors and coordinators enabling collaboration of resource-strong organisations with government and communities for greater impact.

- A shift in investor mindset is needed so that education is understood as a legitimate asset class where social and financial returns coexist.

Why we believe now is the moment

We are not suggesting education investment is easy or risk-free. It requires sophistication, patience, and a willingness to engage with complexity.

But we see a growing cohort of investors and businesses seriously considering education as part of a diversified portfolio. They are ready to explore this space not simply as an act of philanthropy, but because **education offers a viable commercial opportunity** alongside social impact. What is unusual today may become increasingly mainstream.

At the same time, the way we think about education is being challenged. With the advent of AI, the role of education needs to evolve – moving from rote-learning and outdated assessments to developing forward-looking skills like creativity, empathy, and ethical reasoning. Capital has an important role to play in this shift. Investors have the power not just to fund companies, but to shape what learning looks like for the next generation.

PERSPECTIVE D: THE FUND MANAGERS

"Too often, we've underestimated what it takes to truly 'make a market'. Now is the time to rethink. We must focus not only on solutions but on the capital architecture that supports them."

Despite the rise of innovative finance and the success of blended mechanisms in other sectors, education continues to struggle to attract scalable, risk-tolerant capital. Education is central to human development and economic resilience yet remains underfinanced and undervalued. Why?

The architecture to channel capital into education is starting to take shape, with mechanisms like the Education Outcomes Fund (EOF), International Finance Facility for Education (IFFEd), Bridges Outcomes Partnerships, and the Future of Learning Fund demonstrating new ways to align financing with impact. But the sector is lagging behind health and climate, which are supported by mature investment products like green bonds and climate funds. Blended finance in climate has nearly doubled: from $5.6 billion in 2022 to $11.6 billion in 2023.[4] In contrast, blended finance transactions in education account for just 1–5% of deals.[5]

Education is playing catch-up. Philanthropy must accelerate progress by building infrastructure, supporting product development and de-risking early-stage innovation.

This reflection outlines three key challenges and proposes four pathways forward, with philanthropy positioned as a forerunner of change.

The narrative challenge : a low-voltage crisis

Education lacks the drama of an emergency. There's no equivalent to a pandemic or carbon deadline. The impact of education underinvestment emerges over decades, not news cycles.

Compounding this is a false perception that things aren't so bad. Market failures are quietly patched by parents, with tutors, private schooling or after-hours support. This allows public systems to stagnate without consequence.

The mismatch between the timescales of commercial investment and education outcomes further complicates the story. Education returns take years to materialise, often beyond the horizon of political cycles or investor mandates. The cost of investing over such extended timelines is substantial and the certainty of return is low. Investors often have just one or two years before political priorities shift, funding is reallocated or programmes replaced. This makes it difficult to plan or sustain long-term capital flows.

Attribution also presents a challenge. Education outcomes are complex and

4. Convergence, Global blended finance volumes reach 5-year high, 30 Apri
5. Unesco, Blended Finance

interventions often overlap. Long feedback loops make it difficult to trace specific investments to specific gains. So capital markets struggle to price risk or reward impact accurately.

The dominant paradigm remains fixated on marginal improvements in legacy education systems, while scale-focused, tech-enabled innovations with the potential to exponentially improve learning outcomes are overlooked.

The opportunity is there, but the sense of urgency and long-term smart capital to fund these system and mindset transformations are lacking.

The technical challenge: poor measurement and fragmented ecosystem

A data and design gap is creating a technical barrier. Outcomes measurement in education is weak, inconsistent, and rarely comparable across geographies. Funders shy away from sectors without measurable returns or exit strategy.

There's an entrenched commitment to state-centric solutions, often disconnected from reality. In most low-income countries, where the majority of schools are private, the assumption that governments are the primary engine for scale no longer holds. State stewardship remains important, but it is not synonymous with delivery. In the health sector there is a consistent approach to product and delivery, yet education models and approaches come in many regional flavours, requiring a high degree of localisation and delivery and leading to fragmentation and inconsistent outcomes. Much of the current ecosystem fails to adapt to this evolving role.

In other countries where state systems are well-established, government will (and should) remain the ultimate provider. In these contexts, investment should strengthen the state. Here, the private sector - and philanthropic capital - can play a catalytic role in supporting public delivery. Testing innovations, building capacity, and de-risking investments help governments achieve better outcomes.

We need a mindset shift: moving from antiquated state-versus-private binaries to recognizing education as a dynamic, lifelong, and often market-driven endeavor that benefits from partnership.

The structural challenge: risk misalignment

From a funder's standpoint, education is plagued by high-risk, long-time horizons, and low visibility on returns. Political cycles clash with education's natural timeline, and few financial products exist to bridge that divide.

There is confusion around what it takes to build a real education investment market. Too many efforts have defaulted to shallow ecosystem support: underpowered edtech incubators, isolated hubs, and community-building initiatives disconnected from downstream capital. The result is few investable businesses with the scale to attract meaningful capital.

Most investable education solutions are businesses, and businesses need to make money. That truth causes discomfort and is often sidestepped, leading to muddled messaging, unrealistic expectations, and missed opportunities.

If we are serious about attracting capital, we must be serious about building and backing markets.

The Future

These are the three shifts we believe are needed to make education investable

A shift in narrative from charity to human capital strategy

Education must no longer be framed as a social obligation alone. It must be positioned as a strategic investment in national resilience, workforce readiness, and economic growth.

This demands a new mental model: education enables climate adaptation, gender equity and peacebuilding. Philanthropy can lead in reframing the narrative.

Philanthropy also has the potential to offer long-term stability. It can invest in education interventions with delayed returns, providing time for outcomes to materialise. Yet philanthropy as it is currently structured is often subject to changing priorities, leadership, or family influence. To play a transformative role, philanthropy must build accountability structures that anchor it to long-term objectives and protect it from volatility.

A shift in measurement from inputs to outcomes

For education to compete in a results-driven investment landscape, its impact must be measurable, attributable, and meaningful. This means tracking learning outcomes, workforce integration and long-term life outcomes.

Philanthropy can invest in this foundational infrastructure: learning assessments, data systems, and research partnerships.

A shift in structure: from fragmented funding to blended and outcome-linked finance

Education finance must evolve. Blended funds, social and development impact bonds and revenue-backed hybrid structures can better align financial and social returns.

This is where philanthropy can unlock innovation: not by seeding one-off incubators, but by catalyzing scalable capital flows. That means underwriting first-loss layers, pooling de-risking facilities and connecting upstream ideation with downstream investment.

Public-private partnerships in education need to be structured around shared goals. The roles of government and private actors must be complementary, not competitive. Outcomes funds, like those managed by the Education Outcomes Fund and invested in through vehicles like Bridges Outcomes Partnerships, are one such model. Other models of outcome-linked and blended finance can be adapted to different contexts and capacities.

A shift in philanthropy's role to forerunner

Philanthropy is uniquely placed to lead by doing what others can't or won't.

As risk capital, philanthropy can de-risk, signal confidence, and unlock follow-on investment. As narrative builder and convener, it can reshape the conversation: from charity to capital, from schooling to lifelong learning. As a market shaper, it can fund infrastructure, foster investible ecosystems, and back bold models that address intractable problems.

Philanthropy must become more comfortable with complexity and with the market realities of innovation. It must recognise that high-impact businesses need returns, and thrive when markets are built, not just imagined.

Too often, we’ve underestimated what it takes to truly ‘make a market’. Now is the time to rethink. We must focus not only on solutions but on the capital architecture that supports them. Education has the potential to become one of the most powerful investments of the century, if we make it investable by designing with capital in mind.

PERSPECTIVE E: THE DEVELOPMENT ACTORS

"Development professionals can help governments and businesses understand each other."

This piece has been co-authored with contributions from staff at the UK Foreign, Common and Development Office (FCDO) and former staff of what was the US Agency for International Development (USAID) who work on the nexus of private-sector partnership in education.

We keep asking the same questions:

- *What would it take to bring business investment into education in low- and middle-income countries (LMICs)?*
- *What role should donors and other stakeholders within the development community play in making that happen?*
- *What issues in the education sector present the best opportunities for private sector investment?*

For decades, donors and aid organisations have sought ways to leverage limited public resources through strategic partnerships, and co-investment or co-financing with the private sector and other partners. In the context of scarce resources, there is an urgency to this conversation in the education sector.

At the FCDO, we believe that the global challenges we face demand a shift in approach. A shift from being seen as 'just' donors to partners, investors and reformers. Supporting investment overseas is a strategic economic choice: to build the stable, sustainable markets of tomorrow. These developing economies are the UK – and the world's - economic partners of the future, expected to drive 65% of global growth by 2035. We must focus efforts on catalysing private investment at scale and maximising its impact.

The development finance world has long made investments to co-finance projects in other sectors, such as economic growth, energy, health, infrastructure, and agriculture. The Education Outcomes Fund and USAID's CATALYZE have sought to bring financing models to the education sector particularly to support early childhood education, teacher training, book supply chains, and low-cost quality private schools. But private sector financing hasn't risen close to the levels of other sectors.

This perspective seeks to examine how this goal can be achieved, and what role donors and development organisations can play going forwards.

Development agencies as brokers and translators

As foreign aid decreases, development and donor organisations can act as brokers and translators between different worlds.

On one side are public education systems in LMICs, shaped by national education plans, public budgets, and political accountability. On the other side are private sector actors, with incentives, operating models, and decision-making frameworks driven by return on investment, shareholder expectations, brand positioning, and market opportunities.

Balancing these two sides presents a challenge. We use different vocabularies, operate on different timelines, and can have divergent definitions of impact.

Donors and partners like us can serve as convenors to help facilitate solutions that represent all sides. By bringing people together under blended finance or partnership frameworks, we can help education policymakers with decisions about how private capital can realistically benefit policy and operational goals. By unpacking education sector plans, financing gaps, and procurement processes, we can help private actors understand potential opportunities within the education sector.

The reality check

The education sector in LMICs differs from other development sectors. Examples of private capital flowing into basic education in LMICs remain few and far between.

However there is opportunity for new ways of thinking about the same old problems. With new funding gaps, there also is the opportunity to invest in the innovative models that have been sidelined by the dominance of foreign assistance. Given the radical downward trends in foreign aid, we need urgent action in the short-term to lay the foundation for the future.

One example of corporate partnership comes from USAID's experience with Team Sayari (Team Planet in Kiswahili) partnership between USAID, the U.S. Department of State, The Walt Disney Company (Disney), National Geographic and WildlifeDirect. It highlights strategic partnership thinking and demonstrates how donors can convene key stakeholders and facilitate collaboration.

This partnership coupled an innovative, commercial approach with local development for education and conservation. The Team Sayari children's educational TV series was the first of its kind. With environmental conservation as a prior U.S. policy priority, USAID and African education, youth, and environmental networks could serve as the distribution channels. The partnership strengthened Disney's business case for local television production and capacity-building in the African creative industries to support their market development strategy in Africa and their policy to promote representation in media production.

USAID and State leveraged the intellectual property, expertise, and public relations assets of Disney South Africa and the African National Geographic Explorers network. And USAID and State funding supported the participation of local expert organisations. Wildlife Direct led engagement with governments, industry, and partners.

Disney made a cash contribution to support small grants to schools for conservation projects based on the Team Sayari series and curriculum. Together they created evergreen educational content and reached audiences beyond Disney's traditional commercial networks. While USAID can no longer support the partnership, there is a co-investment opportunity to further adapt Season 1 into new geographies, produce a Season 2, and expand the localised educational outreach and creative industries skills development programs.

The UK is supporting the International Finance Facility for Education (IFFEd), a new innovative financial instrument that was designed to unlock additional concessional lending from the MDBs for LMIC. It is a new type of guarantee, with three innovative features: part of the guarantee is paid-in capital; the rest is contingent backed up by a legally binding contract; and the guarantee covers the entire MDB portfolio, which reduces risk through diversification. As a result, IFFEd has a high leverage: $1 unlocks $7 in new, additional and concessional MDB lending. IFFEd is already unlocking close to $1.5bn in its start-up phase. We are lobbying for more development partners to contribute, to unlock much more additional MDB lending, as well as piloting a Philanthropic Window, to attract more philanthropic investment and to start attracting private capital.

What would it take to attract private capital to education?

So let's imagine this hypothetical future in which the education sector becomes more attractive for private capital investment and partnership. What would need to change?

Firstly, the education sector needs to better understand the motivations and incentives for business that may align with national education and economic policy goals to demonstrate education as part of a business or investment case. As highlighted in the previous perspectives, there are models and tools that can help identify opportunities and modalities.

Secondly, aid organisations must connect economic growth programming with education to explore industries with corporate social responsibility (CSR) or environmental, social, and governance (ESG) incentives, such as supply chains, oil and natural resources. Alternatively, they might collaborate with host governments to capitalise on government policy-based models where there are corporate incentives or mandates, such as in South Africa, Denmark, India or Nepal.

Thirdly, not every collaboration needs to be financially based. Donors and aid actors need to commit to an on-going dialogue with the private sector through Chambers of Commerce or industry associations to share information and identify opportunities. There is a critical brokering role for development and foreign aid actors. The policy and technical expertise of development professionals combined with market strategic thinking can help ensure alignment with public education goals and safeguard equity and quality standards. All this can promote economic opportunity, innovation, and sustainability.

Lessons from other sectors

A key motivation for seeking capital investment is the ability to scale and sustain positive impact. Attracting private capital is challenging even in sectors with clearer revenue streams, as markets fluctuate affecting investment decisions.

There are models for reference; for example the use of concessional finance to reduce risk, creation of bankable projects, and technical assistance alongside investment capital.

While education may not yet fit easily into these models, there are ways to demonstrate its value. Research has shown that the cost of investment in basic education is far less than the cost of not doing it. With a more educated workforce and customer base, there's no need to play catch-up.

We need to change the way the education sector does business, so to speak. This requires creative thinking and commitment to innovation.

But we can't ignore the risks. Private capital engagement in education raises serious questions around equity, accountability, and systems coherence. This reinforces the need for donors and development professionals to be involved. There can be win-win scenarios that don't undermine public systems, by including the right stakeholders in the process.

So what's the role for development and foreign aid actors?

Our role is to:

- be open, stay engaged, and pursue opportunities strategically to help private capital investment become a catalyst for growth and greater impact;
- broker and translate to help governments and businesses understand each other;
- innovate responsibly by piloting proven or new financing models carefully, with strong safeguards;
- keep the focus on equity, quality and systems strengthening through public good principles and the marketplace.

The same old way of doing things isn't going to work in the short to medium term. If we don't adapt, the educational gaps will only widen. In the coming years as efforts to fill the financing gap become increasingly urgent, government, education and development professionals need to be proactive and innovative. so that when private capital becomes part of the equation decisions can be informed, and engagement strategic and productive.

SUMMARY NOTE: IMPLICATIONS FOR PHILANTHROPY

By Laura Savage, Executive Director, IEFG

This is Scenario 1 of the IEFG Scenario Series, and will be debated by all authors and philanthropy at a virtual Scenario Session in September 2025.

In this Scenario, we examined the possibility that in the future significantly more capital (i.e. private money) will flow into education systems in L&MICs. By shifting focus from what the money is spent on, we tried to break out of the age-old debate about ‘public vs private’ in education, which always comes down to discussion not of the inputs (money coming in) but where private investment is spent (public vs private schools).

The aim of this series is to provoke thinking about the 'what happens next' question that has been echoing loudly through the development cooperation community through 2025. This is a question that we all should have been asking more, even before this year.

Our focus at IEFG is to provoke this thinking among our education philanthropy specifically, but we hope it echoes more widely too. This Scenario Series takes the opportunity of the 2025 moment (the seismic shock of USAID’s closure) to create space for critical self-reflection, assumption-busting and strategic thinking.

At the International Education Funders Group, we provide space and curate knowledge to enable philanthropy to ‘see the bigger picture’, or the wider set of dynamics and context within which they work. This lifted horizon prompts strategic action across the diverse levers of philanthropy.

This Scenario is first in the series, for philanthropy is often bucketed in with ‘the private sector’ category. Indeed, many staff working for philanthropic organisations come from experience in business, and so have innate understanding of the language, culture and incentives that differ so much from those of the public sector, and international development.

I write as someone who, nearly 20 years ago, did background work to inform the OECD DAC's very first definition of 'private sector'. I wasn't in Addis in 2015 when the world dreamed of 'billions turning to trillions' but I was in Sevilla this year trying to identify the realistic, feasible things that the education funding community could do, amidst a whole cacophony of dreams. (We need debt to be cancelled! We need education budgets in LICs to rise to 20% of GDP! We need education specific taxes!) One oft-repeated phrase was that ‘we need the private sector to step up’. In this

Scenario, we attempted to break that down into practical ideas of what this might look like. We also highlighted the opportunities to take and risks to avoid in shaping that future.

Across this Scenario, we heard five perspectives, most of which were co-authored by groups that we brought together because we could see the similarity of their lens - and wanted to draw out the nuance within this. We heard perspectives from philanthropy using a variety of tools and approaches to catalyse investment and generate money for education; from education delivery organisations trying to break out from the grant dependency model; from leads of key vehicles set up to bring 'innovative finance' into education; from aid actors finding their role in bridging public and private investments; and from businesses and investors.

There are many more out there we sought to bring in: economists working towards equitable, sustainable growth, for example. Or a coalition of businesses in a middle-income country that are funding foundational learning because they see this as profitable for their future employee and customer bases. We hope that this Scenario prompts these and other actors working on the deployment of capital in education to respond.

One of the clearest emerging themes across these perspectives is that investors **do** see education as investable. That's an important and positive point which contrasts sharply with much of the development discourse, where education is often described as complex, hard to measure, and difficult to engage with financially. When talking directly with investors and businesses, that narrative isn't what you hear. Their attitude is upbeat, pragmatic, and solutions-oriented.

That said, across the pieces, you will have seen a clear disconnect in views. Business, investor and philanthropy voices are optimistic: more capital can be brought into education; it is investable in the sense that the investment case is clear, it's good for business, it's got measurable outcomes. But education delivery organisations and finance facilities caution that this capital is far from free flowing, and that convincing investors is harder than it sounds.

These examples show that a pathway exists: a way to unlock business incentives to generate returns while doing socially responsible business. It's a recognition that investment in education can align with business interests and values.

We're a long way from an economic shift away from hyper-growth models and nationalist economic policies that reinforce and deepen inequality. But these examples show steady progress toward a more equitable distribution of resources. And while philanthropic capital largely comes from the richest benefiting from this unequal system, these organisations demonstrate that progress is possible in aligning capital with broader social goals.

This whole Scenario is about the role of private, business, capital - money that's not sovereign. We dig into incentives a lot. To remain realistic and clear-eyed about what the signals are telling us - that capital is looking at education - we must remember that some of this is still external money. The politics of development have a lot to do with outside actors with money (and thus power) influencing what gets done. There is a risk here that the more businesses and funds that are involved, the worse the fragmentation and incoherence. Public education systems are not a market. Two points that will be picked up in future scenarios:

Governments remain the primary partners for any external capital flow.

We don't have a government perspective here - we will continue to seek one in response to this and in a future scenario on the role of governments and issues related to state capability.

Domestic business has an interesting part to play.

We'll take a deeper look at the theme of 'locally led' national change in another scenario. These two conversations will need to speak to each other.

Implications for philanthropy come down to one clear task for philanthropy to make this scenario happen: to be a bridge. Especially for corporate foundations but even for family foundations (your Boards are made up of folk fluent in business-speak). This is a very different language and culture to development-speak.

These worlds will continue to miscommunicate until someone gets better at translation. You can do this. How?

1

Signpost ways to sustainable finance to your grantees. Across these pieces there was a call for a toolkit or summary of all the different financing tools being used to finance education, to generate understanding and ideas - and to cement confidence that this is already happening.

(And the second is the same bridge, walked the other way.)

2

Bring a social outcome lens across your Board to influence the business interests there. If assets / businesses are socially irresponsible, putting a small proportion of profits into education is a not-very-sticky sticking plaster. Philanthropy can help to shift mindsets and norms away from growth-at-all-costs towards a more socially responsible world.

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