Alternative sustainable financing of education in Africa: turning the 'resource curse' into a blessing

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The past decade has seen remarkable economic growth in Africa with the regional average growth rate over five per cent a year. Many resource-rich countries in the continent are moving up to join the middle-income group (i.e. Cameroon, Ghana, Nigeria and Zambia); others, Angola, Botswana, Gabon, Namibia and South Africa, are moving to the upper-middle-income group; and one country, Equatorial Guinea, has joined the high-income group. The average per capital income in Equatorial Guinea has tripled, while that of Angola has more than doubled. Ten out of the 20 resource-rich countries in Africa have seen average incomes rise by one-third or more during the period of 2000–11. While in theory, natural resource wealth should provide governments with an opportunity to support human development, in practice, it has often led to inequality and conflict, widely known as the 'resource curse' or 'mineral-based poverty traps'[1] (Africa Progress Panel, 2013).

Most resource-rich countries tend to have human development indicators far below the levels that would be predicted on the basis of their average incomes. According to the Human Development Index (HDI), Angola and Equatorial Guinea are the cases of the largest gaps between income and human development (UNDP, 2013; Africa Progress Panel, 2013). Likewise, many of these countries with high income/human development disparities are poor performers in educational development. Among the 20 countries that were ranked low in the Education Development

Table 1

EFA Development Index (EDI) in resource-rich Africa, 2010

Ranking according to level of EDI	*Countries/Territories*	*EDI*	*Primary adjusted NER (ANER) **	*Adult literacy rate ***	*Gender-specific EFA Index (GEI)*	*Survival rate to Grade 5 ****	*EITI Status*
Medium EDI Selected countries intermediate position (0.80–0.94)							
80	Botswana	0.912	0.873	0.845	0.965	0.966	n/a
83	Sao Tome and Principe	0.902	0.986	0.892	0.957	0.773	Candidate
95	Cameroon	0.810	0.939	0.707	0.831	0.763	Candidate
96	Malawi	0.809	0.975	0.748	0.906	0.609	n/a
97	Ghana	0.803	0.842	0.673	0.913	0.784	Compliant
Low EDI Far from EFA overall achievement (<0.80)							
104	Uganda	0.771	0.910	0.732	0.872	0.571	n/a
106	Togo	0.742	0.943	0.571	0.679	0.777	Compliant
107	Mauritania	0.732	0.744	0.580	0.862	0.743	Compliant
108	Nigeria	0.721	0.576	0.613	0.830	0.863	Compliant
110	Mozambique	0.698	0.919	0.561	0.775	0.537	Compliant
111	Angola	0.685	0.857	0.701	0.734	0.448	n/a
114	Guinea	0.634	0.770	0.410	0.668	0.686	Candidate
117	Central African Republic	0.617	0.705	0.560	0.639	0.563	Suspended
118	Mali	0.612	0.620	0.311	0.678	0.840	Compliant
119	Burkina Faso	0.594	0.583	0.287	0.754	0.751	Compliant
120	Niger	0.528	0.572	0.287	0.612	0.643	Compliant

** The primary adjusted net enrolment ratio (ANER) measures the proportion of children of primary school age who are enrolled in either primary or secondary school.*
*** Adult literacy rates are unofficial UIS estimates.*
****The survival rate to the last grade was used because the primary education cycle is less than five years.*
Sources: Annex, Statistical Tables 2, 5, 6 and 7 (print), Table 5 (website); UIS database; EFA Global Monitoring Report (2012). EITI: http://eiti.org/

Index (EDI) in 2010, 11 were resource-dependent countries[2] in Africa. These countries have low averages in primary school participation, adult literacy, gender parity and survival rate to Grade 5 (see Table 1) (UNESCO, 2012).

The Education for All (EFA) Global Monitoring Report (GMR) argues that resource-rich countries can make huge strides towards universal education if their resources are managed better and devoted to financing education. For example, many of these countries, such as Angola, the Democratic Republic of Congo, Cameroon, Ghana, Guinea, Malawi, Tanzania, Uganda and Zambia, could eliminate out-of-school children by using their natural resource revenue. The report attributes these countries' failure in their education financing to their mismanagement of natural resource revenue, including the lack of preparedness to deal with the sudden discovery of the natural resources; the poor handling of multinational companies; and the mismanagement of income due to corruption or misguided spending choices. Other risks of natural resource mismanagement include the frequent utilisation of natural resource revenue to finance armed conflicts and macro-economic disruption by exploiting natural resources, known as 'Dutch Disease' leading to a decline in the manufacturing sector (UNESCO, 2013).

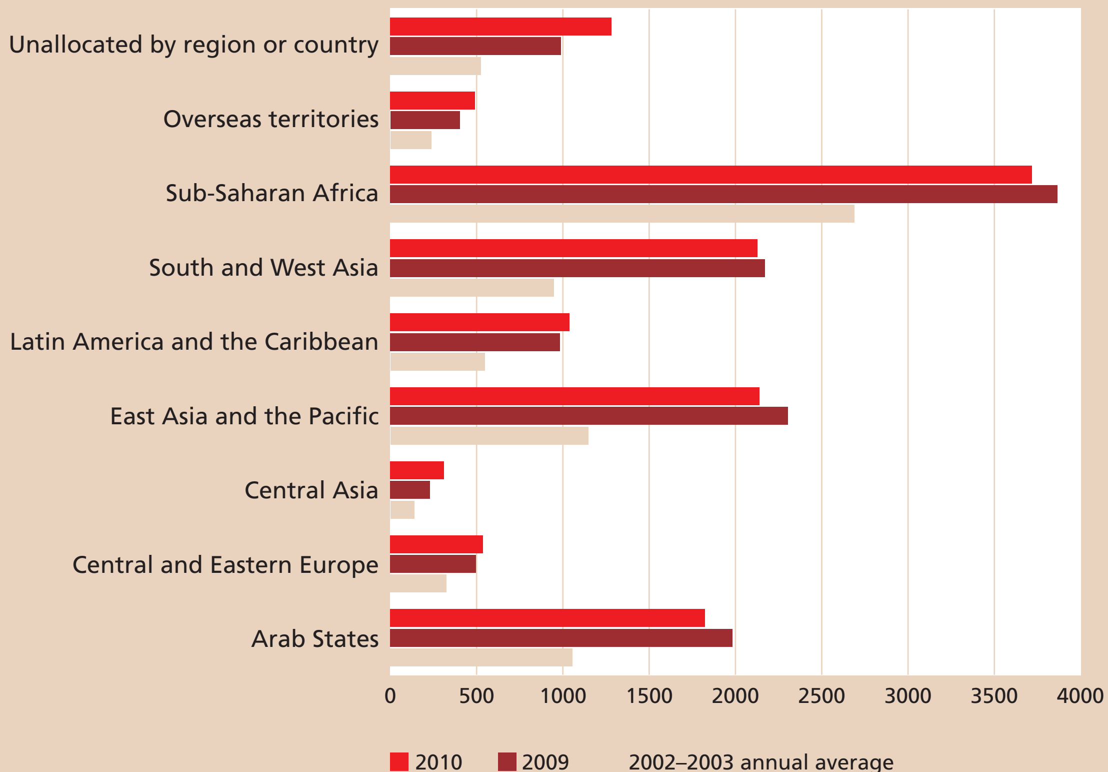
The GMR advocates two major issues in relation to education financing in resource-rich countries:

- The first issue the GMR addresses is the need for transparency for resource extraction and revenue generation, which led to the Extractive Industries Transparency Initiative (EITI), launched in 2003. As of 2013, 14 countries fully comply with the EITI standard to publish and disclose company payments and government receipts, and a further 22 countries have taken steps to adhere to these standards. Of the countries that have low EDI, Angola and Uganda have not signed up to the EITI.
- The second issue is related to the current advantageous high prices for non-renewable commodities. While commodity prices were vulnerable to economic crises, between 1998 and 2008, per capita revenue from these non-renewable natural resources tripled, and continues to follow an upward trend. These countries should take advantage of such a good opportunity to utilise natural resource revenue to finance education. In order to do that, these resource-rich governments should have a fair share of the profit, but many governments are in fact in a weak bargaining position with mining and oil companies.

The magnitude of this problem is explained in a report of the United Nations Economic Commission for Africa (UNECA, 2012), which identified various detrimental effects of illicit financial flows (IFF) on social and economic development in Africa. First, it reduces domestic investment and results in slow economic growth. According to the report, during 1970 and 2008, Africa lost US$854 billion in IFF, which is enough not only to repay the region's total outstanding external debt, but also to have remainder financial resources of $600 billion to contribute to poverty reduction and economic growth. For oil rich countries, such as Angola and Nigeria, re-investing these resources implies an additional

Graph 1

Aid to education. Constant 2010 US$ millions



Source: 2012 EFA Global Monitoring Report

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investment of $3.6 billion per year, which was required during the period 2000–08. Secondly, IFFs translate into a loss of domestic savings, leading to lower tax revenues for public spending on health, education and infrastructure necessary to achieve the Millennium Development Goals (MDGs). African countries have relied on external borrowings to finance government deficits. This has negatively impacted economic growth and social stability, and reinforced aid-dependent social spending.

International aid

While the social spending should come from the government's resources, many countries rely on external sources. Often the data for assessing the level of public education resources includes funds received from external financing. External financing may include Official Development Assistance (ODA) and other forms of support, including NGOs, charitable foundations and the like. Foreign aid flows to the education sector have significantly increased over the last 60 years, reaching US$13.5 billion in 2010, and contributed to expanding access to education globally. Yet this amount declined in 2011 and is likely to remain stagnant until 2015 (UNESCO, 2012a). This trend increases the pressure to provide alternative and legitimate government financing of education.

Sub-Saharan Africa (SSA) is the region that receives the largest amount of foreign aid to education in the world (see Graph 1). Many African countries are heavily aid-dependent, and there are countries that finance their public education with a significant proportion of foreign aid. While foreign aid is necessary and effective in certain situations, it should not be utilised to finance a country's education system in perpetuity. At least resource-rich countries should be able to move away from aid and start investing their own natural resource revenues in education. Among the resource-rich countries with low or medium EDI, Mozambique received the largest amount of aid in 2010 with $259 million, followed by countries like Uganda, Ghana and Nigeria. Between 2004 and 2010, Mozambique's share of aid in total public education funding was more than 50 per cent. During the same period, one-third of pubic education was financed by aid in countries, such as Burkina Faso, Mali, Malawi and Guinea. Most of these countries allocate the largest proportion of aid to basic education (see Table 2). This may be partly due to the global campaign advocating universal primary education (UPE) and the international community's pressure to achieve MDGs and EFA goals on primary education.

Indeed, these internationally agreed goals made countries increase primary education enrolment with remarkable speed. Niger's net enrolment of primary education in 1999 before these goals were set was 26 per cent. Now, 65 per cent of primary students in Niger are going to school (UIS database, 2013).

Can resource-rich countries manage without aid?

UNESCO's recent report (2013) warns that the progress in reducing the number of children out of school has reached a standstill as international aid to basic education has been reduced. While global aid to education increased steadily between 2002 and 2010, the trend reversed after that period, and the total aid to education declined by seven per cent between 2010 and 2011. According to the GMR, low-income countries need $26 billion a year to achieve UPE by 2015, and to achieve that goal, the GMR argues that the aid should not be cut. In other words, even if the overall aid level declines, the support for poor countries should not be reduced; however, resource-rich countries should increase the share of their own resources and should not receive scarce aid at the expense of the poor countries.

Table 2

Aid to education in resource-rich countries with low EDI in Africa

	*Total aid to education Constant 2010 US$ millions**	*Share of basic education in total aid to education (%) 2010***	*Share of aid in total public education funding (2004–2010 average)****
Sao Tome and Principe	7	4	…
Central African Republic	17	40	…
Angola	26	36	2%
Togo	33	40	12%
Botswana	35	49	2%
Guinea	38	17	35%
Niger	48	30	25%
Cameroon	110	12	6%
Burkina Faso	132	56	34%
Malawi	152	66	33%
Mali	156	58	34%
Nigeria	165	44	…
Ghana	167	54	10%
Uganda	188	45	25%
Mozambique	259	54	51%

** & ** EFA Global Monitoring Report (2012a); *** EFA GMR (2012b)*

From aid dependency towards resource blessing

In some SSA countries with high natural resource revenues, aid dependency is beginning to decline from already low levels. There are ten countries in this group, including the major oil exporters. Angola has reduced dependence on aid from around four per cent to less than one per cent – around the same level as Nigeria (Africa Progress Panel, 2013).

To demonstrate how resource-dependent countries could reach EFA by raising more revenue and increasing their financing on education, the GMR analysed potential income streams from oil, gas and other minerals in 17 countries worldwide and estimated that by reaching international benchmarks for tax collection on mineral exports and spending 20 per cent of the additional revenue on education, these countries could mobilise an additional $5 billion annually. This amount is the equivalent of two-and-a-half times what these countries receive in aid. The GMR calculated that if the additional revenue from natural resources could be effectively allocated, 13 of the SSA countries could provide almost ten million of the region's out-of school children with an education (UNESCO, 2013). Finally, although primary education is a priority, resource allocation should be carefully planned so that other levels of education also receive adequate levels of funding.

Endnotes

1 See Collier, P. 2008. The Bottom Billion. New York: Oxford University Press, Inc.

2 EFA Global Monitoring Report defines resource-dependent countries as 'those that derive at least a quarter of government revenue or exports from natural resources' (UNESCO, 2013: 8).

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