What comes after aid?

The changing face of international finance for education

Nicholas Burnett

There is a dangerous perception that, of all the Millennium Development Goals (MDGs), those for education are closest to success. While there is some truth to this, and the expansion of enrolment in developing countries since 2000 has been unprecedented, momentum has recently been lost and the increased rates of enrolment are now declining. More importantly, this focus on enrolment masks a much bigger problem that the very success has itself created, which is that children in many developing countries are simply not learning even though they are in school. Recent citizen-led assessments in several Commonwealth countries, including India, Kenya, Tanzania and Uganda, have revealed this in very stark terms: seven out of ten Class 3 children in Kenya, for example, cannot do Class 2 level work[1].

So enrolments may be up, but quality is increasingly being seen as the problem. This is leading many international agencies to focus more than ever on learning rather than just enrolment. For example, two new education strategies by major donors, issued in 2011, both use the word 'learning' in their titles: *Learning for All* (World Bank) and *Opportunity through Learning* (USAID).

The new focus on learning in school, while both welcome and overdue, is also having the unfortunate effect of diverting attention away from those still not enrolled and also from the already 'neglected' Education for All (EFA) goals, especially literacy and early childhood care and education. There are still 67 million children of primary school age who are not in school. Almost 800 million adults (17 per cent of the world's adult population) remain illiterate, two-thirds of them women. Except in Latin America, the poor participate very little in early childhood programmes – even though these have been shown to be key to offsetting the disadvantages of poverty and to future learning and opportunities[2].

Continuing to increase enrolment rates, improving learning and paying attention to the neglected goals takes resources. Most, if not all, developing countries have been doing a good job of increasing resources for education. Spending on education by all low-income countries has increased from 2.9 per cent of national income in 1999 to 3.7 per cent today[3]. Eighteen of 28 sub-Saharan African countries for which data exist have increased the share of GDP going to public education since 1999, though some ten countries decreased this share, if not necessarily real spending on education[4].

The two regions where domestic public spending on education remains very low by global standards are Central Asia, and South and West Asia. Yet financing issues arise even in regions and countries that have made a major effort and increased domestic spending, in particular because of the youth bulge that characterises countries still early in the demographic transition, especially those in the Middle East and in Africa. These countries need to increase spending rapidly on all levels of education, a challenge that is not faced, for example, by countries that are further down the demographic transition, such as in East Asia. Thailand, for example, is able to finance the expansion of post-primary education while primary enrolment numbers decline. African countries face a very different challenge of simultaneously expanding primary and secondary and tertiary education.

Indeed, as the Education For All Monitoring Report has indicated for several years in a row now, there is today an annual financing gap for basic education in low-income countries, not to mention needs at post-primary levels, of some US$16 billion. Some of this gap can be filled by the countries themselves, especially those that still devote relatively low shares of GDP to education. But much of the gap needs to be filled from outside. Traditionally, this has been seen as the role of aid, and indeed the youth bulge is a classic example of the case for aid. Many countries with this bulge cannot afford to educate all their youth today but will be able to do so in the future. So external support could make a huge difference and need only last about a generation.

Unfortunately, aid for education is insufficiently available and appears likely to decline. Aid for education has risen significantly since 2000, in terms of real dollars, but has remained stuck at a low 10 per cent of all aid, compared to an increase in the share of aid for health, which has risen from 10 to 17 per cent over the same period. In particular, there was an increase in aid in the first five years of this century, but this is now slowing down and even declining. At best, according to the Organisation for Economic Co-operation and Development (OECD), sub-Saharan Africa will receive only 50 per cent of the overall aid pledged at the 2005 G8 Gleneagles Summit. Disbursed aid for education even declined from $11.7 billion in 2007 to $11.4 billion in 2008, and aid for basic education has stagnated since 2007. Indeed, aid for basic education in sub-Saharan Africa fell by some 6 per cent per primary school child in 2008[5]. Faced with difficult overall economic and budget situations, major donors for education are cutting both aid in general and aid for education. The Netherlands, for example, is reducing overall aid from 0.8 per cent of GNP in 2011 to 0.7 per cent by 2014 and no longer prioritises education. Furthermore, neither USAID's recent overall development review nor the European Commission's latest aid green paper even discuss education. Not only are aid levels declining, aid is also becoming more concentrated on fewer countries: the UK bilateral programme is now focused on 27 countries (down from 43), the Netherlands on 15 (down from 32) and Denmark on 15 (down from 26).

The exception to the general aid pattern is that of the Commonwealth donor countries. Despite major deficit reduction measures, the UK Government is continuing to increase both aid in

general to reach 0.7 per cent of GNP and aid for education, and indeed is launching some new measures to promote girls' education in developing countries. Australia is also increasing both aid in general and aid for education, and is playing an increasingly important role in the financing of the Education for All Fast Track Initiative. These Commonwealth counter-examples are not sufficient, however, to offset the declining levels of education from other OECD donors.

New donors, new finance

If aid cannot be relied upon to fill the education financing gap for low-income countries, are there other possibilities? The answer is indeed yes, and there are strong signs of movement in several relevant directions:

1. Aid from 'conventional' donors (i.e., the members of the Development Assistance Committee of the OECD) is not encouraging, but new official donors are coming on to the scene, notably for education, from Brazil, China and Korea. Quantifying flows to education from these sources is still difficult, but it is an emerging phenomenon, especially for countries in sub-Saharan Africa.
2. There is major potential from corporate philanthropy. Again, this has not been well documented, but a recent pioneering effort estimates US corporate contributions to education in developing countries at almost half a billion dollars ($498 million), with 89 of the Fortune 500 companies contributing, and there is scope to increase this considerably[6]. The Global Education Initiative of the World Economic Forum has since 2003 helped over 1.8 million students and teachers, and mobilised over $100 million in resources (mainly from IT companies) in Jordan, Rajasthan (India), Egypt, Palestine and Rwanda[7].
3. Private foundations are increasingly interested in education. A recent meeting, the very first of its kind, organised jointly by the Hewlett Foundation and Wellspring Advisers, attracted over 30 foundations and charitable organisations, principally in the US but also from other countries, interested in education in developing countries. None of these foundations has a huge programme in education[8], but again there is potential.
4. There has been an upsurge of interest in innovative financing for education. The Leading Group on Innovative Financing for Development has established a Task Force on Education, which has produced a report highlighting several promising areas for further development and is generating considerable momentum. Notable among these are international bonds, diaspora bonds, local currency bonds, debt swaps, voluntary consumer contributions, the development of partnerships with companies selling products (with a portion of the proceeds going to education, as currently happens for HIV/AIDS with Product RED), and an Education Venture Fund. Other ideas include sports levies for education, taxes on lotteries, earmarked taxes on mobile phone use, and the use for education of some of the proceeds of any international financial transaction tax that may be established[9].
5. Impact investors – those seeking both a financial and a social return – are becoming increasingly interested in education. Gray Ghost, for example, has supported low fee private schools for the poor in India; the Omidyar Network has supported the Bridge Academies for girls in Kenya; the Education Venture Fund mentioned above will support private for- and non-profit investments in education that lead to innovations for the poor[10]. Though impact investing is more appropriate for private than for public education, there is no reason why it cannot be used to serve the poor.

These developments are all promising and may help to fill some of the gap in international financing for education in new and often very exciting ways. It is imperative, however, that donors maintain the aid pledges they have made, even in the face of their own economic difficulties, and even increase their aid for education. This is possible, as the examples of the UK and Australia demonstrate. Aid for education has never been a sufficient priority; it can and should be supplemented with the many promising new directions, but it never can nor should be substituted by them.

Endnotes

1 Uwezo Kenya 2011 Assessment Report.
2 The data in this paragraph are from UNESCO, *Education for All Global Monitoring Report 2011*, *The Hidden Crisis: Armed Conflict and Education* (henceforth referenced as EFA GMR 2011).
3 UNESCO, EFA GMR 2011.
4 UNESCO Institute for Statistics, *Financing Education in sub-Saharan Africa: Meeting the Challenges of Expansion, Equity and Quality*, 2011.
5 UNESCO, EFA GMR 2011.
6 Justin W. van Fleet, *A Global Education Challenge: Harnessing Corporate Philanthropy to Educate the World's Poor*, Center for Universal Education Working Paper 4, Brookings Institution, 2011.
7 See http://www.weforum.org/issues/education
8 The largest is likely the Hewlett Foundation whose Quality Education in Developing Countries programme is now completing its first round of activity for which it has had available some US$100 million from both the Hewlett and the Gates foundations.
9 More information on innovative financing is available in Nicholas Burnett and Desmond Bermingham, *Innovative Financing for Education*, Open Society Foundation and Results for Development, 2010; and Leading Group on Innovative Financing for Development, *2+3=8: Innovating in Financing Education*, Report of the Writing Group of the Task Force on Education, 2010.
10 This fund is being developed by the author at Results for Development.

Nicholas Burnett is Managing Director at the Results for Development Institute in Washington, DC, where he runs its education programme that focuses particularly on innovative finance for education. He was previously Assistant Director-General for Education at UNESCO, Director of the Education for All Global Monitoring Report and a World Bank Human Development Manager for Africa. He was educated at Oxford, Harvard and the Johns Hopkins universities and is currently also a Visiting Special Professor of International Education Policy at the University of Nottingham, UK.