Education for All: A Global Commitment without Global Funding

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The Privatisation in Education Research Initiative (PERI) is a global research and networking initiative seeking to animate an accessible and informed public debate on alternative education provision. In particular, it examines the social justice implications of changes in the coordination, financing and governance of education services.
Education for All: A Global Commitment without Global Funding

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Abstract

Since 1990 the world has regularly declared that everyone on the planet should have access to education. Yet from the outset, that global commitment to education for all has not had a parallel global funding commitment. Foreign aid was expected to close the gap between national resources and the funding required. Yet periodic calculations of the Education for All (EFA) funding gap have shown it to be increasing, not disappearing. Most recently attention has turned to proposed alternative funding strategies, including conditional debt relief, bonds of various sorts, diaspora remittances, privatization, and taxes on international financial transactions and sports tickets. With a focus on Africa, we review the research on the EFA funding gap and the alternative funding strategies most widely discussed. Our analysis suggests that efforts to close the funding gap must start at home. The assumption that there are no additional educational resources in Africa is simply not tenable. Foreign aid, it seems clear, will remain important but cannot close the education funding gap. Several of the alternative funding strategies may generate some additional funding, but most likely, not much and not soon, and perhaps not for education. As well, many of the proposed strategies may increase education funding at the expense of increased inequality. Within affluent countries, where education is a right and broadly regarded as a societal good, its funding is by design redistributive. Achieving education for all requires redistributive funding at the global scale. If achieving education for all is the world’s responsibility, so must be funding it.
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1. Education for All

With appropriate ceremony, a distinguished group of educators and political leaders met in Jomtien, Thailand, in March 1990 to declare their support for making education available to everyone on the planet. Initiated and guided by the World Bank, the World Conference on Education for All had several sponsors: United Nations Development Programme, United Nations Educational, Scientific and Cultural Organization, United Nations Children’s Fund, and the World Bank. Amid formal ceremonies, official statements, and research reports, some 1,500 participants from 155 governments, 20 intergovernmental bodies, and 150 nongovernmental organizations adopted by acclamation A World Declaration on Education for All and A Framework for Action. Other resolutions adopted by acclamation reflected the conference title. All people must have access to basic education, both because (basic) education should now be considered a right of citizenship and because development, however conceived, requires an educated populace.

Small meetings, big conferences, national plans, and many reports followed. Meeting in Dakar, Senegal, a decade later, the world’s education community, now more systematically including representatives of teachers, parents, and other nongovernmental organizations, considered a sobering assessment. Notwithstanding the reaffirmation of the goals, education for all in many countries, most in Africa, remained a long way off. Educators and policy makers renewed the commitment, deferred the targets, strengthened the infrastructure, and maintained optimistic expectations. Yet, subsequent assessments have continued to be troubling. Some countries are little likely to accomplish the targets reset for 2015. Access has increased, but for many students there is little learning.

Though promised, the massive increase in global aid estimated to be necessary to achieve education for all has not been delivered. Our concern here is to review proposals for closing that gap.

1.1 Funding Education for All

Preparatory papers for the 1990 conference analyzed costs and available resources for achieving education for all and estimated the supplementary funding that would be needed. Notwithstanding this technical clarity, the global public commitment to education for all was not accompanied by a linked international commitment to paying for it. Nor did the world develop and adopt an agreed scheme for apportioning the funding responsibility among potential local, national, and international sources.

Funding concerns emerged more prominently over the decade following the 1990 conference. Primary attention came to focus on external aid, both national and international. The 2000 promise in Dakar was dramatic: “no countries seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources.”
Countries pledged to increase their allocations, debt reduction and debt elimination schemes were proposed and implemented, and the World Bank became the host to an international infrastructure charged with managing aid allocations, including accelerating their delivery and assuring that recipients met specified standards. That institutional arrangement, initially the Fast Track Initiative and currently the Global Partnership for Education, has continued to evolve, most recently with increased representation for the broader education community.

1.2 Who Learns?

The global commitment to education for all explicitly asserted the importance of learning, not schooling. Subtitled Meeting Basic Learning Needs, the World Declaration on Education for All insisted that

*Whether or not expanded educational opportunities will translate into meaningful development— for an individual or for society—depends ultimately on whether people actually learn as a result of those opportunities . . . . The focus of basic education must, therefore, be on actual learning acquisition and outcome, rather than exclusively upon enrolment, continued participation in organized programmes and completion of certification requirements. Active and participatory approaches are particularly valuable in assuring learning acquisition and allowing learners to reach their fullest potential.*

A decade later the importance of learning was reaffirmed at the World Education Forum in Dakar, Senegal. Three of the adopted six EFA goals explicitly refer to quality and learning.

Yet, in practice, most EFA activities have focused on access to primary school. Although some educators have reminded the world of its inattention to learning and to learners beyond school age or otherwise not in school, the major focus has been schooling, with progress toward EFA goals commonly reported as primary school enrolment. As more African countries have reached or are nearing universal primary education, however, attention has increasingly shifted to education quality.

Unfortunately, that apparent refocusing retains a narrow construction of education, concerned far more with inputs and outputs than with what happens in between, and is little attentive to the learning process. Particularly striking is the World Bank’s 2020 education strategy, which notwithstanding its title, *Learning for All*, says very little about learning. The concern is acquiring information (used as a synonym for knowledge) and then repeating it in class and in examinations, presented uncritically as the measure of education quality. Unaddressed are nurturing curiosity, framing questions and intellectual puzzles, undertaking systematic comparisons, developing constructs, preparing evidence-based analysis, and most important for a continent that must escape its underdevelopment, creating knowledge. Schooling is to be a passive activity, delivered by teachers to largely passive students, very much the banking model of education criticized by Paulo Freire. Equally frustrating in this approach is the inattention to and lack of support for the education research infrastructure necessary to enable Africa’s educators to understand and promote learning for all.
While expanding access can accomplish schooling for all, achieving that falls far short of learning for all. As well, clear in the Education for All language and goals is the expectation that education is an egalitarian process. Merit, that is, a combination of ability and hard work, not race, region, religion, gender, or socioeconomic status, is to determine selection and progress. Yet across Africa, where it has occurred, the transition from elite to mass access has systematically reinforced, not reduced, societal inequalities. Global monitoring confirms that differentiation. In many countries, for example, rural poor females may enter school but leave far sooner than more affluent urban males. Even where the focus on access has shown significant progress in enabling more girls to go to school, the structural inequalities have largely been moved around. Discrimination comes later in the school cycle, in lower progression and higher attrition rates, and in subject specializations.

Education for All has been narrowed to schooling for all and turns out to provide not even that.

1.3 Funding Gap

Widely cited, the 2010 EFA Global Monitoring Report reassessed the funding needed to achieve Education for All. Projecting the costs of achieving the 2015 EFA goals and making optimistic assumptions about increased national and external resources for education, the analysis showed a shortfall of USD 16b per year for 2010 to 2015 (UNESCO, GMR 2010: Chapter 4). The implication: substantially increased aid is required to close the gap.

Annual EFA Global Monitoring Reports have shown that notwithstanding the sweeping promise in 2000 to provide sufficient funding and notwithstanding the pointed remainders about the large gap, the required aid has not been forthcoming. The 2012 Report confirmed that funding agencies have not met their pledges of increased support and that the outlook for the years to 2015 is not positive. A 2013 GMR policy paper recalculated the funding gap, found that the annual gap is now USD 26b, and concluded optimistically that the gap could be closed (Figure 1) (UNESCO, GMR, Education is Affordable, 2013: 2). Notwithstanding the commitment to provide funding and the Global Monitoring Report’s optimism, that paper and other sources indicate that international support to basic education has stagnated or even declined.

While the aid shortfalls are disappointing, even more problematic is the common construction of the funding gap and how it is to be addressed. With rare exceptions, the discussion assumes that at best, local and national education resources can increase modestly and that for external aid the critical task is to increase support rather than modify the aid system. As well, the common assumption is that if external aid cannot provide the additional funding needed, attention must shift to one or another form of privatizing education.
Figure 1. — Education financing gap—The US$26 billion financing gap for basic education could be filled by 2015

Source: Calculations by the EFA Global Monitoring Report team based on EPDC and UNESCO (2009); OECD–DAC (International Development Reporting System); and World Economic Outlook.

1.4 Reviewing and Rethinking Funding Education for All

We explore here those funding gap issues: for education for all, who learns? who pays? and what are the options for doing things differently?

The primary starting points are the egalitarian promise of the EFA campaign (all children are to have “free and compulsory primary education of good quality”), the notion of the funding gap, and the assumption that additional funding sources—innovative education financing—are required to achieve education for all. We consider the importance of generating additional national revenue to fund education and approaches to doing so. Since the widespread expectation is that foreign aid will close the funding gap, we review aid to basic education. If increased national revenue and increased international support cannot close the EFA funding gap, what then?

Innovative financing mechanisms constitute a unique opportunity to fill in the EFA funding gap and ensure that the realization of universal basic education is not thwarted by a lack of resources. To be fully effective, such mechanisms should have a global scope, be additional and complementary to traditional Official Development Assistance (ODA), and generate long-term and predictable financing. In addition to this, the Task Force on Innovative Financing for Education has proposed that innovative financial mechanisms for education be linked to four specific objectives: mobilize significant and stable resources; increase the visibility of education within the international development agenda; improve the effectiveness and efficiency of aid; and stimulate innovation within the education sector. (2+3=8: Innovating in Financing Education: 4)

We explore a series of ideas and proposals to generate new and additional education resources, commonly characterized as innovative education funding. Ultimately, we
conclude, to make education for all a meaningful international commitment requires a parallel international commitment to providing reliable, stable, and sustained funding.

Our concern here is a focused and concise overview of research and analysis to date that can help to ground the discussions of strategies for generating additional education resources. We will be attentive to the limitations of the available data, to the assumptions embedded in alternative approaches to education funding and their consequences, and to the hyperbole that often accompanies the presentation of new initiatives. Since most of the countries for which education for all remains a distant target are in Africa, we will concentrate there.
2. Starting Points

2.1 From Private to Public to Private

For most of Africa, colonial education was a significantly private affair, with churches in the central role, often with government funding. Decolonization shifted the centre of activity. Education and health became the most visible of public goods, to be publicly funded and managed by government. Not only was there widespread recognition of education's value to the community, but as well the post-colonial context carried the expectation that the new government would replace selective and discriminatory schooling with broad access and progress by merit. More recently, the very visible abolition of primary school fees and the EFA campaigns have reinforced the government role.

At the same time, the pressures to [re-]privatize have gathered steam. Privatization advocacy comes from several directions. In some settings, religious organizations, now including mosques as well as churches, are active education providers, not infrequently with public funds. High-fee private schools have retained a role, serving the children of the most affluent. The visible failures of government schools fuels demand for non-governmental alternatives, including the recent attention to low fee private schools. A fourth current has been the foreign funders’ pressure to privatize, especially prominent in the World Bank’s periodic analyses and recommendations. A fifth impulse comes from external investors and vendors who seek access to African education, protected by the rules of the international trade agreements and organizations.

While most students attend public schools, enrolment in private schools across sub-Saharan Africa has increased significantly (a 48% increase in the percentage of students in private primary schools from 2005 to 2010). The country variation is even more striking. A few countries had over half their enrolments in the private schools in 2010: 100 percent of pre-primary enrolment in Uganda and Swaziland, 51 percent of primary enrolment in Equatorial Guinea, and 54 percent of secondary enrolment in Mauritius (UNESCO 2011a).

As privatization has proceeded at all levels, the gray area that overlaps public and private has also expanded. Schools of many sorts receive direct and indirect government funding and are more or less responsive to government direction. Some use their private or quasi- private status to secure exemption from government regulations or to offer courses of study not entirely congruent with national education objectives, policies, or priorities.

The broad consequences of this increased private role in Africa are not yet fully visible or systematically assessed. What is clear is that for many people education is increasingly viewed as a commodity whose price is set in a complex and difficult to understand market whose major drivers may lie outside Africa. Since information on value and pricing is at best incomplete and certainly not readily available to most parents, individual choices are regularly guided by the prominence and persistence of claims in discussions largely dominated by privatization advocates. Where significant elements of the education system lie outside public control and where even well managed resources are insufficient, it is difficult to hold government responsible and accountable for schooling and unlikely
that government will innovate and initiate. The understanding of education as a public good has eroded, with very limited discussion of how, why, and who benefits.

Most important for the purposes of this research is the widespread and rarely assessed assumption that the balance of the education funding gap must be closed by privatization in some form. That includes the notion that organizing education as a profit-making activity will stimulate innovation and experimentation and more generally will improve education quality.¹

2.2 Education Rights and Responsibilities

The context for the global discussion of the education funding gap is another gap, between insisting that education is a right and then ignoring that perspective and advocating and supporting education as an instrumental good. Over more than a half century of international conventions, as well as national constitutions and legislation, have established the right to education. Clarifying that right, South Africa’s Constitutional Court rejected claims that the right to education was an aspiration or impractical: [37]

*It is important, for the purpose of this judgment, to understand the nature of the right to “a basic education” under section 29(1)(a). Unlike some of the other socio-economic rights, this right is immediately realisable. There is no internal limitation requiring that the right be “progressively realised” within “available resources” subject to “reasonable legislative measures”. (Constitutional Court, Case 29/10, 2011: 19)*

Across Africa, however, education is construed and assessed in terms of its societal benefits. Shifting the discussion from rights to benefits nurtures a parallel shift from understanding education as a public good to regarding education as a service. Especially where schooling is limited and weak, that in turn undermines the widespread expectation that the government is responsible for providing education in favour of the notion that a service, education, can have multiple providers competing in a more or less regulated market.

Since the Education for All campaign frames this review, an essential starting point is its assumptions that education is a right and a governmental responsibility. Accordingly, education funding proposals must be assessed in terms of their effectiveness in protecting that right and in assisting governments to meet their education responsibilities.

2.3 Education Revenue Sources

To organize the discussion that follows, it is useful to categorize education funding sources: taxation, borrowing, the market (profit-based alternatives), and donations. Doing so provides a framework for considering how various education financing alternatives might function. In practice, strategies intended to increase education funding may be a hybrid that crosses these categories.

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¹ Incisive research on these issues has been undertaken by the Privatisation in Education Research Initiative: http://www.periglobal.org/.
TAXATION

National governments can tax income (individual or corporate), expenditures (on goods or services), savings, transactions, imports, and exports. Taxation may or may not be redistributive (effectively using resources collected from one segment of the population to benefit another). Though they may be informed and shaped by economic concerns, Decisions on taxation are inherently and necessarily political.

BORROWING

Education authorities may borrow from private banks, countries, and international organizations, as well as issue bonds.

All borrowing creates an obligation for the borrower to repay the sum borrowed plus regular interest payments. Since national governments generally use future tax revenues to repay any form of loan, economists sometimes refer to borrowing as deferred taxation.

Within education, borrowing is generally used to fund unique capital expenditures (such as building schools) rather than recurring expenses (such as wages and salaries).

MARKET-BASED

Education spending may be viewed as an investment with a for-profit return. Larger and smaller local and foreign private investors may seek profit through a return on investment (for example, an education loan or bond) or through the direct provision of educational materials, services, and infrastructure.

Since the wage bill accounts for nearly all education spending in poor countries, in the absence of reducing the numbers or wages of teachers, finding opportunities for profitable private investment is a difficult challenge.

DONATIONS

Education may be supported by donations, which require neither repayment nor interest, from local (individuals, companies, NGOs) or foreign (aid) sources.

External aid carries explicit or implicit conditions, focused on the purposes, intended uses, and implementation of the aid. The political and economic consequences of extensive reliance on aid are well-documented. Aid dependence (discussed below) is unsustainable over the longer term.

Donations may also include small-scale programs that provide limited revenue but that function to raise the profile of education in public policy and practice.

2.4 Disabling Constructs and Distracting Descriptions

This review requires systematic and critical attention to the values and assumptions that are embedded in commonly used constructs and terms. and to the ways in which they may modify or reorient education for all objectives or impede or undermine efforts to achieve them. Words matter.

For example, as generally used the notion of a market place for education services in which vendors compete assumes an idealized market, with easy access, broad participation, and full information. The practice, however, is far less competitive and transparent. Frequently, a few vendors achieve near monopoly control, excluding most actual and potential competitors and erecting entry barriers that others find difficult to surmount. The information available to the purchasers, learners and their families, and sometimes the government, is always partial and often provided by vendors and unavailable from independent sources.

The common understandings of education have far reaching but often unnoticed consequences. For example, characterizing education as an investment, which at first glance seems eminently reasonable, privileges human capital theory and rate of return
analysis, which rank education policy choices using the tools of investment banking. Regarding education as production privileges a manufacturing metaphor that focuses on efficiency and relies on an industrial manufacturing toolkit to guide education policy decisions. Treating education as service delivery embeds the banking model of education (teachers deliver information and knowledge to students) so clearly described by Paulo Freire. All three are hostile to or corrosive of the perspective that starts with learners, that insists that learners, not the education system or teachers, are responsible for learning, and that organizes the education environment around learners.

Ostensibly descriptive terms can be similarly distracting. “Partnership”—an increasingly preferred term for the relationship between aid provider and recipient or, more recently, foreign investor and African government—may obscure dramatic inequalities of power and authority, mask the process by which resources are allocated and information is (or is not) shared, and present dependence as collaboration. For another example, private investment may be termed a “public-private partnership,” rendering less visible the locus of initiative and control. As well, though presented as an innovation in education funding, public-private partnership in fact has a long history in Africa, for example, the government-funded, church-managed schools of the colonial era.

We cannot highlight here all potentially problematic constructs and terms in the discussion of alternative education financing. Noting this issue at the outset reflects our effort to encourage critical attention to the meanings, often unstated, embedded in the labels and presentation of education finance proposals.

2.5 Data Challenges

Discussion of education financing necessarily draws on available statistics, including expenditures, enrolment, national income, and many more. Particularly in the African context, appropriate data are often unavailable, and where they are, numbers are often unreliable; what Devarajan (2013) has called the “statistical tragedy.” Devarajan cites the example of Gross Domestic Product (GDP) measurement, a calculation performed in the preparation of a country’s national accounts. Currently, only 35 percent of Africa’s population lives in countries that use the 1993 United Nations System of National Accounts. The others use earlier systems, some dating back to the 1960s. The striking impact a change in systems of bookkeeping could have is illustrated in the case of Ghana, which updated its GDP to the 1993 system in 2010. The result? GDP was an astounding 62 percent higher than previously recorded. This newly recorded level of GDP allowed Ghana to claim its position as a middle income country with a per capita GDP over $1,000 (for a detailed description of the problems of GDP data in Africa, see Jerven 2013). Sandefur and Glassman (2013) find similarly disturbing evidence to suggest that administrative data on health, education, agriculture, and poverty across multiple African countries systematically overstate progress relative to independent surveys.

The direct causes of these kinds of statistical discrepancies include a deficit of the kinds of technical skills required to collect, manage and disseminate data, inadequate funding, and unclear allocation of responsibilities, producing many diffuse data collection efforts (Devarajan 2013). However Sandefur and Glassman (2013) postulate that the poor quality of data is ultimately driven by two underlying mechanisms. First, political interference,
which is likely to occur in situations where aid funders pay for results, or support for the ruling party hinges on its demonstrated progress in achieving social objectives. This assessment aligns with that of Devarajan (2013). Second, weak state capacity means that central governments may be unable to assess the validity of reports gathered from civil servants, who may adjust numbers in a favourable way in situations where outcomes determine funding allocations (for example, exaggerated improvements in school enrolments).

Even where data are compiled by international agencies, small shifts in nomenclature can produce startling changes in the story the numbers tell. For example, in 1995 the World Bank listed Lesotho as having 100% private schools, while in 2000 this figure was 0.1%. Since there was no fundamental change in the education system in that country, one can only assume that this reflects a re-categorisation of state-funded, privately-run schools from private to public.

How to proceed? Here, we providing data to illustrate broad trends, but remain cognisant of its significant error margins and other limitations, as should the reader. Where possible, we have tried to mediate the effect of these shortcomings, for example through the use of multi-year averages to smooth the impact of wide variation in annual estimates.

2.6 Competing Claims for Public Resources

We are concerned here with strategies for increasing the funding for education in Africa. Those strategies must accomplish two distinct objectives. The first is to generate new revenue. The second is to direct that revenue to education. In practice, there are always competing claims for public resources. Should the proceeds from a new revenue source be used to improve health (say, equip rural clinics), or extend infrastructure essential to national revenue generation (port cranes; rural roads), or encourage foreign investment? A tax on financial transactions may be intended to support improved regulation of banks rather than improve social welfare. Those are important public policy choices that must be addressed within each setting. The important point for this review is that the effectiveness of a particular strategy in generating new revenue does not in itself guarantee increased funding for education.
3. National and Local Revenue Sources

We turn now to how to fund education for all, especially in the world’s poorest countries. Recall the standard EFA funding narrative: Education for all is a high priority globally shared objective. Though formally a national responsibility, achieving EFA requires more money than poor countries can allocate to education. While poor countries can use their education resources more effectively, they cannot close the gap. The gap between needed and available education resources is to be closed by foreign aid.

Thus, the common assumption is that across Africa, and especially in very poor countries, there can be no significant increase in local and national funding for education. Yet, even in those countries the extent of private spending on education, including high fee schooling and supplementary tuition, suggests that actual spending on education is significantly higher than is commonly estimated.

It is important, therefore, to review the research on the extent and costs of private schooling and supplementary tuition. It is also important to examine efforts to modify national individual and corporate taxation schemes to generate additional revenue for education.

3.1 Taxation

Our concern here is funding for education in Africa. As we have noted, the common calculation of the education funding gap—additional resources needed to achieve education for all—assumes that poor countries cannot afford an education system that includes all children and provides education of reasonable quality. Certainly, poor countries face absolute constraints in the resources they can allocate to education. Yet, even casual observation confirms that there is already significant private spending on education, for example both high fee schools and low fee supplementary tuition. Before turning to alternative education financing schemes, therefore, it is important to explore how African governments might generate additional resources for education. In addition to supporting increased access and improved quality, doing so would substantially reduce dependence on external funding, itself an important development objective.

Reforming the tax system represents an opportunity to tap into domestic resources rather than relying on external funding for education. Increased reliance on national revenue sources is the most sustainable strategy for closing the funding gap. Over many years external funding agencies have pressed African governments to increase to 20% the share of the national budget allocated to education, with half to be used for basic education. Recent GMR projections envision an increase in both the national tax base and the size of the national budget as a percentage of GDP. Those optimistic expectations must of course confront internal and external political resistance to increasing taxes, as well as competing claims for whatever new resources may be available.

It is important to understand the existing tax landscape in Africa. Currently, the region’s largely unregistered (“informal”) and agricultural labour market provides a weak tax base. Domestically generated tax revenue as a percentage of GDP is less than 20% in more than one-half of Sub Saharan African countries, while the comparable OECD average is in excess of 30% (Figure 2). Moreover, in 2008, the region had the world’s largest ratio
of dependent children (below the age of 15)—79.4 per 100 working age persons (aged 15 to 64 years), creating a large support burden on the working population. The common view is that many African countries find it very difficult to raise public revenue because of high debt ratios, weak tax administration, a large difficult-to-tax population, and the risks of macroeconomic and growth instability (UNESCO 2011a).

Figure 2 — Domestic revenue as a percentage of GDP by national income, 2008–2010

Notes: Reference year is 2004 to 2008 depending on data availability. GDP per capita data are for 2008 except for Zimbabwe.
Source: UNESCO 2011a

In practice, how effectively do African countries collect taxes? Intended to measure that effectiveness, tax effort is an index calculated by dividing a country’s actual tax share by an estimate of how much tax the country should be able to collect given the structural characteristics of its economy, including its general level of economic development, its trade-friendly policies, and the relative importance of agriculture in domestic production. Two measures of tax effort calculated by the AfDB (AfDB and OECD 2010) are illustrated in Figure 3.

Figure 3 — Tax effort across African countries in 2007

Notes: *2006 data, **The tax effort measures of Botswana, Lesotho, Namibia and Swaziland reflect their membership in the Southern African Customs Union (SACU), which collects customs duties centrally and redistributes them amongst members
Source: AfDB and OECD 2010
The first measure is based on the country’s tax share including possible resource-related tax revenues (discussed below), while the second is based on an adjusted tax share that excludes this type of tax revenue, specifically in order to explore the role of oil resources.

Tax collection effectiveness varies widely: 24 countries have a tax effort index (including resource-related tax revenues) above 1, while 18 countries have indices below 1. While these are broadly consistent whether or not resource rents are included, there is a significant group of countries for which tax effort differs noticeably between estimates. Exploring the potential for additional revenue requires examining what is required, including technical capacity and political commitment, to increase taxes on natural resource extraction compared to raising taxes on consumption, wages, and profit.

Broadly speaking, Africa faces three types of challenges with respect to mobilising additional public resources (AfDB and OECD 2010). First, there are structural bottlenecks: high levels of unrecorded employment (commonly termed the “informal sector”), a lack of fiscal legitimacy, and administrative capacity constraints, all exacerbated by external support that falls short of commitments and has been declining. Institutional barriers to raising more revenue persist. A parliamentary investigation in the Congo (DRC) in 2008 estimated that the government lost US$450 million in revenue through a mix of bad management, corruption and inadequate taxation (Smith and Rosenblum, 2011). That amount was larger than the country’s entire education budget, and enough to send 7.2 million children to primary school (UNESCO 2012b). The silver lining is that this suggests there is considerable room to improve the efficiency of tax collection. After the Rwanda genocide, external funders supported the creation of the Rwanda Revenue Authority to administer the collection of taxes. From 1997 to 2003, the Authority increased revenue collection as a share of GDP from 9.5% to 13%. With the economy growing at 8% annually on average between 1999 and 2008, improved revenue collection translated into increased funding for education, representing a 12% annual growth rate over the period (UNESCO 2011b).

Second, existing tax bases are often eroded by the extent of tax preferences granted to international companies, inefficient taxation of extractive activities, and limited capacity to fight tax evasion by multinational enterprises. This is particularly prevalent in the mining industry, where African governments have been unable to exploit fully mining tax revenue, given the large number of tax subsidies and concessions granted to international companies operating in Africa. Revenue collection is further compromised by the high incidence of tax evasion and avoidance by mining companies, operationalised through secret mining contracts, corporate mergers and acquisitions, and opaque accounting.

Addressing this second constraint—a major focus of the tax justice in Africa campaign—requires developing more transparent tax regimes and tax payment processes. As well, African mining tax policies can be reformed to increase the revenue African governments receive from the exploitation of mineral resources. In some countries this will require increasing royalty and other tax rates. In others attention must focus on negotiated tax breaks for individual companies through overt and covert contracts. For example, if royalties paid by gold mining companies in Tanzania rose from the current 3% of production to the 5% recommended by a presidential commission, an additional US$12 million a year in government revenue would be generated, an amount that could send more than 132,000 children to primary school (OSISA 2009).
The third challenge is the tax mix. Many African countries rely heavily on a narrow set of taxes. Limitations in population census data and city plats make collecting urban property taxes (a common source of education finance in affluent countries) particularly challenging for local administrations in addition to the difficulty of collecting taxes from higher income groups (AfDB and OECD 2010). Figure 4 below shows the tax mix in 2007 as a percentage of total tax revenues in African countries. Four key forms of taxation are identified:

- **Direct taxes**: taxes levied directly on individual income and corporate profit
- **Indirect taxes**: taxes on consumption, including VAT, sales taxes and excise duties
- **Trade taxes**: taxes levied at the country’s border, mainly import tariffs and, to a much smaller extent, export duties
- **Resource taxes**: as distinct from regular corporate income taxes, resource-related tax revenues include revenues from upstream exploration-to-processing activities in oil, gas and mining, principally royalties and corporate income taxes on resource extraction activities

**Figure 4** — The tax mix in 2007 across African countries: share of each type of taxes in total tax revenues

Source: AfDB and OECD 2010
Differences in the tax mix across Africa are striking. South Africa obtains most of its tax revenues from direct taxation. Senegal and Uganda rely mostly on indirect taxation. Kenya and Mauritania show a mix of different types of taxes. Algeria, Angola, Equatorial Guinea, Libya and Nigeria rely almost entirely on a single type of tax. As a point of reference, OECD countries tend to rely on a relatively balanced tax mix, which likely reduces administrative costs and political opposition. For each tax strategy, the large contributors are easy to identify, while smaller contributors are generally costly to track. Hence, a mix of tax strategies permits focusing on the large contributors for each tax type, reducing associated costs (AfDB 2010).

Overall, the relative importance of trade taxes in the tax mix has been declining in Africa since the mid-1990s, likely as a result of an expansion in trade liberalisation agreements. Direct taxes have increased slowly, while indirect taxes have stagnated (AfDB and OECD 2010).

The bulk of the increase in tax revenues is due to a rapid increase in taxes on resource extraction. On average, resource-related tax revenues nearly tripled in Africa as a share of national income between the late 1990s and the start of the 2008 financial crisis. They since have declined to an average of around 15% of GDP. This remains a very high percentage. This average hides large numbers in selected individual countries: 66% in Libya and 39% in Angola. The reduction in this revenue source in response to a decrease in commodity prices starting in 2008 highlights the vulnerability of resource revenues to price volatility (AfDB and OECD 2010). This is well-illustrated in Zambia. Following the collapse of copper prices in 2008, the government removed a windfall tax on mining companies that was to have financed an increase in education and other social spending (te Velde et al., 2009).

This becomes particularly pertinent in light of newly exploited resources, where governments must establish new ground rules for the concessions granted to mining companies. Ghana, widely regarded as having a relatively strong systems of governance, has the opportunity to manage its recently discovered oil wealth to advance its social development objectives. In addition to reforms in the management of its existing gold resources, it is estimated that adherence to the legislation enacted to manage oil wealth should allow a 43% increase in the education budget, ensuring that all children and adolescents currently out of school will have access to primary and lower secondary education (UNESCO 2013c).

Beyond broad changes in the tax code and improved efficiency of tax collection, it may also be possible to develop tied taxes dedicated to education projects. Parallel ideas are currently being mooted in health, specifically to assist in financing projects targeting HIV/AIDS prevention and treatment. In Uganda, the government has proposed establishing a US$1 billion HIV/AIDS fund, generating revenue through levies on bank transactions and interest, air tickets, beer, soft drinks and cigarettes, as well as taxes on goods and services traded within Uganda. In addition a small tax will be added to telephone calls and to each kilowatt of electricity consumed. Kenya’s National AIDS Control Council has proposed a number of similar measures, including a mobile phone tax and an air ticket tax.  

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2. While direct taxation is typically raised primarily through corporations, in South Africa, the importance of personal income taxes makes the overall mix more balanced.
tax, while Zimbabwe's AIDS levy, a 3% tax on income, raised over US$20 million in 2010 (HEARD 2012).

Taxation shapes the distribution of wealth. Currently, many African countries rely heavily on taxes levied on exports, for example coffee or tea. In practice, those levies are taxes on the producers, peasants or miners, through they are rarely examined from that perspective. In the context of tax reform, it is useful to distinguish between progressive and regressive taxes. Progressive taxes increase as income rises, while regressive taxes ignore income or fall more heavily on those with the lowest incomes. A more progressive tax regime shifts the tax burden from levies on exports to taxes on income and profits. Generally, progressive taxes fund education. Achieving education for all requires progressive changes in the tax code. Since the poor spend a greater fraction of their total income on consumption, consumption taxes tend to be regressive. The measures proposed within the health sector would therefore appear to be problematic, and perhaps not transferable to education. Furthermore, average collection costs for a new tax may actually increase before any additional revenue yield, given the high fixed costs for creating or extending administrative capacity.

However, some success in the education sector has been achieved through public mobilization of private finance for national training programmes through payroll taxes levied on companies. Currently, more than twenty African countries impose some form of payroll levy (Johanson 2009). While the training funded by these taxes is targeted at those of working age and is not of direct benefit to those in primary education, creative thinking about links between education and the labour market, or how to reallocate spending within the education budget, may generate additional revenue for basic education.

The observation here is straightforward. Greater efficiency, increased direct and indirect taxes, and careful management of revenue generated for existing and new resource exploitation can significantly increase national funding for education and thereby reduce the dependence on external support.

3.2 Public Benefits from Private Spending

As we have noted, private spending on education in Africa, both foreign and local, is extensive. We shall address this more fully below, but is important to note here that there are many ways to secure expanded public benefits from that private spending (for example, requiring that libraries and other significant instructional resources of high fee private schools be shared with other schools), thereby effectively increasing the national resources allocated to education for all.
4. **External Aid**

As we have noted, the standard narrative insists that the education funding gap is to be closed by foreign aid. By 2000, the aid agencies agreed. No country with a reasonable strategy, they promised, would be unable to achieve EFA due to insufficient funding. In the event, funding sufficient to close the gap has not been forthcoming. Indeed, where there should have been sharp increases in support to basic education, they were generally smaller than needed, sometimes none, or even reductions.

To date, the concern with what is termed the aid architecture has been narrowly conceived, concerned largely with the modalities of distribution and conduct codes for the providers. Less well explored are the differences among aid-providing countries. Some have consistently met global targets, while others have fallen far short. In what ways has the international education community influenced those allocations?

Historically, foreign aid provided a very small percentage of Africa's total spending on education, with much of that support spent on personnel, services, products, and scholarships in the aid-providing country. Hence, in at least some settings, far from redistribution toward Africa, foreign aid may in fact function to generate a net outflow from Africa of both capital and skills. More recently, as aid can be used for recurrent expenditures, in several African countries foreign aid is effectively paying the teachers. With no clear plan for reducing that reliance on external support, with its accompanying values and conditions, for what is widely understood the critical development engine, much of Africa is on a fast track to planned dependence. More generally, then, in what ways does the structure of the international aid system itself constitute a powerful obstacle to increased and more effective funding for education?

A review of external support to education in Africa is instructive.

### 4.1 Official Development Assistance

Much of the discussion of foreign aid to Africa focuses on the core of external support termed official development assistance (ODA), the aid provided by the 23 members of the OECD Development Assistance Committee (DAC) and the European Union (EU). While ODA is a small component of resource flows to developing countries (Figure 5), it is the primary source of international finance in recent years explicitly dedicated to poverty reduction. Before proceeding to aid to education, it is useful to review aid flows more generally.3

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3. Intended to ground the following discussion, this overview is necessarily brief and schematic. Our concern is to indicate magnitude, direction, and focus. Since aid comes in multiple forms, since the OECD DAC data capture only a portion of total aid, and since the reporting by aid providers and aid recipients is regularly discrepant, reports on the volume of aid are likely to have a significant margin of error. The Education for All Global Monitoring Reports and interim papers seek to track aid volume, regularly noting the difficulties in doing so. For a critical analysis of the foreign aid system and references, see Samoff 2011.
Notably, Africa is the largest regional recipient of ODA, accounting for well over a third of disbursements (Figure 6). However, this impressive figure should be put in perspective by a more granular consideration of intended aid recipients. Aid volumes per person below the poverty line ($1.25/day) in sub-Saharan Africa were equivalent to just US$101 a year, compared with US$28,278 in Europe and over US$1,000 in the Middle East, where poor populations are considerably smaller relative to aid disbursements (Development Initiatives 2013).

A consideration of absolute volumes of total ODA is similarly misleading. While Figure 7 highlights the major actors in the aid landscape, it reveals little about the priority that governments place on ODA, or how the aid volume compares to a country’s wealth.
A more useful measure therefore is the volume of ODA relative to a country’s Gross National Income (GNI). In 1970 the UN General Assembly committed to providing 0.7% of Gross National Product in aid. Wealthy countries attending the 2002 Monterrey International Conference on Financing for Development recommitted to that target. At the G8 meeting in Gleneagles in 2005 European G8 members recommitted to reaching the 0.7% target by 2015. Sweden became the first country to meet this commitment in 1974, and was subsequently joined by the Netherlands, Norway, Denmark, and Luxembourg who have consistently reached the 0.7% threshold since 1975, 1976 and 1978 and 2000 respectively. Finland achieved the target once, in 1991. However, no other DAC country has met the target since it was established, and the weighted average of DAC members’ ODA has never exceeded 0.4% of GNI (OECD 2010).\(^4\)

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4. Gross Domestic Product (GDP) and Gross National Income (GNI) reflect two commonly used measures of a country’s wealth. GDP represents the value of all economic activity (production) within a country’s borders without consideration of the national affiliation of the person or entity that lays claim to the proceeds. GNI represents total income received by a country’s residents, whether inside or outside national borders. GNI may therefore differ from GDP when domestic production creates earnings for non-residents (making GNI smaller than GDP), or if residents earn income outside of the country (making GNI larger than GDP). Gross National Product (GNP) represents a third measure of national wealth. Calculation of GNP is very similar to GNI (they differ only in their treatment of indirect taxes), and in recent years the use of GNI has been widely regarded as preferable.
Notwithstanding upbeat rhetoric and occasional detailed commitments, some countries, among them several of the largest aid providers by volume, remain far from the agreed target. Unfortunately, there has been little systematic comparative research on what enables some countries to allocate more of their annual budgets to foreign aid. Indeed, the ongoing failure of affluent countries to reach stipulated goals is a recurrent theme in the development literature. This is an important consideration given that a key strategy outlined for reaching EFA goals is to ensure that all countries meet the 0.7% target. A 2011 OECD analysis of aid effectiveness reports that progress in improving the medium-term predictability of aid at the country level has been limited, with little communication of forward-looking indications of future aid flows to individual partner governments.

Furthermore, as illustrated in Figure 9, aid to education currently constitutes a relatively small component of total ODA. The suggestion that education’s share in aid should be increased to 20% therefore requires attention to the consequences and feasibility of reallocating aid across sectors.

Aid is delivered through numerous channels and institutions before it reaches the final beneficiary. This means that the ways in which aid is ultimately disbursed are not completely transparent, and reported ODA amounts frequently reflect a considerable burden of administrative costs.

For education, the gap between promise and practice is dramatic. Recall that the pledge was to provide sufficient funding to enable poor countries to achieve education for all. Yet, as the gap between available resources and the funds needed has grown, aid to education has stagnated or declined (Figure 10). Especially striking is that aid allocations to education have not grown in proportion to the growth rate of GDP in OECD economies, which a rough calculation shows to be on average around 1.7% per year. Put somewhat differently, as the affluent countries have increased their wealth, their aid to education...
has not only not matched that pace but has declined. At a minimum, this trajectory points strongly to the capacity of funders to increase their support to education.

**Figure 9 — Funding agency priorities across regions**

![Funding agency priorities across regions](image)

Source: Development Initiatives (2013)

**Figure 10 — Total aid to education 2002–2011**

![Total aid to education 2002–2011](image)


### 4.2 Other External Support

While most discussions of external support focus on official development assistance, the volume of external support not included in ODA data is substantial and apparently increasing. A recent analysis estimated total annual foreign aid to be $170 billion,
including $101 billion ODA, $10 billion from non-DAC donors (for example, China, India, Gulf State sovereign trust funds), and $60 billion from private philanthropies and foundations (Burnett and Bermingham: 2). As well, fund flows may be characterized as aid by some countries, but termed investment by others (for example, overseas spending by public corporations), or explicitly omitted from reports on foreign aid (for example, higher education fellowships). Although these estimates are too imprecise to permit reliable comparisons, they do suggest that potentially important external contributions to education finance in poor countries remain under-studied and perhaps significantly under-counted.
5. Alternative (Innovative) Education Financing

As we have noted, there is a persisting, indeed expanding, gap between the resources allocated to achieving quality education for all in Africa and the calculated cost of doing so. We believe most calculations to date have underestimated potential national funding for education. As well, the efforts to increase external aid to education have generally involved more exhortation than analysis and thereby also underestimate potential increases in the aid flow. Put sharply, it is possible to close the EFA funding gap through increased national resources directed to education, achievement of the internationally set aid targets by a few of the most affluent countries, or a combination of the two.

Fuelled by the widely shared sense of the importance of education, by the recognition of the need for additional education resources, and by the broad assumption that the private is more innovative and efficient than the public, attention has focused on alternative, generally termed innovative, education financing. The multi-agency Task Force on Innovative Financing for Education proposed six strategies for generating new funding, along with three strategies expected to provide less revenue but helpful in raising education’s profile. The follow-up report highlighted four approaches deemed to have the greatest potential to generate substantial funding: education venture fund, debt conversion development bonds, diaspora bonds, and travellers savings fund for development (Innovative Financing for Education: Moving Forwards: 3). Other reports and commentaries have elaborated those ideas and advanced others (Burnett and Bermingham 2010; UNESCO 2011; Innovative Finance 2013). A recent review considers additional financing strategies, many derived from efforts to raise revenue for global health, but cautions

_We found that it would be hard to replicate most of the health mechanisms because of the fundamentally different investment case for education._ (Innovative Finance 2013: 3)

_As of yet, no scalable, innovative financing initiatives have been implemented in global education._ (7)

The Leading Group on Innovative Financing for Development specified three features of innovative financing:

1. linked to global public goods such as eliminating diseases or reducing climate change which require a global intervention;
2. complementary and additional to traditional ODA;
3. more stable and predictable than traditional ODA (Leading Group 2010a: 7).

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Burnett and Bermingham add two more:

4. innovative approaches to mobilizing domestic as well as international financing;

5. innovation in delivery as well as innovation in mobilizing resources (Burnett and Bermingham 2010: 3).

Our concern here is to review the major proposals for generating new education funding, especially for those countries least likely to achieve the Education for All and Millennium Development goals. Since they intersect and overlap, they defy simple categorization. Accordingly, we consider the major ideas each in turn, reviewing both the idea and the evidence to date. Our task is synthetic and critical. What is the current situation? What are the prospects?

5.1 Conditional Debt Cancellation

In 2010, public external debt in Africa stood at almost $150 billion, demanding annual debt servicing (interest and principal repayments) of $8.5 billion (World Bank 2013). As such, debt cancellation offers a possible means to channel additional funds into education. To the extent that it frees funds for an indebted African government, debt relief is comparable to general budget support, that is, aid that is not earmarked for a particular purpose. To assure that released funds are focused on development-oriented purposes, in recent years debt cancellation has commonly been accompanied by the requirement that the newly available resources be used for specified development activities, including education. Debt relief is thus conditional, with the requirements largely determined by the creditors.

Creditors insist there is a risk, often termed the moral hazard, in outright debt cancellation. Cancelling outstanding debts could reward bad practices and might encourage future financial irresponsibility by debtors. Critics contend that this argument is flawed in its failure to acknowledge the illegitimate nature of much of Africa’s debt and to recognize irresponsible lending practices by creditors. Conditionality nonetheless remains central to any discussion of debt cancellation.

“Debt swaps” is the terminology used for one form of conditional debt cancellation. Broadly, a creditor exchanges debt for some form of new obligation with different repayment terms and conditions. This arrangement has its origins in the international debt crisis of the 1980s, where it provided for the conversion of debt owed by developing countries that were unable to service their outstanding loans. Here, conditional debt cancellation was used primarily to encourage private investment through the issue of equity in publicly owned enterprises. Conditional debt relief has recently regained prominence as one means to expand financing for the MDGs.6

This new rhetoric of “debt swaps for development” describes an arrangement in which the creditor country cancels a debt at its nominal value. In return, the debtor invests the funds that would have been allocated to repaying the debt in development projects,

According to conditions agreed by both parties. Since the original debt would already have been used by an African government for its intended purpose and is repaid in full, conditional debt cancellation does not create any additional aid. Instead, it removes the obligation to repay the debt in full, freeing government revenue that would have been used in debt servicing to direct towards education spending. Instead, the reimbursement received following loan repayment is effectively returned to government coffers and redirected toward education spending. In practice, that is a net transfer from the funds allocated for debt repayment to the funds allocated for education. This arrangement differs from debt relief under HIPC in that, under most circumstances, the part of the debt that qualifies for relief is cancelled. This process is illustrated in Figure 11 below.

Figure 11 — Conditional debt cancellation

Recent debt-for-education agreements form part of what has been called the second wave of debt swaps, under which micro-earmarking (the allocation of funds to a particular project) by creditors is discouraged in favour of sector and budget support that aligns with the recipient country’s priorities. At its 33rd General Meeting in October 2005, UNESCO created a working group to evaluate the impacts of this sort of conditional debt relief in the education sector, calling for:

support for agreements on debt swaps within the framework of a transparent and effective administration of general funds, with the participation of creditors, debtors, international organizations and civil society representatives in the follow-up and evaluation of educational programmes arising out of these agreements. (UNESCO 2005)

Importantly, conditional debt cancellation does not constitute ODA. Indeed, an important critique of the current system is a lack of additionality: while creditors have committed to granting debt relief in addition to ODA, it is not clear that this happens in practice.

Conceptually, conditional debt relief is straightforward. The debtor country repays its loan and negotiates with the creditor to increase its annual direct spending on education by a specified amount. The creditor annually reimburses the debtor country
the agreed amount, effectively cancelling that part of the debt in exchange for specified conditions, in this case increased direct spending on education. In practice, what occurs is a transfer of government funds budgeted for debt repayment to funds budgeted for, say, school construction or textbook production. Verifying the conditions, however, generally requires an intermediary fund and a delay in the debt cancellation, making the overall process much more complex. A simplified representation of conditional debt cancellation is shown in Figure 12.

Figure 12 — Conditional debt cancellation (schematic representation)

The OECD (2009) highlights a number of critical issues that should be considered at each stage of the debt cancellation process:
Figure 13 — Additional education funds through debt relief

<table>
<thead>
<tr>
<th>Debt cancellation by creditor</th>
<th>Debtor deposits cancelled; debt in a counterpart fund7</th>
<th>Counterpart fund is used to finance education projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Would the debt have been repaid in the absence of a debt relief operation?</td>
<td>1. How does the timing of the counterpart payments compare to the original debt service schedule?</td>
<td>1. Is education sector support resulting from the debt cancellation additional to domestic budgetary resources already reserved for education spending in the debtor country?</td>
</tr>
<tr>
<td>2. Is the debt cancellation additional to other aid?</td>
<td>2. What is the discount rate granted by the creditor on the counterpart payments?</td>
<td>2. Is education sector support resulting from the debt cancellation aligned with the debtor country’s policies and systems?</td>
</tr>
<tr>
<td>3. What is the size of the cancelled debt in relation to the overall debt stock of the debtor country?</td>
<td>3. To what extent is there participation and decision-making on part of the debtor country’s education ministry and civil society?</td>
<td>3. Is education sector support resulting from the debt cancellation harmonized with other education support arrangements?</td>
</tr>
<tr>
<td>4. Are there concessional features in the debt cancellation?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. A counterpart fund is the mechanism used to make the proceeds of debt relief available in the domestic currency of the borrower country. This may be achieved in a number of ways, for example, (1.) businesses in the borrower country may import commodities by ordering from the government and paying in the local currency. The government then draws on the debt relief granted to it by the lender (in foreign currency) to purchase the commodities, while keeping the domestic currency received from the local business; or (2.) goods may be donated to the borrower country’s government which then sells the goods to the local population and retains the proceeds. In both cases, the local income is deposited into the counterpart fund that can be used for development purposes.
Debt cancellation is of course attractive to African countries. Yet, while reducing debt obligations may seem a promising strategy for generating additional revenue, in practice conditional debt cancellation may do little to address the EFA funding shortfall in Africa.

First, an additional complexity not shown in Figure 13 above, is that once the value of the debt cancellation is agreed, an appropriate discount rate must be established. This depends largely on the creditor’s good will. A 40% discount (or conversion rate of 60%) means the debtor must spend at least 60% of the debt’s value on social investments (here, education). Discount rates applied by creditors are frequently quite low, ranging from a maximum of 50% generally applied by Germany to 0% applied by Spain or Italy (EURODAD 2007). In order to create a real budgetary incentive for the debtor country to engage in this arrangement, average discount rates (that is, reduction in required repayment) need to be raised considerably.

Second, the composition of debt is important (see Figure 14 for a breakdown for Sub-Saharan Africa). Debt-for-education arrangements should ideally target non-concessional debt that is likely to be serviced. Almost all national and international debts of the Highly Indebted Poor Countries (HIPC) are due to be cancelled on reaching completion of the HIPC process. There is thus little incentive for these countries to engage in debt cancellation arrangements. For most middle-income countries, external debt is largely owed to commercial creditors and therefore unlikely to be offered for conversion, especially given concerns about debtor nation financial market creditworthiness. The best candidates for debt-for-education arrangements are thus those debts held under national and international agreements by a small number of non-HIPC low- and lower middle-income countries.

Third, debt-for-education faces stiff competition from other potential uses of cancelled debt, for example, both the Global Fund to fight AIDS, Malaria and Tuberculosis and its promotion of the Debt2Health initiative, as well as environmental advocates in favour of debt-for-nature arrangements. An OECD (2009) report observes, “Everyone seems to be fishing in the same pond and for its own purpose. Competition between thematic organizations may turn out to be fierce as the prioritization of usage of funds that could be generated through debt conversion is anything but straightforward.”

The most successful case of education conditional debt relief to date is widely viewed as the Debt Reduction and Development Contracts (C2D) arrangement between France and Cameroon (UNESCO 2011c). Cameroon’s external debt to GNI ratio underwent a significant decline from its peak at 133% in 1995 to 14% in 2009, in large part due to its participation in the HIPC and Multilateral Debt Relief Initiative programs. As Cameroon neared its HIPC completion date in 2006, the French diplomatic mission and the local office of Agence Française de Développement (AFD) negotiated its largest C2D agreement to date with the Government of Cameroon. In parallel, Cameroon completed its Education Sector Strategy that mapped out a plan to achieve the MDGs of universal primary enrolment, gender equity, and completion rates of 100% by 2015. A cornerstone of this strategy was the recruitment of contract teachers who follow a different career path and are paid according to a lower salary scale than civil service teachers (24–40% of their civil service counterparts [Bourdon et al 2007: 43]). The intention was to reduce pupil:teacher ratios (PTRs), particularly in under-serviced regions, as well as to formalize the status of experienced temporary and community teachers at a lower expenditure that would be required if civil service teachers had been used. The program required
the recruitment of 37,200 contract teachers over a five year period (2007 to 2011) at an estimated cost of US$392 million.

The Cameroon government committed to supporting around 75% of the program out of its general budget, but faced a US$103 million funding gap. To meet this need, the Fast Track Initiative provided a US$47.5 million grant, while the remaining US$55.3 million was provided through the C2D. The French and Cameroon governments signed a conditional debt relief agreement for €537 million of funding over five years, of which €90 million was allocated to education. This agreement was the first of three potential tranches of funding by the French government, provided over 15 years via reimbursements to Cameroon for continued payments on concessional loans, including outstanding ODA claims.

Payments by Cameroon continue to be made to France in Euros on the original schedule. Within 15 days of receiving the payment, France pays the equivalent amount into a special account at the regional central bank, BEAC. As funds are received, they are converted to CFA Francs via a counterparty fund, and then disbursed for sector aid as specified in the original agreement, in this case to help pay newly recruited contract teachers. While the account is owned by Cameroon, AFD has a signature requirement on disbursed funds.

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Strong government and funder support have made the program broadly successful. The Ministry of Basic Education was able to hire the target number of contract teachers in each of the five years, and average PTRs have fallen from over 60 to the low 50s. The majority of recruited contract teachers have been sent to rural areas, reducing regional disparities. In 2009, the net primary enrolment ratio was up to 92%, and the primary completion rate was up to 73%, a 21 percentage points increase since 2006. However, the sustainability of the program is not guaranteed. By increasing the number of contract teachers, the government has assumed an annual liability for salaries that will be difficult to cut. However, since the government has absorbed the majority of the financial burden to date, this may be less problematic than it appears. C2D funding has decreased each year, accounting for less than 3% of the total in 2011, while other external funding has also declined. Although the Ministry of Basic Education will not continue to recruit contract teachers in such large numbers, it has assured external funders that it will be able to continue to pay existing teachers and recruit a modest number of new contract teachers each year.

The C2D program is largely seen as a successful program, allowing France to support important projects that would be difficult to fund using traditional ODA. However, the C2D program has been criticized for a number of reasons. The OECD has noted that the program incurred high costs as a consequence of its complex administration, driven predominantly by the number of conditions and requirements imposed to ensure that the funds are used for development in the agreed manner (DAC 2004). Critics argue further that while these conditions play an important role in allaying concerns from French MPs about corruption and the improper use of budget funds released by debt forgiveness, they challenge Cameroon’s sovereignty. Another criticism is that C2D provides no debt relief as Cameroon must continue to service its debts to France as before. While it is an accurate observation that C2D does not reduce Cameroon’s debt service burden, the purpose of the program was never intended to improve debt sustainability but rather to
provide additional development assistance to countries who had reached a sustainable level of external debt under the HIPC program.

**Figure 14** — Composition of external public debt in Sub-Saharan Africa (2010)

![Composition of external public debt in Sub-Saharan Africa (2010)](image)

Source: World Bank 2012 (Global Development Finance). Figures include all public and publicly guaranteed debt.

Fourth, where agreements are successfully negotiated, they may allow the creditor nation to impose significant restrictions on how money is spent, facilitating involvement of their own domestic companies in projects that are financed through debt cancellation arrangements. For example, Spain has been criticized for tying conditional debt cancellation to the purchase of goods or services from Spanish companies. That sharply contracts the commitment to respect recipient country priorities, and the new debt law approved by Spain at the end of 2006 prohibits such actions. However, most of the relevant arrangements were signed before the law came into force, and thus remain outside of the new legal framework (EURODAD 2007).

**Figure 15** — Relative role of debt cancellation arrangements

![Relative role of debt cancellation arrangements](image)

Finally, debt cancellation for development has also mobilized very little funding in the vast majority of cases. A Fundación SES survey found that of the cancellation arrangements conducted at that time, more than a third were worth under US$10 million, just over a third were worth between US$11 and 50 million, and only 11% were worth more than US$100 million (Mealla 2007). This is compounded by the fact that debt cancellation arrangements often incur high administrative costs. Since each project is dealt with separately, the multiplication of transaction and management costs limits the efficiency of the mechanism at a global level. These costs could be reduced through the use of multi-creditor funds which could exploit synergies between transactions.

To date, very few evaluations of debt cancellation experiences have been conducted. It is therefore difficult to assess the impact they could have or have had on social development. Of particular concern is the temporary nature of these arrangements—they may service short-term education needs and slightly increase funds available to education, but they do not provide a sustainable source of education financing.

5.2 Bonds

Bonds constitute a form of borrowing. As such, they create an obligation to repay, including both principal and interest. Since bonds are commonly issued by governments, repayment requires generating additional government revenue, generally through taxation. We review here two non-traditional mechanisms that may be used to issue bonds intended to increase funding to education: conditional debt cancellation arrangements, and local currency education bonds.

WHAT IS A BOND?

Bonds are essentially formal interest-bearing IOUs. Bonds are also sometimes called debt securities or fixed-income securities. A bond is issued with a particular face value, also called the principal or par value. This represents the amount of money the issuing government receives from the investor (the bond purchase). The face value is generally a convenient denomination, for example $1,000. In order to raise $50 million, a government would issue 50,000 bonds. The time at which the government needs to repay the principal sum is known as the bond’s maturity. A bond also pays interest, whose rate is usually fixed over the life of the bond as a percentage of the principal. Thus, if a government issues a $1,000 bond paying 8 percent interest with a 20 year maturity, it will need to pay the bondholder $80 a year for 20 years. When the bond reaches maturity, the government will repay the bondholder the $1,000 principal.

5.2.1 Bond financing and debt conversion development bonds

In order to raise bond capital, a government must be able to offer investors a credible guarantee that it will meet annual interest payments, as well as repay the principal sum on maturity. This requires that the country possess adequate fiscal space to incur debt. However, independent of relying on foreign guarantors, very few African countries hold investment-grade credit ratings. This not only increases the difficulties a country faces in assembling investors, but also the interest rate it must offer on bonds. That in turn requires higher levels of debt servicing and therefore less spending on education over the long-term. In this context, issuing bonds to fund education initiatives may function to reduce total education spending.
One strategy to address the provision of appropriate guarantees is to issue debt conversion development bonds (DCDBs). This utilizes conditional debt cancellation explained above, with the funds released by the creditor functioning to guarantee repayments. A simple version of this mechanism is represented in Figure 16 below. DCDBs allow frontloading the funds released by debt cancellation, thereby making resources available now from a stream of future local currency debt service payments extending over a decade or more.

DCDBs are likely to function best where the following conditions are met (UNESCO 2012a):

1. Existing levels of indebtedness and fiscal performance are sustainable.
2. There is a need for an immediate and significant increase in education spending, and the country is able to utilize effectively a significant increase in funds. Bonds are generally most effectively used to finance large capital outlays rather than recurrent expenditures.
3. There is a large enough investor base to absorb the bonds.
4. A reasonably well functioning capital market operates in the country.

Note that creating debt conversion development bonds is not simply debt cancellation. DCDBs presume that while part of the debt will be cancelled, the indebted country will continue to allocate resources equivalent to debt repayment, now redirected to education. Countries that anticipate, or hope for, direct debt cancellation will have little motivation to issue DCDBs in exchange for conditional debt relief.

**Figure 16 — Debt cancellation to issue education bonds**

Debtor has two primary options to use funds released through conditional debt cancellation:

1. Allocate additional $0.1bn to education budget on an annual basis over 20 years

   - $0.1bn
   - $5bn

   - Regular education expenditure
   - Additional education expenditure from conditional debt cancellation
5.2.2 Local currency education bonds

While the function and financing of bonds remains the same regardless of form and investor pool, one important variation on traditional bond issues is local currency education bonds, reducing a country’s reliance on international capital markets for education financing.

Few African governments have historically been able to access capital effectively in their domestic markets. This is largely a function of the limited development of capital markets in many African countries, which are generally small, illiquid, and lack a full range of financial and investment products. The alternative, raising funds in international financial markets, requires that bonds be issued in a tradable international currency, most often US dollars. This involves considerable foreign exchange risk for the issuing country, since repayments depend largely on domestic taxes collected in local currency. If the local currency depreciates relative to the currency in which the bonds are denominated, the size of the outstanding debt and therefore debt servicing costs increase.

Local currency bonds are thus a strategy both to mobilize domestic resources and to mitigate foreign exchange risk. However, given limits in the financial architecture of many African countries, even with appropriate technical assistance and management, local currency bonds are unlikely to provide a solution to short-term education financing needs for many African countries. The market is unlikely to exhibit an appetite for what is likely to be perceived as risky African debt instruments, posing a serious obstacle to marketing local currency bonds. However, the backing of the conditional debt cancellation outlined above could provide a credible guarantee of repayment to
investors. Over the long term, investment in building capacity for the establishment of legal frameworks and market capabilities in countries with poorly developed local bond markets may represent an important path to enabling more African countries to issue their own local currency bonds. This strategy risks putting the cart before the horse, but recognising the potential for growth in this area, in 2008 the African Development Bank (AfDB) launched the African Financial Markets Initiative (AFMI) to contribute to domestic resource mobilisation and capital market development.

Local currency bonds (not tied to education) have already been issued in several African countries with more fully developed financial systems. Currently, two main bodies oversee the issue of local currency bonds: the International Finance Corporation (IFC), the World Bank’s private sector arm, and the AfDB. This backing improves the credit rating of the bonds issues and therefore lowers the interest rate at which these are offered. Acting for the respective governments and functioning as a reserve guarantor, AfDB has issued bonds denominated in or linked to the Botswana pula, Ghanaian cedi, Kenyan shilling, Nigerian naira, South African rand, Tanzanian shilling, Ugandan shilling and Zambian kwacha. It is also now authorised to issue bonds in more than 15 other African currencies. The IFC has issued local currency bonds in Botswana, Ghana, Nigeria, South Africa, Uganda, Zambia, Morocco, the Western CFA zone and the Central CFA zone.

In theory, both governments and investors benefit. The primary target is pension funds and insurance companies, both of which invest in assets that need to be held over the long term. Bonds guaranteed by national governments should in theory represent the safest asset that local investors can hold. However, the volume of available government bonds in most developing countries falls short of the investment needs of these local investors. As a result, savings held by institutional investors are often invested in local real estate and private companies—relatively risky and illiquid assets that are susceptible to corrupt practices—or held as time deposits in local banks earning relatively low rates of return. Where exchange controls are not enforced, domestic investors may also seek overseas investment opportunities.

However, even in the best case the size of African pension fund assets are small relative to those in other developing regions (Figure 17). This limits the contribution tapping domestic capital markets could make to education funding.

As well, the focus on pension funds, regarded as a significant source of investment capital in settings with few large individual investors, seems strikingly inattentive to risk. With rare exceptions, spending on education generates no direct revenue, and even more rarely profits, and thus no income stream to repay debts. Accordingly, investing in education requires another institution, generally the government, to guarantee the return on the investment. Thus, investing pension funds to support education puts the government’s credit at risk, even where a foreign aid agency commits to a long-term revenue stream or remittances or some other regular payments are expected to provide the revenue to be used to repay the debt. Successive global financial crises and failures of large and small financial institutions might disincline prudent pension fund managers from investments that do not have a reliable and guaranteed income repayment stream.
As an alternative, the IFC’s involvement could spur inflows from foreign investors who want to diversify from low-yielding Western bonds but often view local African debt as too risky despite their high yields. For example, Nigerian 5-year Naira bonds yield over 12 percent, well in excess of typical developed market returns. IFC’s participation reassures buyers, and to date, there has been no indication of risk of default on these bonds. IFC issues have had particular success, with Zambia’s debut $750 million Eurobond in 2013 attracting bids of around $12 billion, indicating interest by potential buyers well in excess of available bonds. Earlier dollar bonds from Nigeria and Namibia also were oversubscribed (Wroughton 2012).

The use of local currency bonds is most likely to meet with success in higher or vocational education which can generate revenue to pay interest and principal on bonds. Reducing direct expenditure on higher education could release government funds for basic education, though earlier efforts to accomplish this proved disastrous for universities across Africa.

For many commentators issuing education bonds is a promising strategy for generating additional funding for education (Bond 2012). Their powerful advantage is that they can support initiatives or reforms that require a targeted large investment rather than a small annual increment potentially available through increased taxation or improved financial management. Like other loans, the money is available immediately, to be repaid over time. Like other loans, that immediate availability may render less visible the need to repay it.

For most African countries, education bonds must confront three important obstacles. The first is repayment. Issuing bonds requires identifying or creating the revenue stream that will pay interest and repay principal. That could be accomplished through increased
taxation, but doing so must overcome the general reluctance to raise taxes. The search for a viable and sustainable repayment strategies has converged with the pressure to cancel Africa’s international debts in exchange for increased allocations to social service to spark interest in debt conversion development bonds. For the present, their utility remains to be tested. As we have indicated, deeply indebted countries are likely to prefer unconditional debt cancellation to conditional debt relief. Where there is conditional debt relief, both creditor and debtor may prefer direct spending on education to using released funds to issue bonds. As well, for countries that have found it difficult to pay their debts, it may not be attractive to use debt relief to create new debt.

Second, as we have noted, many African countries, and especially those most in debt, have weak capital markets. Issuing education bonds will therefore require addressing the technical tasks of managing bond issue, sales, and repayment. Since bonds issued in that environment are likely to be regarded as high risk and will have limited liquidity, investors will demand high interest rates. The pool of local investors who would find local currency bonds attractive is very small. Pension funds and other institutional investors must find not only that the interest rates are attractive but also that the bonds are sufficiently safe to meet their fiduciary responsibilities. Relying on the AfDB or another international organization to issue the bonds may reduce investors’ risk and apprehensions in exchange for the loss of some fiscal and policy control.

Third, the competition for funding is intense. All strategies intended to generate additional revenue, including issuing bonds, are attractive not only for supporting the education sector but also for addressing health, other social services, infrastructure, and national development needs more generally. Developing education bonds will therefore require strong political support both for creating the bonds and for focusing them on education.

In practice, though promising, education bonds may be an attractive and viable strategy for only a few countries in Africa, likely the most affluent.

### 5.3 Global African Resources: Migrants and the Diaspora

Many Africans live or work outside of the continent. Many regularly send money to family and friends. For some countries those remittances are a substantial portion of foreign capital flow.

The African Development Bank (2012) estimates that approximately 140 million people who identify themselves as African currently live outside the continent, termed here Africa’s diaspora. Of these, almost 30 million Africans have migrated to the western hemisphere in recent years while maintaining strong ties to their countries of origin. The annual savings of diaspora Africans in their destination countries are estimated at around $53 billion, in addition to an estimated $40 billion sent back to the continent via remittances.

This represents a considerable pool of capital that might be tapped for local education projects. As well, migrants are often more stable investors in their home countries than international investors, who lack local knowledge and may demand high rates of interest to compensate them for the perceived risk of investing in a developing country. Africans
in the diaspora may also be more likely to invest in instruments denominated in local currency, since they are able to use the proceeds when visiting home, or remitting money to family members. With a few exceptions, however, most African countries have limited knowledge about their overseas citizens, which limits their ability to generate education funding from them.

To date, there has been little direct effort to tap the resources of this group, either by taxing the flow of money into Africa or by harnessing savings currently held off the continent. We review here strategies for drawing on remittance flows and the remittance process to generate new resources for education in Africa.

### 5.3.1 Diaspora bonds

A diaspora bond is targeted to a country’s citizens and friends overseas, intended to draw on their ability and willingness to invest in the country’s development. The financing implications are as outlined in our discussion of bonds. This type of bond issue therefore differs only in the audience to whom it is marketed. The rationale for diaspora bonds stems in part from the assumption that that home country investors resident overseas have superior access to information about domestic firms or economic conditions in their countries of origin. It also relies on the expectation that patriotic sentiments in the diaspora and a desire to contribute to the home country will encourage investors to accept a lower rate of return. Furthermore, since diaspora populations often build strong webs of community groups, churches, newspapers, and social contacts, bond issuers can tap into a ready-made marketing network.

Diaspora bonds may also be issued in the local currency. This poses some risk to the investor, as the bonds are generally not inflation-indexed and are paid at the prevailing exchange rate at the time of maturity. Willingness to bear this risk represents another reason a sense of patriotism is important. Migrants are likely to be less averse to the risk of currency devaluation since their families can use the local currency.

Thus far, diaspora bonds have achieved particular success in India and Israel. The Development Corporation for Israel (DCI) has issued them since 1951, ranging from $100 to $100,000. The DCI bonds make up over 30 percent of the government’s external debt, at over $30 billion as of 2005. This has been a stable source of overseas borrowing for Israel, as well as an important means of maintaining ties with the Jewish diaspora around the world. So far, Israel has used proceeds from the bonds to fund infrastructure development projects such as communications, housing and desalinization (Ketkar and Ratha 2011).

India offered Resurgent India Bonds in 1998, demonstrating the capacity of a diaspora to supply financing to a home country that faced reluctant international lenders during international economic sanctions imposed following a series of nuclear tests. India raised $4.2 billion from emigrants living abroad, increasing its foreign currency reserves (Chander 2001). The government State Bank of India has also issued emergency diaspora bonds in 1991 and 2000, selectively choosing when to call on emigrants to support their home country. This is in contrast to Israel, that uses its diaspora as a permanent source of external funding.
While diaspora bonds may be an effective source of development funding both long term and during a crisis, their basic requisites make them impractical for most developing countries. Diaspora bonds require a large pool of eager investors. Israel and India have been successful because of the size of their diasporas. The home countries also must have a clear, stable legal infrastructure, and relatively stable political climate. This bond mechanism might therefore struggle to find traction in countries that are smaller, have a less well developed economic infrastructure, and exhibit periodic political instability.

In Africa, Ethiopia is the first country to have explicitly issued a diaspora bond, although several other countries are considering doing so, including Cape Verde, Kenya and Ghana. African countries have regularly sold bonds on the international market which were not restricted to a specific audience and could therefore be bought by their diaspora, for example, the Morocco in 2010 and Senegal, Namibia, Nigeria and Zambia in 2011 and 2012 (AfDB 2012). For those countries, the transition from international bond to diaspora bond is simply about targeted marketing.

The Ethiopian experience in issuing diaspora bonds is also instructive with respect to the use of a patriotic discount—a benefit to the issuer. This term refers to a diaspora bond coupon (the annual return received by the bondholder) that is lower than the benchmark, typically the 10-year US Treasury bond or other bonds floated by the same or comparable issuer. As outlined above, this means that purchase of diaspora bonds requires buyers prepared to accept a below-market return on the basis of an emotional connection with the issuing country.

**Figure 18 — Ethiopia’s diaspora bonds**

The first Diaspora bond from Ethiopia in 2008, the Millennium Corporate Bond, was issued to address a critical national electricity crisis and was aimed at financing the Ethiopian Electric Power Corporation (EEPCO) hydroelectric power project, Gilgel Gibe III. This bond issue did not meet revenue generation expectations for a number of reasons: a lack of trust in the ability of the utility to service the debt, doubt around the full faith and credit guarantee of the government, and the overall political climate in Ethiopia. The government issued a second bond in 2011 to secure financing for the 5,250 MW Grand Renaissance Dam project with an estimated cost of $4.8 billion. This
issue included various enhancements such as an improved marketing campaign to diaspora Ethiopians. Figure 18 compares the two bonds. Many of the changes address the concerns of a more informed investor, not one driven by patriotism alone. In reality, the largest group of investors in the discounted 2011 issued Ethiopian Diaspora bond has been local residents through various government incentives to promote bond purchases. Thus far, the bond is reported to have raised $400 million, principally from the domestic market. The total amount raised to date has not been made public.

What do we learn from the Ethiopian experience? First, to succeed, diaspora bonds must be open to various investor classes. As we have noted, the shift from regular international bonds is primarily a change in marketing strategy. That the Grand Renaissance Dam bond issue was funded primarily by local investors suggests that even though the government was unable tap into the diaspora to the extent envisaged, the fundraising campaign’s broader marketing strategy of invoking nationalist sentiment was successful in the domestic market. Second, the failure of the Millennium Corporate Bond to meet revenue generation expectations suggests that investors’ willingness to accept a patriotic discount should not be taken for granted, especially where at least some emigrants have departed under political or economic duress. Thirdly, to make the use of funds more transparent, it is important that the proceeds from diaspora bonds be earmarked for a particular project, ideally appealing to the diaspora’s aspirations for improvement in their home country.

5.3.2 Funding education through migrant remittances

In addition harnessing the stock of savings from migrants and the diaspora, a number of possibilities exist to generate education funding from the flow of money from migrant workers to family and friends on the continent. Despite the cost of sending remittances to Sub Saharan Africa and the impact of the recent financial crisis, remittance inflows to Africa quadrupled in the 20 years since 1990, reaching nearly $40 billion (2.6% of GDP) in 2010 (AfDB 2012) (Figure 19). It is unclear if this increase simply reflects greater use of formal transmission mechanisms. Remittances come to sub-Saharan Africa from various regions including Europe (41%), United States (28%), Africa (13%), the Gulf Cooperation Council States (9%), and other high income countries (8%) (AfDB 2012).

In 2010, Nigeria received close to $10 billion in remittances, ranking first in Africa followed by Egypt ($7.7 billion) and Morocco ($6.4 billion). Africa is estimated to have received close to $37 billion USD net remittance inflows in 2010. In terms of impact on the economy, remittances made up more than 5% of GDP in at least 12 African countries in 2009. For countries such as Lesotho (24%) and Togo (10%) remittances represent a lifeline contributing smoothing household consumption, boosting foreign exchange reserves, and financing domestic investment (AfDB 2010a). Various measures of the approximate size of remittances are shown in Figure 20.

Remittances provide a cushion that periodically softens the impact of changes in the global political economy. While foreign direct investments are vulnerable to global economic conditions, remittances tend to be counter-cyclical and thus a more stable form of income to African countries.
**Figure 19** — *Remittances and other resource flows to Africa 1990–2010*

![Graph](image)

Source: Mohapatra and Ratha 2011

**Figure 20** — *Destinations of remittances to Africa*

![Bar charts](image)

Source: IMF 2013
In general, estimates of remittance inflows, based on data officially reported in the IMF balance of payments statistics (IMF 2010a), are likely well below the actual volume of remittance flows to Africa. Even remittance inflow data reported by country authorities are often higher than the IMF figures. For example, Ghana’s central bank reported $1.6 billion in remittance inflows in 2009—more than 10 times the $114 million reported in the IMF balance of payments statistics. Ethiopia reported more than $700—about twice the $353 million reported by the IMF. These discrepancies are in part related to the misreporting of migrant remittances with other types of current transfers, such

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8. Since they are unlikely to be a significant source of new education funding, this diagram does not address remittances passed through personal and other unregistered connections and remittances in kind.
as transfers to nongovernmental organizations and embassies and payments related to small-value trade transactions. In addition, only about half of Sub-Saharan African countries report remittance data with any regularity (Irving, Mohapatra, and Ratha 2010). Some countries—such as the Central African Republic, the Democratic Republic of Congo, Somalia, and Zimbabwe, all of which are believed to receive significant remittance flows—report no remittance data at all. Cross border flows through other institutions (such as post offices, savings cooperatives, and microfinance institutions) and emerging channels (such as mobile money transfer services) are not captured in official data for most Sub-Saharan African countries.

Furthermore, surveys of migrants and remittance recipients and other secondary sources suggest that informal remittance flows, which are not included in the IMF estimates, could be equal to or exceed official figures for Sub-Saharan Africa. The cost of sending money across borders is high, with Africa the most expensive destination for remittances. Transfer fees to Sub Saharan Africa can reach as high as 20 percent of the transferred amount, and on average are around 12.4 percent. As a result, unregistered transmission of remittances is high. Indeed, it is estimated that at least 80 percent of money in Uganda and Sudan is sent through unrecorded channels; for many other African countries the value of remittances in kind may be equal or higher than money remittances (Mohapatra and Ratha 2011).

Reduced fees for remittances decrease the burden on those in the sending country and might encourage them to remit larger amounts through official channels at greater frequency. It would also encourage more remittances to go through formal channels. However, estimating the value of additional remittances that would result from decreased transaction costs is difficult. Furthermore, financial authorities in Africa often do not have a role in determining costs, which depend heavily on the charges levied by external remittance-sending companies.

Mobile money—using mobile telephones to transfer funds—which could help make sending remittances more convenient, has yet to reach its full potential in this regard. Kenya may be an exception. Nearly two-thirds (62%) of Kenya’s domestic remittance transfers were conducted through mobile phones at the time of a 2009 household survey (Gallup 2012), suggesting scope for extension of this mechanism to improve the efficiency of international money transfers.

How, then, to secure education funding through remittances? One proposal is to encourage migrants to donate directly to education. Remittance channels might include an option to contribute a small percentage of the sum migrants remit home to fund education projects, drawing on the patriotism that motivates investment in diaspora bonds. In practice, this seems unlikely to generate significant resources. For African countries, remittances originate primarily from low-skilled emigrants whose transfers are generally small and explicitly targeted to family needs (Julca 2012). As well, a large proportion of remittances is already spent on education. Recent household surveys for Burkina Faso, Nigeria, Senegal, and Uganda conducted as part of the Africa Migration Project and an earlier survey in Ghana show that education was the second-highest use of remittances from outside Africa in Nigeria and Uganda, the third-highest in Burkina Faso, and the fourth-highest in Kenya. Households that receive international remittances have considerably more household members who have completed secondary and tertiary education (see Figure 22) (Mohapatra and Ratha 2011).
A corroborating study suggests that in Kenya and Uganda, households devote 15 percent or more of domestic and intraregional remittances to education. Nigerian households devote 20 percent of intra-Africa remittances to education. Although the amounts spent were much smaller than those from remittances from outside Africa, these figures suggest that a significant share is dedicated to education (Mohapatra and Ratha 2011).

Where remittances are already supporting education, it seems counter-productive to try to reduce transfers to families in order to fund education. Even were that successful, the outcome would likely be regressive, shifting more of the burden of paying for education onto the poorest families.

Another proposal for generating education funding through remittances is to securitize them. In many cases, an increase in remittances as a share of GDP correlates to an increase in bank deposits (Aggarwal et al. 2006; Demirgüç-Kunt 2009; Gupta, Pattillo and Wagh 2009). Aggarwal et al. (2006) find strong support in a quantitative analysis of 99 developing countries that remittance flows increase deposit and credit levels. Using balance of payment statistics between the years of 1995 and 2003, they find that a one percentage point increase in remittances’ share of GDP correlates to a 0.5 percent increase in the ratio of deposits to GDP, and a 0.3 percentage point rise in the share of credit to GDP.
In Sub-Saharan Africa levels of bank deposits also rose in relation to GDP with increased remittances (Gupta, Pattillo and Wagh 2009). Regardless of remittance recipients’ demand for credit, overall credit levels might still increase in remittance receiving areas if banks are able to finance previously unfunded or underfunded projects as a result of the increase in liquidity because of the higher levels of deposits. In other words, even if remittance recipients do not have a need to borrow, the increase in loanable funds in banks as a result of remittances might allow banks to increase credit to other households (Demirgüç-Kunt 2009; Giuliano and Ruiz-Arranz 2009). When a migrant transfers foreign currency to a relative’s creditworthy bank in his home country, the bank pays out the remittance from its holding of local currency. That transaction creates a foreign currency asset equivalent to the size of the remittance, which can be used as collateral for borrowing cheaply and over the long term in overseas capital markets. Such borrowing has no effect on the flow of money from migrants to their beneficiaries. Development banks, national banks in countries that receive remittances, and aid agencies can partner to harness enough remittances and create enough collateral to raise significant sums of money to invest in education or other development projects.

**HOW DOES SECURITIZATION WORK? (See Figure 23)**

Securitization is the process of converting otherwise non-marketable assets (traditionally mortgages or loans) into a financial package that can be bought and sold in international capital markets (Shim and Seigal 2001, 271). Securitization of receivables defines future income from any economic activity as an asset that can be exploited, even though the bank has not yet received them. The ideal receivable is one which is repayable over a certain period of time, and there is contractual certainty as to its payment.

Securitization of receivables is a different application of the concept of securitization. For most other securitizations, a claim on the issuer himself (a car rental company, for example) is being securitized. In case of receivables, what is being securitized is a claim on a third party on whom the issuer has a claim. In this case, banks and governments are selling expected future remittance receivables intended for the families of the remitters rather than the banks or governments.

Remittance securitization typically involves a bank’s pledging its future remittance receivables to an offshore special purpose vehicle (SPV). The SPV issues the debt. Designated correspondent banks (where the remittances are initiated or processed) are directed to channel remittance flows of the borrowing bank through an offshore collection account managed by a trustee. The collection agent makes principal and interest payments to the investors and sends excess collections to the borrowing bank. Since the full value of remittances do not enter the borrowing bank’s home country, this structure is intended to mitigate sovereign transfer and convertibility risks (Ketkar and Ratha 2009, Holt 2011).

A key concern is how recipient banks can securitize a flow of remittances that does not belong to them. A requirement of securitization is that funds be channelled into an offshore account and banks give up their claim on them. The answer is an intermediary bank in a securitized transaction. That bank purchases dollars from the originators of remittances (the senders), and promises to deposit the same amount in local currency in the intended recipient’s bank account. The actual dollars no longer belong to the bank. The deposits put into recipients bank accounts are funded by the bank’s other cash reserves or other assets (Atkinson 2005). Banks rarely have more than 10 percent of real cash in their possession, as most is reinvested in stocks and bonds. That banks securitize remittances flows pose no danger to the migrant’s deposits, which are just as safe as if in any other ordinary bank account (IMF 2003).

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9. Sovereign risk represents the possibility that a government may default on its debt, while convertibility risk refers to the risk that it may become difficult or even impossible to exchange the local currency for another globally traded currency.
Securitization relies on use, not ownership of resources. Once an entity securitises its financial claims, it ceases to be the owner of those resources and becomes merely a trustee or custodian for the several investors who thereafter acquire the claim. Securitizing remittance funds flowing into a country makes money cheaper for the issuer to access. Cheaper money means that governments have enhanced access to credit and may raise funds for development. Developing countries, especially when in a credit crisis, need to access funds quickly to keep economies afloat, but are often limited by poor credit ratings that raise the cost of borrowing. In practice, remittance flows may be more reliable than a country’s own economic trajectory. Instead of getting loans based on domestic economic performance, which may be difficult to obtain and need to offer very high interest rates, a country can raise money based on expected future remittances.

Securitization by poor countries carries significant risks—currency devaluation and, in the case of a flexible rate debt, unexpected increases in interest rates—that are associated with market-based foreign currency debt (World Bank 2005). Securitization of remittances by public sector entities reduces the government’s flexibility in managing its external payments and can conflict with the negative pledge provisions included in multilateral agencies’ loan and guarantee agreements, which grant priority to multilateral debt payments. However, to date there have been no debt defaults on any future flow securities that have been rated by an outside institution.

Successful remittance securitizations have been conducted in both Ghana and Nigeria, raising $40 million in 1996 and $150 million in 2012 using cash flows generated from receivables of existing assets. Details of the Ghana transaction are provided in the box below.
AN EXAMPLE: Afreximbank and remittance securitization in Ghana

The African Export-Import Bank (Afreximbank) has been active in promoting future flow securitization since 1996. The first ever future-flow securitization by a Sub-Saharan country was a $40 million loan to a development bank in Ghana backed by its Western Union remittance receivables (Afreximbank 2005; Rutten and Oramah 2006). After this initial success, the bank launched its Financial Future-Flow Prefinancing Programme in 2001 to expand the use of migrant remittances and other future flows such as credit cards and checks, as collateral to raise funds for agricultural and other projects in Sub-Saharan Africa (Ratha, Mohapatra, and Plaza 2009).

Securitization of remittances is most feasible in North African countries where transfers through banks are common. Moreover, many North African banks have subsidiaries in Europe, where migrants are settled. However, the sophistication of this instrument coupled with the low penetration of banking institutions makes securitization a longer term prospect for the rest of the continent. High legal costs and lack of specialized skills are also obstacles to securitization. Remittance sending organizations are mostly based where the funds originate. Thus, cooperation is needed between the sending and receiving countries in order to address the problem of cost. Developed country banks could partner with banks in less developed countries to find mutual benefit in lowering the costs of remittances.

In practice, the actual size of the total securitized debt by developing countries is relatively small, and the level of securitized remittance flows even smaller. There are several reasons for this, including insufficient legal infrastructure, long and expensive set-up costs, and low levels of domestic financialization.

Securitization does not directly tap into migrant remittances in the same way a tax on transfers would, and therefore does not jeopardize the overseas income received by poor families. This means there is little risk that it will directly impact a household’s ability to provide its children with an education, eliminating the negative outcomes associated with a regressive tax. However, there are important limitations on the use of securitized loans as a financing mechanism. First, as with bond issues, the borrower country needs a relatively developed financial market, with a relatively large number of migrants remitting income through formal channels. Second, there need to be close links between the government and the banking system, either through (partial) state ownership of a financial institution, or cooperation with regional development banks. Securitization also presents a less immediately obvious risk in that the burden of a possible bank or government default is borne by local depositors rather than by wealthier international creditors.

5.4 Privatization

Our primary concern in this review is to explore sources for additional funding for education in Africa. What of private, that is, other than public, spending on education? We consider first household spending on education and then turn to other forms of non-public revenue generation.
5.4.1 Household spending on education

In our discussion above of sources within Africa for additional education revenue we noted the importance of household—private—spending on public education. Household level data are sparse in the African context. However a recent UNESCO survey (2012) attempted to aggregate sources across fifteen countries to extrapolate private spending on education. Figure 24 below summarises these results and provides a picture of total household spending on education, including school fees, supplies (uniforms; books and stationery; other), transport, and supplementary tutoring. It is important to note that survey methods across countries were very different, rendering the data not necessarily directly comparable. Allowing for these limitations, evidence suggests that the average African household spends around 4.2% of its annual budget on education, with considerable variation across countries.

Figure 24 — Share of education in total household spending, 15 African countries, percent

Source: UNESCO 2012. Figure in parentheses represents year of household survey

In order to put these figures in perspective, the study demonstrates that household spending is equivalent to almost half of public financing. Overall, public education expenditure represents 3.7% of GDP on average in the 15 countries considered here. As Figure 25 shows, average household education spending in those countries is the equivalent of an additional 46% of public expenditure, fully 1.7% of GDP. For every US$100 the government dedicates to the education sector, households invest the equivalent of a further US$46.

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10. Systematic comparative research on household education spending that addresses changes over time is very limited. Bray has explored the extent of private supplementary instruction (1999; 2006).
Figure 25 — Household education spending for 15 African countries as a percentage of recurrent public expenditure (2004)

Source: UNESCO 2012

There is, of course, variation in the average household outlay depending on the type of school a child attends, and her position (grade level) within the school system. Figure 26 below demonstrates spending differentials across levels and types of schooling. Notice that these figures represent spending as a percentage of GDP per capita conditional on a household sending a child to school in a particular sector, which explains values above 100%. They also reflect expenditure on school fees as well as associated learning costs. Unsurprisingly costs are higher in the private sector—expenditure on primary pupils enrolled in private schools is on average six times greater than for students in public schools. This pattern holds across levels of education, but decreases to 3.1 for lower secondary, 2.3 for upper secondary, and 3.7 for higher education. Given the dominance of public schooling in most African contexts, the considerable financial sacrifice required to send a child to a private school suggests that this must in many instances reflect a perceived quality choice by families (UNESCO 2012c).
While imperfect, the UNESCO study also attempts to disaggregate the data by type of education spending under the categories (1) school fees, (2) school supplies and learning materials, and (3) other spending. Figure 27 shows the results across the average household. When combined with information on household income, some clear trends emerge. Among wealthier households, school fees constitute the bulk of expenditure (around 60%), whilst for poorer households at least 50 percent of the total education outlay is attributable to school supplies and learning materials. This holds for most of the countries with available data, with some notable exceptions: school fees are also the largest budget item for the poorest households in Burkina Faso, Mali and Rwanda, and are relatively high for all socioeconomic groups. In Gabon, school supplies and learning materials represents the majority of spending across all income groups.

Figure 27 — Form of education expenditure as a percent of total education expenditure

<table>
<thead>
<tr>
<th>Survey year</th>
<th>School fees</th>
<th>School supplies and learning materials</th>
<th>Other spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin 2003</td>
<td>48.0</td>
<td>37.7</td>
<td>14.3</td>
</tr>
<tr>
<td>Burkina Faso 2003</td>
<td>66.6</td>
<td>29.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Côte d’Ivoire 2002</td>
<td>37.5</td>
<td>40.7</td>
<td>21.9</td>
</tr>
<tr>
<td>Gabon 2005</td>
<td>40.0</td>
<td>57.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Madagascar 2001</td>
<td>41.7</td>
<td>35.3</td>
<td>23.0</td>
</tr>
<tr>
<td>Mali 2006</td>
<td>68.5</td>
<td>30.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Mauritania 2008</td>
<td>53.2</td>
<td>36.0</td>
<td>10.8</td>
</tr>
<tr>
<td>Niger 2005</td>
<td>56.7</td>
<td>38.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Malawi 2004</td>
<td>71.3</td>
<td>18.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Rwanda 2005</td>
<td>60.2</td>
<td>25.3</td>
<td>14.6</td>
</tr>
<tr>
<td>Sierra Leone 2003</td>
<td>38.9</td>
<td>39.5</td>
<td>21.6</td>
</tr>
<tr>
<td>Tanzania 2007</td>
<td>73.8</td>
<td>19.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Average</td>
<td>54.8</td>
<td>33.9</td>
<td>11.3</td>
</tr>
</tbody>
</table>

Source: UNESCO 2012
The observation here is straightforward. Households in Africa already allocate substantial resources to education. While symbolically very important, the elimination of primary school fees may not have significantly reduced household education costs. Most important, how might these resources be used more effectively to expand education access and improve its quality?

5.4.2 Non-governmental revenue sources

Privatization of education has an extended and contentious literature. Reviewing it and assessing it is well beyond the scope of this review. Lewin’s work on the economics of privatization in Africa is especially instructive (Lewin 2007, 2011, 2013; Lewin and Sayed 2005). The Privatisation in Educational Research Initiative has assembled research, case studies, and commentaries (http://www.periglobal.org; Robertson and Dale 2013). What have come to be termed public-private partnerships are a recent focus of critical research (Robertson and Verger 2012; Verger 2012).

To explore privatization as a strategy for generating additional education finance, several framing issues warrant attention. First, the push for privatization is global and powerful. Privatization advocates insist, and around the world many people believe, that the private sector is more efficient, more effective, and less expensive than government at most tasks, that the provision of education should be organized as a market, and that education can and should be understood as an investment and a commodity. While each of those claims is sharply contested, and while research has generated conflicting evidence, the assumption that private is preferable to public has taken root and the campaign to privatize many public services is increasingly successful.

Second, education remains a public responsibility. That perspective is deeply embedded in decades of international conventions and in most countries incorporated in constitutions and legislation that recognize that education is a basic right and that government is responsible for protecting that right. As well, even where the private provision of education has expanded and flourished, most learners are in government schools. Where there is a genuine commitment to effective mass education, it cannot be otherwise. Citizens, especially those with the fewest resources, will expect government to assure education access and quality. Accordingly, an important measure of the success of private investments in education is the extent to which they strengthen the public education system and the government’s ability to direct and manage it.

Third, there is a sharp tension between the recognition of education as a right and the construction of education as a commodity that is organized and managed in a market. Rights are neither divisible (there cannot be a half free choice of religion) nor for sale (rights inhere in communities and individuals and cannot be bartered or sold, or given away without charge). There is a parallel tension between the learner as a consumer choosing alternatives in a market place and the learner participating in and contributing to a public good as a citizen.

Fourth, resource allocations in the education sector shape and constrain the opportunities for private investment. Across Africa, the wage bill accounts for nearly all spending on education, commonly 80%–90% of the allocations to basic education. Facilities, materials, and services, though of course essential, receive a small portion
of the total education budget. In most countries, that spending is either too small to attract significant foreign investment or is of interest to investors only where they can monopolize a segment, say, the production of instructional materials. Hence, generating additional education revenue through schooling requires reducing teachers’ wages (lower pay for the same number of learners) or increasing their labour (more learners per teacher), to support either profit to an investor or expanding access. Clearly, this is a rich field for further research and well beyond the scope of this review.

Fifth, the private (that is, non-governmental), not-for-profit education finance should be understood as aid or philanthropy and assessed with other forms of foreign and national assistance to the education sector. From this perspective, an NGO’s provision of new technology or scholarships for girls, or an international organization’s supply of instructional materials, or externally funded labour to build schools or to teach are all appropriately located within the discussion of strategies for increasing foreign assistance. Similarly, comparable allocations within a country, say corporate spending on education as part of its social responsibility program, should be understood as a strategy for increasing national resources for education.

Sixth, private (that is, non-governmental) investments in education intended to benefit the provider must be assessed in terms of the costs and consequences that result from the investment. Historically, for example, churches have opened schools as direct and indirect proselytizing vehicles. Parents who seek education opportunities for their children are attracted to the church, and the schools themselves can incorporate the church’s values and precepts in its curriculum. Across Africa church schooling initiatives increased access to education during the colonial era. In most, though not all, African countries, the end of colonial rule saw the transition of schooling from a private to a public responsibility. For a more recent example, technology companies have opened academies or institutes in the expectation that doing so will increase the market for their products and their share of that market. For both examples, educators and communities must assess the tradeoffs. Does the additional education funding outweigh the potential and actual undesirable consequences (proselytization; market distortion, manipulation, and monopolization).

Seventh, as Lewin (2012) observes, the private sector is not a single actor but rather a collection of actors. That requires analytic attention to the different sorts of participants, their interests, and their practices.

5.4.3 Private schools

Across Africa, primary school fees have been eliminated. Simultaneously, in many countries, fee-based private schooling has expanded. Can private schools, both high and low cost, close the financing gap to achieve education for all?

In this contentious arena, the private school advocates are articulate and forceful. While government will remain the primary provider of basic education, private schools can both expand access and improve quality. Private schooling is presented as complementary to state provision, offering increased flexibility and responsiveness to community needs. Non-state providers can extend access to schooling opportunities for the poor, either explicitly as part of their program design or in response to unmet demand for places
in schools (Rose 2009). Critics insist that the expanding footprint of private providers highlights problems of quality in government provision which remains the only form of schooling for the poorest, resulting in widening equity gaps (UNESCO 2009).

At first glance, the empirical evidence on this issue is mixed. Bold et al. (2011) examined fees paid by parents in Kenya, and calculated that two-thirds of private schools operate on lower budgets than the median public school, while roughly 85% of private schools score higher on a national examination than the median public school. Indeed, achievement among students at the Bridge International Academies in Kenya—schools supported by the UK-based publishing and education company Pearson—is argued to be significantly higher than comparable peers. One set of estimates finds that by Grade 3 Bridge students score roughly 90% higher on reading fluency and 45% higher on comprehension. There is also evidence to suggest parents’ preference for private schools. In 2003, Kenya’s Free Primary Education (FPE) policy abolished school fees in all government primary schools. The response by households was surprising: enrolment in private schools increased. Differentiation likely increased. Those from poorer households were more likely to attend government schools under FPE while their more affluent peers were likely to go to private schools after the reform. Private schools tripled their enrolment share in Kenya from 1997 to 2006 (Kimenyi 2011). Proponents of fee-based schools for poorer children argue that the government, not parents, should pay those fees, generally through some version of a voucher or credit system. However, where fee levels in low-cost private schools are lower than the cost of operating public schools, this may provide one means to stretch the education budget (Sandefur 2012).

These findings are sharply criticized. For example, performance claims may reflect little more than selective enrolment of the highest achieving pupils. Critics also dispute the notion of private schools as a choice. In Lagos, Nigeria, one study found that the cost of sending one child to an approved low-fee private school was the equivalent of around 10% of the minimum wage, that is beyond the reach of poor families. Survey evidence suggests that around one third of households with children who have dropped out of school cite education costs as the primary reason for their non-attendance (Harma 2011). Or public schools may simply not be available. In Kenya, researchers have noted the lack of access to public education for low-income households in dense urban settlements, leaving private schools as the only available option. The resulting cost barriers restrict progress towards universal primary education (Ngware 2008).

Akyeampong (2009) shows that while enrolment has increased in low-fee private schools in Ghana, most of the expansion in enrolment has been in the public sector. Moreover, given limits of affordability for households, his analysis raises doubts as to whether there is scope for further expansion of the private schools. This is supported by Chimombo’s findings (2009) on secondary schooling in Malawi. His data show that households on the poverty threshold would need to spend at least 30% of their income to send one child to the least expensive private secondary school. He also argues that these schools are heavily overcrowded and lack of basic learning materials. These studies highlight the importance of developing an appropriate regulatory framework to accommodate the growth of these private schools.

It is important to disentangle the issues in these debates. One concerns whether or not private schools expand access, the functional equivalent of additional revenue for education. A second is whether or not private schools provide higher quality education.
A third is whether or not higher quality private schools, that is, schools whose students score higher on national examinations, provide a competitive challenge to public schools, thereby improving their quality.

Our primary concern here is strategies for generating additional education revenue, to which we shall return shortly.

On quality, notwithstanding the many assertions that private schools offer higher quality, generally using very narrow measures of quality, where there are effective controls for school populations, the apparent differences disappear. Most often, it seems, private and public schools are serving different populations. Recent research in India finds no evidence of improved public school examination results due to competition. Equally important, in some countries parents rank as most attractive the highest scoring government schools. A full and critical review of these issues is beyond our scope here.

It is important to recognize that what are commonly termed private schools generally receive substantial public subsidies. In most countries, pre-service and in-service teacher education, curriculum development, inspection, examinations, and the development of access roads and utilities (electricity; water) remain a government responsibility. Where low fees depend on external contributions (effectively, foreign aid) and government subsidies, the additional revenue generated by low fee private schools may derive largely or perhaps entirely from increased household spending. As well, elite high fee private schools benefit substantially from what in practice is the allocation of public resources to the most affluent and most privileged learners.

Lewin and Sayed (2005) ask whether or not private schooling can contribute to achieving the education Millennium Development Goals. “A little but not a lot,” they say (2005: 20), a conclusion supported by subsequent research (Lewin 2011). That, they observe, is largely not a function of policy or preference but of the economics of education. Private schools expand education access primarily by serving more affluent learners, which may, but does not necessarily, free spaces in government schools. At best, that permits a modest total expansion of access. Low fee private schools, they find, require government subsidies to remain solvent. Even where classroom efficiencies, generally in the form of more learners per teacher, reduce overall costs, the poorest families cannot afford the direct costs of education. Ultimately, it is governments that must address the demands of mass education, especially where school fees have been abolished.

Thus, disentangling this dimension of the privatization process reveals a mix of foreign aid, government subsidy, and private investment. Doing so indicates that investment in private schools at best provides little new education revenue and focuses that revenue on learners already better served by the education system.

It is possible to develop more redistributive strategies for using that spending on private schooling, both the investment by entrepreneurs and organizations and the fees families pay. Thus far, that approach has had very limited policy discussion and research attention. For example, private schools might be required to admit a specified percentage of students unable to pay the school fees. Their scholarships and fee remissions are effectively a net addition of education revenue focused on the poorest learners. Similarly, private schools might be required to pair with a school with far fewer resources. Collaborative activities funded by the private school, perhaps joint theatre
productions, or a single debating team, or combined teacher workshops, are another way to generate additional education revenue. A third approach is to require private schools to share key resources, libraries, laboratories, advanced technology, field sites, with schools that serve poorer learners. The challenge here is to determine the fee level that can permit redistribution and that retains the school's attractiveness and financial viability.

5.4.4 Other forms of privatization

Private schools are only one form of education privatization. Indeed, unless investors can secure significant direct and indirect subsidies, and perhaps even then, they will have little impact on total education revenue in Africa. That reflects the economic structure of education systems, which allocate nearly all of their resources to teachers' salaries. The overview of innovative financing for education found that

> Despite the rise of private education in many low-income countries, investment opportunities in private education, specially basic education, remain limited (Innovative Financing for Education: 4).

More promising opportunities for private investment lie in non-salary domains.

While government remains responsible for financing and providing education services, private investment might focus on facilities and infrastructure, instructional materials and stationery, athletic fields and athletes' uniforms, and school meals and snacks. A strategy for encouraging private investment, reducing investors' risk, and increasing responsiveness to specified education objectives is to develop public-private partnerships (PPPs) (Robertson and Verger 2012; Robertson et al. 2012).

It is important to recall here our earlier comment about distracting terminology. In an environment of critiques of foreign aid and of control by those who provide the funds, “partnership” becomes the obligatory label for relationships between aid provider and recipient and between private investor and government. While that relationship may reflect genuine respect and collaboration, often the term partnership obscures inequality and the locus of authority and control. The contemporary discussion of public-private partnerships rarely notes their long history in Africa. Much of the education system, with government-financed and church-managed schools, was a colonial era example. Development promotion legislation in post-colonial Africa nearly always envisions some sort of public-private partnership, in which the investor brings funds, technology, and sometimes market, while the government provides tax reductions, infrastructure, and labour control. In other settings as well, public funds are used to reduce risk for private investors in the effort to expand production or exchange.

While PPPs differ in organization and form, they generally share several features: a formal relationship between partners, most often in the form of contracts, with defined outcomes for a specified period. The non-state sector partner may be profit oriented, philanthropic, faith-based or community-based, however there will always be an element of risk sharing between the public and non-state sectors. Figure 28 reflects the intersection between the forms in which education may be provided and financed; Block 3 (highlighted red) reflects the domain of PPP initiatives.
In principle, the public sector defines the scope of tasks, targets and outputs and provides incentives to the non-state sector to deliver on these objectives (UNICEF 2010). Where the government purchases rather than produces materials (for example, text books) or purchases rather than provides services (school meals), there is potential for public-private cooperation though generally not a formal public-private partnership.

Three key sectors may be broadly identified as potentially playing a role in PPPs. The public sector is a key partner; the private sector may be represented either by a for-profit or not-for-profit entity. The strengths and weaknesses each are summarised in Figure 29.

Figure 28 — Provision and finance of education

<table>
<thead>
<tr>
<th>Finance</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Independent private school</td>
<td>User fees</td>
</tr>
<tr>
<td></td>
<td>Home schooling</td>
<td>Student loans</td>
</tr>
<tr>
<td></td>
<td>Private university</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private tutoring</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>Privately contracted goods and services</td>
<td>Traditional public schools</td>
</tr>
<tr>
<td></td>
<td>Market contracts (vouchers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private management (charters)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Lewis and Patrinos 2012

Figure 29 — Strengths and weaknesses of PPP partners

<table>
<thead>
<tr>
<th>Public</th>
<th>For-profit</th>
<th>Not-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived advantages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory capacity</td>
<td>Efficiency and productivity</td>
<td>Benefit of connection to local networks and local experience</td>
</tr>
<tr>
<td>Long term commitment</td>
<td>Innovation and flexibility</td>
<td>Community-based</td>
</tr>
<tr>
<td>Responsibility for education as a human right (not just a commodity)</td>
<td>Results oriented and cost-effective</td>
<td>Capacity to monitor progress at a grassroots level</td>
</tr>
<tr>
<td>Public accountability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross sector involvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Perceived disadvantages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little budget flexibility</td>
<td>Little concern for education as a public good and human rights dimension</td>
<td>May have limited management experience</td>
</tr>
<tr>
<td>Slow to implement reforms</td>
<td>Limited interest in underserved populations</td>
<td>May represent only specific interest groups</td>
</tr>
<tr>
<td>Lags in response time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usually hierarchical management style</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Latham 2009
Latham (2009) identifies seven key areas in which education PPPs currently operate:

1. **Adopt-a-school programmes**: private sector partners provide cash and in-kind resources to complement government funding of public schools expected to improve quality, access, infrastructure and community participation. These programmes generally focus on serving marginalised populations.

2. **Private sector philanthropy**: exist along a continuum from the purely philanthropic to investments motivated by an element of profit element (see discussion of impact investing below). Their intended primary focus is on building sustainable models for education.

3. **Capacity-building programmes**: private sector partners provide support to public schools across a range of areas such as curriculum and pedagogical support, management and administrative training, textbook provision, teacher training and quality assurance.

4. **Outsourcing school management**: government authorities establish contracts with private providers to manage all or part of the operation of public schools. These schools are privately managed but publicly owned and funded. As we have noted this was and continues to be the arrangement for church-managed public schools.

5. **Government purchasing programmes**: the public sector contracts with private schools to deliver education at public expense, usually via per student subsidies awarded to eligible private schools.

6. **Voucher programmes**: much like government purchasing programmes, these initiatives involve the use of public funds to allow students to attend private schools. However, here the mechanism is an educational voucher provided to parents who may then choose which (private or public) school their child attends.

7. **School infrastructure partnerships**: the design, financing, construction and sometimes operation of public school infrastructure under long-term contracts by private sector parties in partnership with the government. This mechanism effectively allows government to lease a facility that has been financed and built and operated by a private operator while responsibility for core educational service provision remains public.

By design, PPPs are intended to mobilize skills, pool and manage resources, and reinforce and reward collaboration to expand education access and improve its quality (Leading Group 2010a). A number of successful PPPs have been developed to date. One has been implemented in Uganda, where, working with the social enterprise Promoting Equality in African Schools (PEAS), the British funder Absolute Return for Kids (ARK) developed a project to operate low-cost private schools on behalf of the government. ARK pays the capital cost of the school, while the Ugandan government pays for just under 50% of operating costs. Families pay a fee for school lunches, but do not pay tuition. The schools take on boarding students whose boarding fees help to cross-subsidize other school costs. Students also participate in income-generating learning activities such as farming for an agricultural course, which also contributes to the school's revenue. ARK intends to prove that a not-for-profit, but not-for-loss school can quickly become financially viable, while simultaneously enhancing government capacity to develop itself these kinds of innovations.

A more ambitious cross-continental project involves a partnership between the New Partnership for Africa’s Development (NEPAD), a technical body of the African...
Union, and five large multinational corporations, including Cisco Systems, a US-based company specialising in the development and sale of networking equipment. The NEPAD E-Schools initiative was launched at the Africa Summit of the World Economic Forum in 2003 with the objective of providing training in technical skills to primary and secondary school students, teachers, and administrators. To date, Cisco has led ICT implementations in 19 secondary schools in Algeria, Ghana, Mauritius, Rwanda, Senegal, and South Africa. Equipment has also been supplied to 39 schools in nine other countries. Long term goals include expanding computer labs and media centres, improving network access, and providing laptops for teachers. Since the programme’s launch, Cisco claims that more than 30,000 students have gained access to computers and the internet. The intent is to continue expanding access as enrolment in e-schools increases (Cisco 2013). Cisco’s interests here are presumably both philanthropic and financial (increased computer skills will encourage and facilitate increased computer use, which will require increased equipment purchases).

It may be that PPP is too diffuse a category to permit an inclusive assessment. Latham notes:

*Partnerships range from large international alliances such as the World Economic Forum’s Global Education Initiative to local coalitions that are advocates for a particular cause. Partnerships involve a semantic minefield in that they can refer to a contractual arrangement to work together over a long time period to a loose arrangement that comes together for a particular short term purpose.* (2009: 9–10)

Cooperation between private interests or NGOs and government has a long history in Africa. Terming a particular example a PPP may lend legitimacy in contemporary public policy discussions but does not distinguish new or unique initiatives. The PPP designation may also refer to private, for-profit initiatives that have significant, though perhaps not immediately visible, government support, and protection.

Especially in view of the current focus on PPPs, understanding their role and improving their management is an important challenge. As noted, the range of PPP forms increases the complexity of this task. In an assessment of PPPs in the education sector, Latham suggests several important inferences (2009). First, since PPPs are not appropriate to all situations, before embarking on a given initiative, it is important to assess the compatibility of the partners’ (recipients and providers) objectives. That should include an assessment of the needs of recipients, as well as agreement on desired outcomes. Second, in many contexts, poor regulation and accountability systems necessitate that clear guidelines and detailed agreements on each of the partners’ roles and responsibilities be specified. Penalties for non-compliance should also be clearly agreed and readily implementable. Finally, PPPs potentially offer important benefits, including enhancing capacity, leveraging greater resources, broadening ownership and thereby sharing risks, but are not without risks ranging from loss of interest, to increased transaction costs and failure to meet mutual obligations. These need to be carefully weighed when considering whether particular needs in the education sector can be met by PPPs.

Summarizing extended research by a diverse group of scholars, Robertson et al. report that while the general literature points to potential benefits of PPPs, the volume’s authors are more sceptical, pointing to decreased equity, the erosion of citizens’ voices and control, and the reduction of education as a right and a public good (Robertson et al. 2012: 14).
5.4.5 Social impact investment

Another form of privatization is social impact investing (Impact Investing in Education 2012). Investors seek both profit from their investment and a direct and significant benefit for poor and other vulnerable communities. Investors may weight those objectives differently, some more oriented toward social impact and less concerned about profit, while others seek to maximize returns on their investment with some attention to social impact. A financial adviser may create an investment pool with a specified mix of those objectives or may provide direct advice on opportunities expected to achieve that mix. Figure 30 below shows the interaction between market and social return for a range of different financing opportunities.

Impact capital differs from commercial private capital in that its objective is to access those more in need. It differs from private philanthropic capital through its objective of supporting market-based innovations to ensure financial sustainability, if not always financial profit. Investors acknowledge that it is unrealistic to expect that models seeking the most impact in reaching the most vulnerable will be immediately commercially attractive, not least because the ultimate beneficiaries do not possess the resources pay for services. However, limited commercial attractiveness need not preclude for-profit investment. Targeting financial sustainability, for example, can leverage other sources of funding, and provide incentives for improved public services. To date, however, opportunities for impact investments remain small, particularly for those that target lower-income beneficiaries.

To put this in perspective, impact investing accounts for a tiny share of overall education funding. Approximately $2.5 trillion is spent globally on education, excluding private household spending on education. The vast majority of it—almost $2 trillion—comes from public or government funding. Private commercial funding accounts for an
estimated $500 billion. In comparison, funding from private grants and private impact investments is very slight, an estimated $10 billion, based on industry research of executed deals, of which impact investment is around $3 billion. Large international actors still dominate the landscape and most investors have adopted an opportunistic approach to building their education portfolios. Lack of innovation and limited examples of success exacerbate perceptions of risk, causing funders to cluster around either proven, for-profit models targeting those who can already afford to pay, or grant-like models in order to reach more vulnerable beneficiaries.

Local impact investing in which capital is generated by local sources is rare. However, though not impact investing in the sense outlined here (they do not seek to attract new capital or to generate profit), some corporations in Africa have pursued a similar social impact objective, establishing foundations and developing Corporate Social Responsibility (CSR) programs, some of which focus on education. In Kenya, Safaricom, a major telecommunications company and Equity Bank, a major national bank, have both developed corporate foundations with a strong education CSR focus. Wealthy individuals and families are another important source for local education funding, and they can form a strong donor base for established local, education-focused NGOs. Wealthy individuals may also selectively invest in commercial education ventures. In Kenya, two self-made technology millionaires have invested heavily in Hillcrest International Schools, a chain of premium private secondary schools.

Another impact investment opportunity lies in community based loans. In Côte d’Ivoire, the post-conflict rehabilitation of 24 schools saw the International Rescue Committee (IRC) working on mechanisms to help families afford to send their children to school. Their program uses a community-based savings and loan program under which groups of 25 families with out-of-school children combine resources and offer loans to members for economic activities over a 14-month term. On completion, participants recover their capital, along with interest and any fines accrued from late payments. IRC estimates that participants can earn an average 11% return, and may make as much as a 30-40% return. During their participation in the scheme, participants learn about the impact of education on child development and opportunities, household financial management, and the logistics of sending their children to school. The payout period is purposefully set to coincide with the start of the school season.

In sum, social impact investing is an intriguing and perhaps promising concept with alternative pathways. Persuade investors who seek profit to accept a lower return on their investment in exchange for a positive social impact. Or, find people who are willing to invest in activities that provide significant social benefits, provided that their capital is secure and that there is some expectation of an eventual profit. To date, however, there are few examples, and the obstacles remain substantial. Even with more social impact investors, at best they are likely to provide very limited additional education revenue for Africa.

As we have noted, research on privatization in education is contested. Frequently, distinct issues are not clearly distinguished (examples: access/quality; private as for-profit/private as non-governmental). Though widely accepted, the common measures of quality are narrow gauged and may be neither statistically valid or reliable. Inattention to the differences in the populations served by public and private schools regularly renders apparent correlations difficult to interpret and easily misleading. Critics insist that the
benefits of privatization are overstated and its problems and longer term consequences largely ignored. Those and related issues are beyond our scope here. We are concerned with strategies for generating additional education revenue. From that perspective, what have we learned through our review?

First, private—household—spending on education is substantial, including ordinary costs (uniform, books, stationery, transport), supplementary instruction, and high fee schools. More effective management of that spending might yield greater education benefit and might permit equitable pooling of resources currently allocated to individual learners. The extent of private spending by affluent households suggests that more progressive taxation could generate significant additional revenue, though focused political action will be required to allocate it to education. Small scale redistribution within high fee schools can increase revenue and focus it on poorer learners. The political challenge of increased taxes and small scale redistribution is to require affluent individuals to pay a larger share of the education cost without so alienating them that they destabilizing government itself.

Second, notwithstanding private initiatives of various sorts, both for-profit and not-for-profit, government will remain responsible for most education spending (teachers’ salaries) and most schooling. Accordingly, while there may be a role for foreign aid in supporting teachers’ salaries, private investors will need to focus on facilities, materials, and services. Since non-salary expenditures constitute a small portion of total spending on education, in many countries, and especially in the poorest countries, in the absence of monopoly control, there is little room for profit.

Third, opening private schools, especially those expected to generate a profit, may add new education revenue, but that strategy is likely to service more affluent families. In the absence of new public regulation and management, those schools will not close the education gap for the poorest learners, both this in and non in school.

Fourth, private schools, including not-for-profit schools with significant foreign or local NGO participation, are in practice significantly subsidized by public expenditures. As Lewin concludes, unsubsidized private schools for the poorest learners are not viable. The viability and sustainability of private schools reflect the structure of society and how it raises and allocates resources, not publicly expressed preferences for one sort of school or another.

In sum, it seems clear that there is room for private investment in education in Africa. that private investment in education may generate modest additional revenue, and that in some circumstances there may be advantages in private management of public schools, private investment cannot close the education funding gap, or perhaps even narrow it substantially.

5.5 International Financial Transactions Tax

The recent economic crisis has sparked renewed interest in a financial transactions tax (FTT). Originally proposed by economist James Tobin in the 1970s, the idea was to tax all spot currency conversions proportional to the size of the transaction. Tobin’s argument was that this would reduce volatility in capital flows and minimise the risks of exchange
rate crises. However, the focus today is much different. While considerations of financial stability remain an important motivation, a tax on financial transactions is increasingly seen as an instrument to generate additional revenue for development. Campaigns to promote the FTT include the Robin Hood Tax campaign, an initiative launched by a coalition of civil society organizations, the publication of a major study by the Leading Group on international financial transactions and development, and contributions from the UN Secretary-General’s High-level Advisory Panel on Climate Change Financing, the International Monetary Fund (IMF), European Parliament and European Commission. The FTT also received coverage in the UNDP’s 2011 Human Development Report, which advocated the global implementation of a Currency Transactions Tax (CTT) mechanism to assist in raising development finance (UNDP 2012). In a more detailed proposal, the European Commission recommended the introduction of a European Union FTT by 2014. In this initiative, financial institutions are required to pay from 0.1% to 0.01% on specified transactions (EU 2011).

A Leading Group (2010a) report, analysed various forms of tax on financial transactions against several key criteria, concluding that a centrally collected multi-currency transaction tax would be the most effective means to provide for the production of global public goods. A number of developed and developing countries have signed a political declaration (Declaration on Innovative Financing for Development, September 2010) to affirm their support of the CTT, including Belgium, Benin, Brazil, Burkina Faso, Congo, Ethiopia, France, Guinea, Japan, Mali, Mauritania, Norway, Senegal, Spain and Togo. The mix of more and less affluent country signatories suggests that support for the tax may be gaining momentum, or at least that there is political will to test the feasibility of this approach to raising revenue for development.

Estimates of the revenue these kinds of taxes could generate vary considerably according to proposed tax rates and the financial transactions covered by the tax. The UN estimates that universal adoption of a 0.005 percent tax on all major currencies would raise roughly US$33 billion each year (UN 2009). The European Parliament resolution on innovative financing (2011) estimates that a low-rate FTT could yield nearly 200 billion per year if limited to the EU and US$650 billion globally. A Gates Foundation report commissioned by the governments of France and Germany (which have expressed strong support for the tax) suggests that a tax of 0.1 percent on equities and 0.02 percent on bonds would generate around US$48 billion on a G20-wide basis, or US$9 billion if limited to larger European economies. Some FTT proposals offer substantially larger estimates, in the US$100-250 billion range, especially when derivatives are included (UNDP 2012).

Others have expressed scepticism about the desirability of an FTT, and are doubtful that it could be effectively implemented. These arguments have focused on whether the FTT may reduce market liquidity and increase the trading costs for investors, leading to lower market efficiency and higher price volatility. It has also been noted that that the FTT could work only if coordinated and implemented globally, meaning that the FTT might generate very little new revenue in practice.

It is also not clear from recent political discussions that the proceeds would necessarily be directed towards international development. Furthermore, how the flows are to be accounted for by implementing governments remains unspecified. They may simply be integrated into regular ODA budgets, therefore raising little extra revenue over current ODA. The mechanism is also highly likely to be cyclical, generating more revenues in economic booms and less in economic downturns (UNDP 2012).
Most recently, two contradictory perspectives on an FTT have emerged. On the one hand, a forthcoming proposal, with high level support, for the creation of an education investment bank expects an FTT to provide major initial capital (“Financial innovation goes to school” 2013). On the other, IMF fiscal affairs division head Carlo Cottarelli was far more critical: “A tax on transactions, in general, is not so sensible, it is something old-fashioned” (“IMF has doubts” 2013). Since an IMF 2010 proposal for an FTT focused on requiring banks to bear more of the costs of recovering from the financial crisis, it is far from clear that if an FTT were widely adopted and effectively implemented, education revenue would increase.

In sum, while taxing financial transactions has the potential to generate substantial revenue, we cannot be optimistic about the prospects of using an FTT to increase the funding for education in Africa. Achieving that requires overcoming three significant obstacles. The first are the technical challenges and political resistance to enacting an FTT. The second is crafting and then adopting a clear international agreement on education funding that could provide the basis for specifying that FTT revenue be directed toward education. The third is persuading governments that FTT revenue committed to education should be considered a net increment in education support rather than a replacement for funds already allocated to education development assistance.

5.6 Raising Education’s Profile

Thus far we have reviewed a series of proposed strategies for generating additional funding for education in Africa. Ideas abound. Several additional revenue generation proposals warrant brief attention, even though they seem unlikely to raise sufficient funding to affect materially efforts to achieve education for all. The discussion of these approaches, and perhaps the initial implementation of a few, can raise the profile of education issues, galvanizing political will to assign higher priority to EFA goals. We consider here three of the most prominent suggestions.

5.6.1 Credit card micro-donations

For the internet and card using generation this approach replaces the shop counter charity box. Credit card users are able to opt into a system which rounds up the value of each transaction conducted on their card, contributing the difference to an education fund. Often termed “frictionless fundraising”—a hassle-free way for consumers to participate in charitable giving—this strategy may have broad appeal and may be especially attractive to individuals who are hesitant to commit to periodic donations. Estimates from France (300,000 participants; 20 transactions per month generating US$0.50, US$120 per year) suggest the scheme could raise around US$36 million per year (Leading Group 2010a). Note that in the discussions to date, the assumption is that consumers in affluent countries will contribute to development efforts in the Third World. We have not found detailed attention to applying this mechanism to credit card purchases within Africa.

To date, a number of smaller scale credit card operations have been implemented, including:
• SwipeGood (www.swipegood.com): a private San Francisco-based charity organisation founded in 2010 that allows credit card users to register their preferred charity. The company reports that the average user generates US$20 a month for charity, and can opt to set an upper limit on the amount donated. For registered charities the donations are tax-deductible, but the credit card user is charged a 5% processing fee. The company does not disclose the current number of users.

• The Pennies Foundation (www.pennies.org.uk): a UK charity organisation established in 2010 that allows credit card users to make micro-donations when paying by card at specific outlets. By January 2013, participants had donated 4 million times and raised over £1 million. This scheme is not linked to the credit card user, but rather requires cooperation with retailers, who must install appropriate software on their payment systems.

While credit card rounding is technically simple to implement, resistance by banking institutions has proved the major obstacle to wide-scale rollout to date. A further important consideration is that such a scheme will need to account for individuals’ preferences for the causes they support. It is not clear the extent to which consumers will perceive education as a priority (above, for example, health or conservation).

5.6.2 Sports levy

A tax on sports revenue represents another means to tap private resources for education. This expanding sector generates large annual revenues from a wide range of sources, including broadcasting rights, player transfer fees, sponsorship, athletes’ earnings and product manufacturers’ turnover. Exploiting this sector would also provide a broad communications platform from which to publicise the need for renewed focus on the objectives of EFA.

The media-friendly sport of football is widely touted as likely to prove the most successful entry point into this funding mechanism. The world football governing body FIFA already backs the “1 goal” international coalition, which raised considerable awareness for education during the 2010 World Cup in South Africa. At the same time, the 2010 Global Monitoring Report called for the institution of a “Better Future” levy, imposing a 0.4% tax on broadcast and sponsorship revenues for the World Cup. The five major European premier division football leagues were encouraged to adopt a similar levy for the period 2010-2015. It was estimated that this would generate around US$48m annually, or the cost of educating almost half a million out-of-school children each year (UNESCO 2009). To date, the levy has not been formally adopted.

5.6.3 Donations on purchase of products

In this approach consumers opt to pay a small additional fee above the retail price of specific goods they purchase. The fee is then deposited into an education fund. This is most effective where the cost of the good is high, making the contribution relatively small. One such initiative in the health sector was the airline solidarity levy, initiated by the Geneva-based Millennium Foundation formed in 2008. The Foundation elicited the support of travel industry organizations, including the three major global travel distributors, Amadeus, Sabre and Travelport, and travel agencies such as American
Express Global Travel Services, in order to encourage airline passengers to make a small donation to an education fund at the same time as purchasing air travel (on the order of US$2). However, this project experienced limited success, providing important lessons for the education sector. By 2010, the Foundation had fallen behind schedule in its efforts to generate up to US$1 billion, and had raised only around US$14,000 directly from the public while spending US$11 million given to it by governments on salaries, advertising and legal expenses (Jack 2010). In addition to the financial loss, the negative publicity generated by the poor performance of the initiative may even have outweighed the ultimate positive impacts.
6. Global Education Fund

Since it figures prominently in discussions of alternative education finance, the creation of a global education fund warrants brief attention here. The general idea is to assign to a global institution of some sort the responsibility for managing the resources generated by one or another of the alternative education funding strategies. The fund holds, manages, allocates, and perhaps raises resources according to agreed principles or guidelines. While the fund it not itself the source new education funds, its existence and practices may facilitate raising revenue from other sources. Governments, international institutions, and investors may find attractive the potential to pool revenue and may prefer routing funding through a intermediary rather than direct payments to recipient governments. That thinking is consistent with the long-standing expectation, whose roots lie in the colonial era, that allocations to education in Africa carry conditions and be subject to external oversight.

Note that international investment advisers and managers find education particularly challenging to fund. Education, they note, has no equivalent of a measles vaccine, whose effectiveness can be readily assessed and whose cost:benefit ratio can readily be monitored. Education’s diffuse objectives, different national contexts, and very local character discourage investors who seek evidence of clear benefit and who often have short time horizons. That education is more process than product or outcome further frustrates both investors and aid managers. A well managed global education fund might address those concerns.

An effective global education fund will need to have several defining characteristics that are sometimes in tension: (1) sufficient structure, stability, and legitimacy to enable and encourage governments to transfer funds to it; (2) organization and administration that provide the transparency and accountability that are both desirable in themselves and essential to permit the fund to have legitimacy and credibility, and thus funding; (3) engaged responsiveness to the education needs, agendas, priorities, and working practices of funding recipients; (4) a control and oversight structure sufficient to engage both contributors and recipients, to assign major authority to recipients, and to preserve sufficient oversight, though not necessarily control, by contributors to permit continued contributions; and (5) stable funding, or at least funding that is less subject to the vagaries of annual allocations, changing governing alliances, and the preferences of particular parliamentary blocs in the contributing countries.

One approach is route resources through an existing international institution. The World Bank, for example, manages substantial trust funds for several governments. That the World Bank has regularly been the advocate and source of broad and narrow aid conditions (example: structural adjustment) renders it less attractive to recipient governments as the manager of global education support. The world’s education organization, UNESCO, generates little confidence among investors and has not functioned as a bank. Other institutions are possible, though thus far not widely discussed.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) provides another approach. That model is an organization somewhat independent of both the sources and recipients of the funds that it manages. Sperling (2008) and others have proposed a similar education for all fund. The expectation is that the fund’s independence and
autonomy will enable it to secure participation and confidence from all involved. That autonomy may enable it to be more attentive to recipients’ education agendas and priorities and to provide global transparency in its oversight role. However, recent problems at GFATM that reduced income and halted grants may have dampened enthusiasm for this approach.

A very recent proposal suggests lodging a global education fund within the Global Partnership for Education (GPE), the successor to the Fast Track Initiative (FTI), with primary funding to be generated by a global financial transaction tax (“Financial Innovation Goes to School” 2013). That would have the advantage of a stable institution, now with a broadly representative governing board, and the disabilities of an organization associated with unresponsiveness to recipients, onerous conditions, and close ties to the World Bank.

There are other possibilities. We explore a somewhat different approach below. To date we have not found a strong suggestion that an African or other Third World institution manage the fund.

All of the proposed arrangements for a global education fund emphasize credibility and appeal to investors, both public and private. None provides significant control to recipients. Transparency and accountability vary, but generally have more to do with financial management than with political and economic responsiveness to African, or Third World, needs.

Since to date a global education fund remains an unimplemented proposal, with as yet no widely agreed form and location, we are unable to assess its role in generating new resources for education in Africa. The experience of foreign aid, and especially FTI, suggests that a fund closely tied to the existing aid architecture is likely to perpetuate its structural problems and to favour the interests of investors over the needs and interests of learners and educators in poor countries.

6.1 Education Venture Fund

Another effort to develop an intermediary between funders and recipients is the Education Venture Fund (Ed-VF), a proposal developed by the Results for Development Institute (R4D) (Burnett and Bermingham 2010). The intended purpose of the fund is to direct resources from both philanthropic grants and impact-focused investment capital to improve education in education domains not adequately covered by existing programmes. As proposed, the fund will target innovative schemes focused on early childhood and pre-primary education and care, adult literacy and skills training linked to employment, higher, technical and vocational education, teacher education, and the use of technology to improve access and quality. The Ed-VF is expected to include a not-for-profit foundation that will distribute grants and for-profit or low profit company that will make investments. Like other proposed global education funds, Ed-VF could become a pooling mechanism for new funding flows, thereby diminishing the need to create new entities for each proposal, and reducing duplication in administrative efforts.

As designed, the Ed-VF expects to make short (2–3 years) initial grants as a proof of concept, emphasizing capacity building and technical assistance. Successful innovations,
R4D suggests, could then be extended or replicated by impact-focussed investments over a longer period, backed by debt and/or equity. The initial focus is to be East and Southern Africa.

It is of course premature to assess this variant of an intermediary education fund. At this point, the potential flexibility and nimbleness of this arrangement seem not to outweigh the advantages of a public institution with clear and broad accountability. As well, while the terminology (“venture”) may be intended to suggest the willingness to take risks, contemporary common usage is likely to associate it with venture capital funds, which effectively exchange capital for control in settings where there is an expectation of high profit.
7. Funding Education for All: A Global Responsibility

7.1  Closing the Education Funding Gap: Alternative Education Finance

We began with the education funding gap. Especially in the world’s poorest countries, available resources are not sufficient to achieve education for all in the near term. Our concern has been to re-examine the funding gap argument and to review proposed strategies for closing that gap. Our task has been synthetic and critical. We have not sought to develop a new proposal but rather to explore the alternative education finance ideas that have been actively advocated in the global discussions of education for all and millennium development goals. What have we learned?

First, efforts to close the funding gap must start at home. The assumption that there are no additional educational resources in Africa is simply not tenable. The extent of private spending on education shows that there are substantial resources that might be used more effectively. The spending on high cost private schooling shows that local redistribution could redirect significant resources toward the education of poorer learners. More progressive taxation of corporate and individual incomes can yield additional education revenue. It seems likely that scaling back exemptions and privileges intended to encourage private enterprise could free government revenue for education without reducing the rate of new investment. Creative and socially responsible management of new resources, including oil, gas, and water, could dedicate resources to education. The major task is not to divert resources from other sectors to expand education spending but rather to grow the budget and thereby increase the funding available for education. Since resources to promote development through education could be available, the critical issues are not wealth and funding but political will and popular mobilization.

There is another powerful reason for starting at home. Put sharply, education is far too important to Africa’s development to leave it so dependent on the values, ideas, preferences, and prescriptions of those who provide external support. To reassert control over its education systems, African countries must fund them.

Second, although earlier it was widely assumed that foreign aid could and would close the education funding gap, that has not occurred, and the prospects do not seem promising. Notwithstanding reiterated commitments, external support to basic education has stagnated or declined at precisely the moment when it should have been increasing rapidly. There has been extensive focus on encouraging incremental increases in aid and on improved aid modalities and guidelines. There has been far less attention to and systematic research on why some countries regularly achieve the internationally agreed target of 0.7% of GNI, while others remain far from it. As well, perhaps for fear of disrupting the fragile aid arrangements that do exist, there has been far too little critical attention to the disabilities of the structure of aid and the aid relationship. Until there is progress on those fronts, foreign aid will remain important but cannot close the education funding gap.
Even worse, the current aid system seems to be breeding perpetual education dependence. Earlier, foreign aid was a very small part of total national spending on education. That fit with general aid policy, which focused external education support on development initiatives and reforms and barred its use for recurrent expenditures. That has changed. Currently, foreign aid is effectively paying the teachers in several African countries and in a few supporting a major part of the education budget. That is unsustainable and, as we have noted, since aid always carries conditions, undesirable. From this perspective, while there may be a general rationale for more aid, Africa’s education systems need a weaning strategy. Africa’s development cannot rest on institutionalized dependence.

In short, before proceeding to alternative funding strategies, African countries can and should increase their own funding to education, and the aid system can and should be transformed.

Now, let us turn to alternative education funding proposals.

Third, context matters. We have in mind here several sorts of context. Since at its core learning is an interactive and thus local process, and since learning objectives and practices are regularly reviewed, debated, negotiated, and re-specified, different approaches and strategies will be required in different settings. Proposed alternative education funding strategies must be assessed in terms of how they incorporate that understanding of learning as local and education as context-specific. Another relevant context is that of resource allocation. Since many of the proposed strategies for generating additional revenue are not specific to education, it is essential simultaneously to develop global support for dedicating resources to education. Yet another relevant context is national government, which will remain responsible for providing education to most learners. Sustainability requires effective and accountable government. That too becomes an assessment perspective for proposed education funding strategies. To what extent do they enable governments to meet their education responsibilities more creatively and more effectively? A strategy that undermines government’s ability to provide education may improve schooling for some but weaken it for most. The learning process itself is another important context. What some see as education’s diffuseness and disorderliness (captured in: education has no equivalent to the measles vaccine) is in fact its strength. Understanding education as process and as interaction rather than primarily as product and outcome will permit more creative attention to what needs support and how that can be assessed.

Fourth, several of the strategies we have reviewed may generate some additional funding, but most likely, not much and not soon. As the overview of innovative financing notes,

_As of yet, no scalable, innovative financing initiatives have been implemented in global education._

(Innovative Financing for Education 2013: 7)

As well, many of the proposed strategies may achieve increased education funding at the expense of increased inequality. Tapping migrants’ remittances, for example, seems likely to shift the payment burden toward the poorer population and may in practice reduce overall spending on education.

Other proposals risk similarly troubling consequences. Issuing bonds may provide a large funding for an important initiative at the expense of creating new debt just at the moment when African countries are struggling to reduce their over-indebtedness.
Fee-based schooling may expand access, but likely cannot do so without explicit or unremarked public subsidies and may well attract the highest achieving students out of public schools.

That there are risks and potentially undesirable consequences are of course not grounds for declining to explore alternative funding strategies or for rejecting those that seem flawed. Rather, recognition of the broad consequences permits developing a set of critical criteria for assessing the proposals that emerge. As we have suggested, an essential assessment query is the extent to which a funding proposal enables governments to meet their education responsibilities more effectively. Another is the extent to which a funding proposal redresses inequality and achieves equity. Yet another is the extent to which a funding proposal implements and reinforces the right to education. Developing that list of assessment criteria is a high priority task for education in Africa.

### 7.2 Redistributive Finance on a Global Scale

A final observation emerges from our review. The periodically reiterated global commitment to education for all has been undermined by the absence of a parallel global commitment to funding education for all. If achieving education for all is the world’s responsibility, so must be funding it.

All of the world’s affluent countries practice redistributive education funding. While the detailed arrangements vary, the principle is common. Those with more resources pay more of the cost of education, whether or not they actually use the schools. The schools serve all learners, including those whose families do not pay the taxes that fund education. Redistribution does not function without problems and inequalities persist, but the principle is clear. Affluent Parisians pay taxes to support the education of poor children in Marseille. Even more important, notwithstanding occasional grumbling, they accept that it is their responsibility to do so. Where education is a right and broadly regarded as a societal good, its funding is by design redistributive.

Achieving education for all requires redistributive funding at the global scale.

Put sharply, their commitment to education for all requires affluent Londoners to accept responsibility not only for funding education in poor communities across England but also for their share of funding education in rural Chad. So too across the world.

From that perspective, the most consequential alternative education funding strategy is not yet receiving adequate attention. The current intense focus on post-2015 education goals might fruitfully be redirected toward funding the 1990 education goals.
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