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Moral Money **Impact investing**

### Impact investors see opportunity in education

Education SDG 'in peril' but impact investors have taken an interest



Students study on tablets in Djabel Refugee Camp, Eastern Chad © AP

Patrick Temple-West 2 HOURS AGO

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As people wind down for the holidays, let me take this opportunity to say thank you to our readers. For those of you who write in your thoughts about our coverage, we are grateful for your comments. We want to make sure we are delivering relevant content and your feedback keeps us sharp.

For today, if you are worn out from all the COP28 climate coverage, please check out my piece on education as an impact investing theme, as well as a sustainable development goal (SDG). Of all the “social” issues in ESG, I don’t feel like we have devoted enough attention to SDG #4: quality education.

Please read on. — *Patrick Temple-West*

SUSTAINABLE DEVELOPMENT

## **SDG for education provides impact investors with a unique opportunity**

In November, my colleague Simon Mundy wrote about [bankers taking on the UN’s 2015 Sustainable Development Goals](#). This initiative, with 17 key targets, is aimed at ending poverty and hunger and prompting all sorts of aspirations from governments and the private sector alike.

But making any progress on these goals has been a slog. Earlier this year, the UN published a [status report](#) that said the SDGs “are in peril”. Only about 12 per cent of targets are on track and more than half are moderately or severely off track.

One of those 17 goals is quality education for children. Even before the Covid-19 pandemic, education systems were struggling to improve. The UN’s status report said global learning levels “showed no progress between 2015 and 2019”. And more than 80 per cent of countries have been stung by learning losses thanks to Covid-related school closings, the UN said.

Into this crisis step impact investors. Green and climate impact funds targeting private companies are pretty common. But impact funds dedicated to education are not.

One of the few in this space is New York-based Achieve Partners, which has just closed an investment round for its latest fund. This \$167mn fund will be focused on primary, secondary and university education to improve learning outcomes for students. Notably, the fund will give academic researchers full access to its portfolio so that they can independently check student outcomes, Daniel Pianko, a managing director at Achieve, told me.

“The traditional critique of edtech is ‘does this stuff work?’” Pianko said. “We think we are the only fund that has made that commitment” to independent academic scrutiny, “and we think that is really important”.

The fund has already made a handful of investments, including in MasteryPrep, a Louisiana-based business that offers standardised test preparation services aimed at lower-income families. In US states such as North Carolina, state colleges require minimum test scores for college applicants, Pianko said. Students with good grades but lousy standardised test scores can be shut out. But MasteryPrep offers online test help that can be a fraction of the cost of expensive tutors.

Other big impact investors have been interested in the education market. On December 12, private equity firm TPG’s Rise Fund took a majority stake in Outcomes First Group, a UK-based business that provides education, residential and therapeutic services for people with special needs.

“We see a growing number of opportunities in vocational and upskilling solutions, affordable higher education in developing markets and education technology leveraging generative artificial intelligence,” Steve Ellis, co-managing partner of the Rise funds, told me.

With growing regulatory scrutiny on education, “it’s essential to stay focused on efficacy and quality outcomes for the students and families you serve”, he said. Rigorous impact assessments are “the difference maker in this environment”.

Big trends in US education are also making this sector a lucrative investment opportunity. States are increasingly offering school vouchers, government payments that parents can use to pay for their kids’ schools. The rise of vouchers has made education a bit more competitive, fuelling a demand for more software spending as schools try not to fall behind, says Achieve managing director Troy Williams. And like healthcare, education spending stays strong during tough economic times, he said.

The US spent \$870bn on public elementary and secondary schools in the 2019 to 2020 school year, according to the Department of Education. That's an average of \$17,013 per public school pupil enrolled in the autumn of that school year. College spending totals about \$450bn, the DoE says.

“When the cost of education goes up, the demand for a better return goes up too,” Pianko says, so parents are raising their standards for the schools. Parents want their dollars — or the government's education money — to be spent more efficiently, he added.

But like all investments, the edtech space comes with risks and has seen some recent debacles. In June, Indian-education operator [Byju's saw its auditor resign](#) along with three board directors amid concerns about its accounts. The company [is looking to sell assets](#) to stay afloat.

In the US, for-profit universities [came under scrutiny](#) during the Obama administration for raking in government funds while graduating few qualified students. Several of these businesses closed.

But for the most part, education impact investing “is very boring”, Pianko says.

And sound long-term investing is usually boring too. For impact investors, the climate and other environmental issues demand more funding. But the education SDG should not be overlooked. Education has measurable outcomes that can ward off “impact-washing” accusations. And well-educated young people can alleviate some of the knotty social issues such as income inequality that impact investors also strive to address.

It remains to be seen how education will evolve as artificial intelligence and chatbots become more a part of our daily lives. But ensuring that students are not left behind amid these trends could arrest the “perils” facing the SDGs. (*Patrick Temple-West*)

## Smart read

From baguettes to beer, the world's leading food and drinks makers are rushing to reduce their carbon footprint by tackling one of the hidden culprits of emissions in their value chains: fertilisers. Our colleague Susannah Savage has the story [here](#).

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