

Chapter 2 Financing Education for All

Credit: Chris Stowers/Panos



Girls walking to school on the outskirts of Siwa, Egypt.



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Just when a big push is needed to reach Education for All by 2015, there are worrying signs that donor commitment to education is stagnating. The economic downturn has tightened budgets. This chapter shows how developing countries' natural resources and contributions of the private sector hold significant potential to help reach the international education goals.

Monitoring progress on financing Education for All

Highlights

- Despite increased financial commitments of national governments towards education, many of the poorest countries face major shortfalls in resources needed to achieve Education for All.
- Faster economic growth, better revenue generation, stronger commitment to education, and increased aid levels have helped increase real spending on education in low income countries by 7.2% a year, on average, since 1999.
- A few low and middle income countries have made cuts to their education budgets during the economic downturn, but the education sector overall has so far not suffered as much as previously expected.
- Even though aid to basic education increased in 2009, it remained unchanged at US\$5.8 billion in 2010. And the outlook is worrying. Total aid decreased in real terms in 2011 for the first time since 1997 and aid to the education sector is likely to stagnate until 2015.
- Some countries have the opportunity to draw on their natural resource wealth. For a group of seventeen countries, maximizing such revenue could generate enough funds to send 86% of their out-of-school children and 42% of their out-of-school adolescents to school.
- At an estimated US\$683 million per year, the contributions of private foundations and corporations to education in developing countries are equivalent to just 5% of aid. Their engagement needs to be better coordinated and aligned to EFA objectives.

Table 2.1: Public spending on education, by region and income level, 1999 to 2010

| | Public education spending | | | | |
|----------------------------------|---------------------------|------|-----------------------------|---------------------------------|-------|
| | % of GNP | | Real annual growth rate (%) | Per capita (constant 2009 US\$) | |
| | 1999 | 2010 | | 1999 | 2010 |
| World | 4.5 | 4.9 | 2.7 | 528 | 644 |
| Low income countries | 3.1 | 4.6 | 7.2 | 15 | 22 |
| Lower middle income countries | 4.3 | 4.8 | 3.1 | 83 | 105 |
| Upper middle income countries | 4.6 | 4.7 | 5.3 | 250 | 332 |
| High income countries | 5.0 | 5.4 | 2.3 | 1 489 | 1 792 |
| Sub-Saharan Africa | 3.5 | 4.7 | 5.0 | 77 | 91 |
| Arab States | 5.5 | 5.5 | 1.4 | 305 | 266 |
| Central Asia | 4.0 | 3.5 | 7.6 | 48 | 103 |
| East Asia and the Pacific | 4.1 | 4.2 | 2.4 | 503 | 570 |
| South and West Asia | 2.9 | 4.4 | 2.3 | 74 | 122 |
| Latin America and the Caribbean | 5.0 | 4.9 | 5.3 | 255 | 306 |
| Central and Eastern Europe | 4.6 | 5.1 | 5.6 | 357 | 544 |
| North America and Western Europe | 5.5 | 5.7 | 2.3 | 2 086 | 2 532 |

Notes: Education spending as percentage of GNP regional and income values are medians for countries with data in both 1999 and 2010, and may therefore not match those reported in Statistical Table 9. Spending per capita data are weighted averages.

Source: EFA Global Monitoring Report team calculations (2012) based on UIS database and World Bank (2012).

Just when EFA needs a final push, there are signs that donor contributions are slowing down

Just as a final push is needed to reach the Education for All goals by 2015, particularly as the numbers of children out of school are stagnating, there are worrying signs that donor contributions may be slowing down. More money alone will not ensure that the EFA goals are reached, but less money will certainly be harmful. A renewed and concerted effort by aid donors is urgently needed. At the same time, it is vital both to explore the potential of new sources to fill financing gaps and to strengthen the way in which aid money is spent.

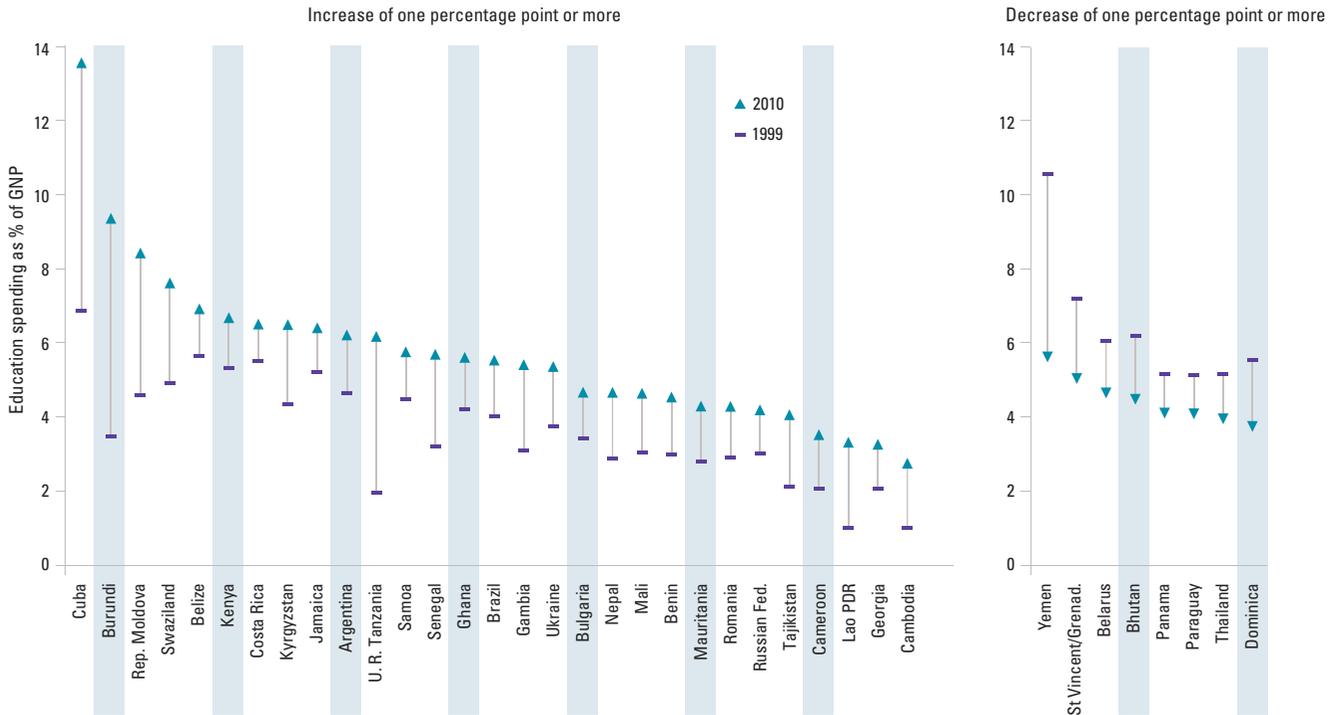
This chapter outlines trends in funding and aid effectiveness in the education sector over the past decade. It then takes a closer look at two sources of education financing with growth potential: natural resource revenue (first policy focus) and contributions from private organizations (second policy focus).

Trends in financing Education for All, 1999-2010

Faster economic growth, improved revenue generation, greater government commitment to education and increased aid levels have combined to increase real spending on education since 1999. The increase has been greatest in low income countries. While a few countries have reduced their education budgets during the economic downturn, the education sector has not suffered as much as had been feared. Increases have not been large enough, however, to fill the financing gap, leaving many countries with insufficient resources to achieve the 2015 EFA targets.

Figure 2.1: Spending on education has increased or been maintained in most countries

Public expenditure on education as percentage of GNP, low and middle income countries, 1999 to 2010



Source: Annex, Statistical Table 9.

Spending on education has increased in most countries since 1999

Spending on education increased by an average of 2.7% a year globally from 1999 to 2010. Increases were particularly notable in low income countries, where spending went up by 7.2%, and in sub-Saharan Africa, where it increased by 5% (Table 2.1).

The share of national income devoted to education is an indicator of commitment to EFA. Among low and middle income countries with comparable data, 63% have increased the share of national income spent on education in the past decade. Coupled with economic growth and greater government capacity to raise revenue, this led to significant increases in total education expenditure. In eight countries, spending decreased by more than one percentage point of gross national product (GNP), usually from relatively high initial levels (Figure 2.1).

Despite this promising global trend, some countries have maintained a low level of

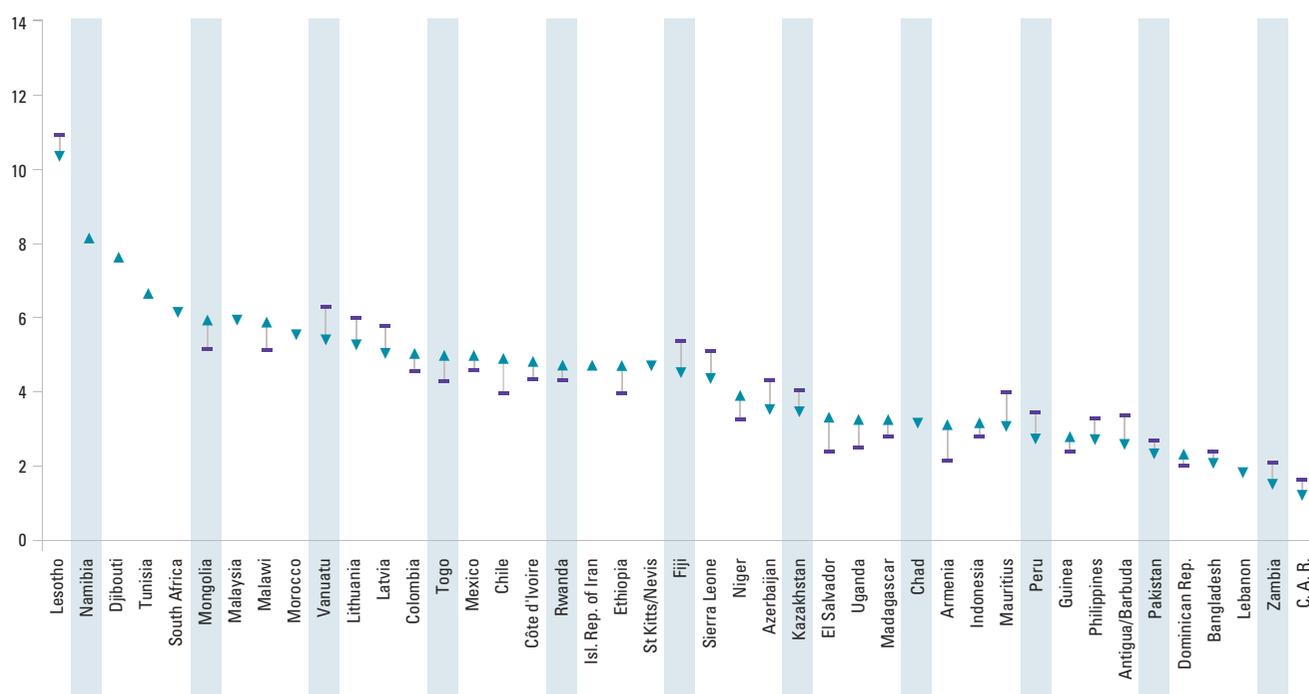
spending, allocating less than 3% of GNP to education over the past decade. They include countries that are still a long way from achieving EFA. With a net enrolment ratio of just 69% in 2011, the Central African Republic, for example, reduced its spending from 1.6% to 1.2% of GNP on education, the lowest proportion among all low and middle income countries with data. Guinea spent less than 3% of GNP on education, even though it still has wide gender disparities in primary and secondary school – 84 girls in primary school and 59 in secondary school for every 100 boys. Pakistan has the second largest number of children out of school – 5.1 million – yet reduced its spending on education from 2.6% to 2.3% of GNP.

Among poorer countries, 63% have increased the share of national income spent on education since 1999

Spending more matters

Most countries that accelerated progress towards EFA over the last decade did so by increasing spending on education substantially or maintaining it at already high levels.

Change of less than one percentage point



CHAPTER 2

Aid amounts to as much as one-fifth of education budgets in poor countries

Among countries furthest from universal primary education in 1999, the ten where the net enrolment ratio increased fastest from a starting point below 85% devoted 4.4% of GNP, on average, between 1999 and 2010. This is substantially more than in the ten countries where net enrolment ratios increased the least, in which just 3.4% of GNP went to education over the period.

Countries in sub-Saharan Africa that have shown increased financial commitment to education have witnessed impressive progress in education. In 1999, the United Republic of Tanzania spent just 2% of its GNP on education. By 2010, the share was 6.2%. Over the same period, its primary net enrolment ratio doubled. In Senegal, an increase in spending from 3.2% of GNP to 5.7% allowed impressive growth in primary enrolment and the elimination of the gender gap. In Kenya, which spent over 5% of its income on education over the decade, the net enrolment ratio rose from 62% in 1999 to 83% in 2009.

Fears that the recent food and financial crises could counter the generally positive trend in education spending do not seem to have been realized, although monitoring of the longer-term impacts will be needed. Two-thirds of low and lower middle income countries with recent data continued to expand their education budget through the crisis years. But some countries that are furthest from EFA made cuts in 2010 following negative economic growth in 2009.

In the Niger, after the food crises in 2008 and 2009 lowered government revenue, spending on education contracted by 9.9% between 2009 and 2010 (UNESCO, 2011c). As a consequence, public expenditure on primary education per pupil decreased from US\$102 in 2009 to US\$94 in 2010. In Chad, the total allocation to education fell by 7.2% between 2009 and 2010 after high rates of growth in previous years.

Aid is a vital component of education spending in poor countries

Figures on education spending commonly include both national and external sources. New analysis for this Report aims to disentangle

domestic financing from aid contributions (Box 2.1). While national spending provides the most important contribution, aid amounts to as much as one-fifth of education budgets in low income countries on average.

Regional or income group averages do not tell the full story. In nine countries, all in sub-Saharan Africa, donors fund more than a quarter of public spending on education (Figure 2.2). Even among similar groups of countries, there are significant differences. In Kenya, for example, around 4% of the education budget is funded by aid, a much lower proportion than in other low income sub-Saharan African countries, such as Mali, where the share is 25%. Most Latin American countries rely almost entirely on national resources, but Guatemala receives 11% of its budget from donors. And although India receives the second largest amount of aid in absolute terms globally, the share of aid is small relative to the government's own spending on education – just 1%.

The fact that donors are major funders of education in several countries means that aid matters. Donors have provided essential support to countries where access to basic education was limited just a decade ago. Mozambique, for instance, has seen spectacular increases in access to schooling, with numbers out of school declining from 1.6 million to less than 0.5 million between 1999 and 2010. During much of this period, 42% of the education budget was funded externally.

While aid has a vital role to play, depending on it is risky. Aid can be volatile or even stop suddenly due to political instability in recipient countries or changing priorities in donor countries. And, ultimately, a sustainable education system that is accountable to its citizens must be built on domestic funding. Efforts are needed, therefore, to increase the share of education expenditure that is paid through resources raised domestically.

Rwanda's education system, for example, has benefited considerably from aid, which helped support an increase in the net enrolment ratio from 76% in 2001 to 99% in 2010. Recognizing the need to avoid dependence, Rwanda's 2006

Box 2.1: Estimating the contributions of national governments and aid donors to education spending

How much do donors contribute to education funding in developing countries compared with national governments? Although this question cannot currently be answered with precision, estimates are possible.

Figures on education spending reported by governments include some aid to education, but not all. There is often a share of aid to education that is 'off budget', such as when donors implement parallel projects or fund non-governmental organizations. Because these funds are not channelled through government budgets, they are not reported as national education spending.

Even when aid to education is 'on budget', difficulties arise in trying to disentangle which portion of the budget is financed by domestic resources rather than donors. One important challenge concerns general budget support, or aid not earmarked for a specific sector. The *EFA Global Monitoring Report* has adopted a simple assumption that 20% of this aid is allocated to education. However, because this is typically channelled directly to finance ministries, it is not recorded as aid in education ministry budgets.

To get a better picture of the relative contributions of governments and aid donors towards education, new analysis for this Report has produced rough estimates based on internationally available data from two sources: the UIS for public expenditure on education as reported by developing country governments, and the OECD's Development Assistance Committee (DAC) for aid

to education as reported by donors. The new calculations attempt to reconcile these two sources and separate them into three components: funding from domestic resources, 'on-budget' aid to education and 'off-budget' aid to education (Figure 2.2). Adding the first two items roughly corresponds to total public education spending.

To get the best estimate of aid to education that appears 'on budget', three steps have been taken:

- Following established practice, 20% of general budget support is included in aid to education, and counted in the 'on-budget' portion.
- Of direct aid to education, only country programmable aid, a subset of total aid developed by the OECD, is included. Excluded are items that do not reach developing countries' education budgets, such as imputed student costs and donors' administrative costs.
- Where information is available, the specific share of this aid to education that is included in each country's budget is used. Otherwise, it is assumed that 60% of aid is channelled through the national budget, and so is considered 'on budget'.

The remainder of country programmable aid to education is considered 'off budget' and added to national education spending figures to get the total expenditure on education from both domestic sources and donors.

Source: UNESCO (2012b).

Aid Policy aimed to reduce the proportion of the budget provided by aid. As a share of total government spending, aid dropped from 85% in 2000 to 45% in 2010, largely due to efforts to expand the share of tax revenue in the budget: it increased from just 16% in 1998 to over 50% in 2010 (ActionAid, 2011, 2012).

As the 2011 *EFA Global Monitoring Report* showed, most poor countries have significantly increased domestic revenue in the past decade, demonstrating their potential to rely more on their own resources to fund education. But such efforts take time, and changes are unlikely to happen as quickly as is needed to fund the ongoing expansion of access to education in the short term. Donors still have a crucial role to play.

Has aid to education reached its peak?

Increases in aid have contributed significantly to progress towards EFA over the past decade. In line with a rise in overall aid, donor contributions to education increased in 2009 and remained at their highest level for a decade in 2010. There are strong signs that these increases could be reversed in coming years, however. In 2011, total aid fell for the first time since 1997. It is expected that this drop will have a negative impact on the education sector.

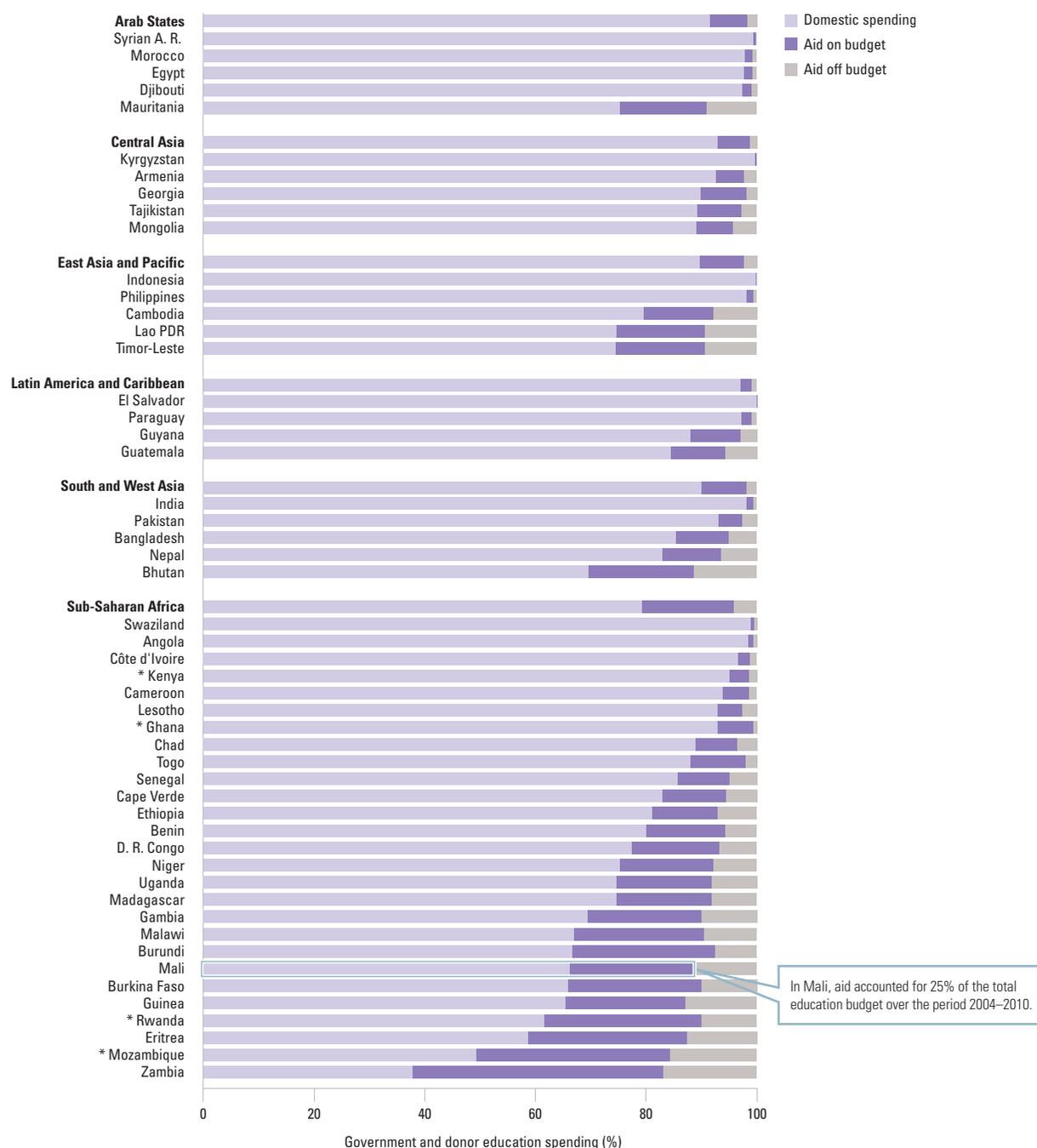
Aid to education stagnated in 2010

Between 2002/03 and 2010, aid to education increased by 77% to US\$13.5 billion (Table 2.2).

In 2011, total aid fell for the first time since 1997

Figure 2.2: Aid to education is an important share of resources for poor countries

Domestic and aid resources for education, selected regional and low or lower middle income country averages, 2004 to 2010



Notes: * indicates that a country-specific share of aid on budget was estimated from country documents; for the other countries, an average of 60% of aid was assumed. The regional figures are unweighted averages across all low and middle income countries.
Source: UNESCO (2012b).

Table 2.2: Total aid disbursements to education and basic education, by region and income level, 2002 to 2010

| | Total aid to education | | | | | Total aid to basic education | | | | |
|----------------------------------|-----------------------------|--------|--------|-----------|-----------|------------------------------|-------|-------|-----------|-----------|
| | Constant 2010 US\$ millions | | | % change | | Constant 2010 US\$ millions | | | % change | |
| | 2002 | 2009 | 2010 | 2002–2010 | 2009–2010 | 2002 | 2009 | 2010 | 2002–2010 | 2009–2010 |
| World | 7 616 | 13 425 | 13 468 | 77 | 0 | 2 939 | 5 791 | 5 789 | 97 | 0 |
| Low income countries | 2 002 | 3 386 | 3 528 | 76 | 4 | 1 154 | 1 899 | 1 913 | 66 | 1 |
| Lower middle income countries | 2 933 | 5 550 | 5 054 | 72 | -9 | 1 205 | 2 704 | 2 315 | 92 | -14 |
| Upper middle income countries | 1 917 | 3 079 | 3 080 | 61 | 0 | 381 | 714 | 759 | 99 | 6 |
| High income countries | 28 | 34 | 33 | 19 | -2 | 6 | 7 | 8 | 41 | 22 |
| Unallocated by income | 735 | 1 377 | 1 773 | 141 | 29 | 193 | 467 | 793 | 310 | 70 |
| Arab States | 1 056 | 1 983 | 1 824 | 73 | -8 | 211 | 853 | 779 | 269 | -9 |
| Central and Eastern Europe | 325 | 496 | 537 | 65 | 8 | 85 | 60 | 75 | -12 | 24 |
| Central Asia | 139 | 231 | 311 | 124 | 35 | 40 | 57 | 93 | 132 | 63 |
| East Asia and the Pacific | 1 147 | 2 305 | 2 140 | 87 | -7 | 231 | 671 | 636 | 176 | -5 |
| Latin America and the Caribbean | 547 | 983 | 1 039 | 90 | 6 | 212 | 385 | 413 | 95 | 7 |
| South and West Asia | 949 | 2 172 | 2 127 | 124 | -2 | 561 | 1 379 | 1 228 | 119 | -11 |
| Sub-Saharan Africa | 2 689 | 3 865 | 3 718 | 38 | -4 | 1 400 | 1 890 | 1 781 | 27 | -6 |
| Overseas territories | 237 | 402 | 491 | 107 | 22 | 118 | 166 | 229 | 93 | 38 |
| Unallocated by region or country | 525 | 988 | 1 281 | 144 | 30 | 81 | 329 | 556 | 586 | 69 |

Note: The 2002 figure is an average over the two year period 2002–2003.

Source: Annex, Aid Table 3.

Aid to basic education accounted for about 43% of this.¹ In 2010, US\$5.8 billion was allocated to this level, double the amount in 2002/03. The increase was not evenly shared, however, and was not necessarily directed at the countries most in need. Although sub-Saharan Africa is the region furthest from EFA, the amount it received increased by only 27% over the period, while it increased by more than three and a half times in the Arab States.

A jump in aid between 2008 and 2009 resulted in the allocation to basic education increasing by US\$0.9 billion, the largest year-to-year increase since records began in 2002 (Figure 2.3). Almost half the increase was additional lending to basic education by the World Bank and International Monetary Fund, partly to support developing countries during the financial crisis. The United Kingdom accounted for most of the rest.

This increase did not continue in 2010, however. Aid to basic education remained at

the same level in 2010. The three donors that made the biggest increases in 2009 reduced their funding in 2010. This decline was offset by a significant increase from the European Union and smaller rises from other donors, such as France and Germany (Figure 2.4). However, that increase did not benefit the low income countries that are the furthest from achieving EFA. Indonesia and South Africa, both middle income countries, were among those receiving some of the largest increases in EU basic education aid in 2010.

Of the US\$5.8 billion in aid to basic education in 2010, only US\$1.9 billion was allocated to low income countries. Aid for basic education to low income countries grew, on aggregate, by just US\$14 million in 2010. Given that forty-six low and lower middle income countries need US\$16 billion a year to achieve the EFA goals by 2015, this still leaves a large deficit.²

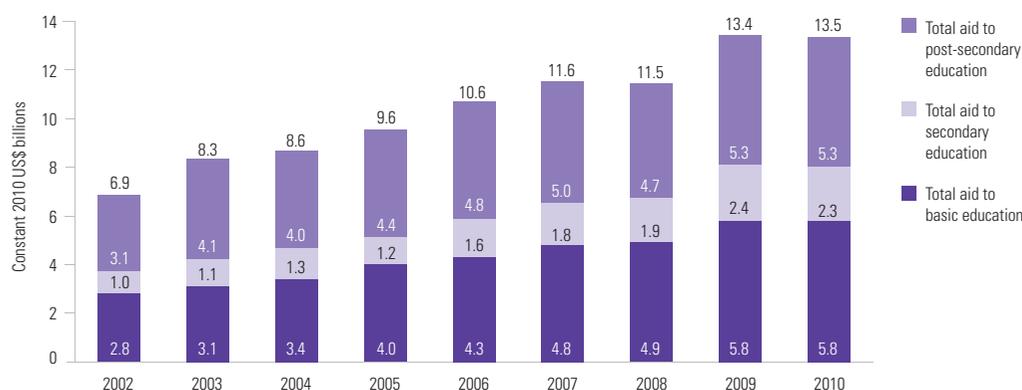
Of US\$5.8 billion that went to basic education, only US\$1.9 billion went to low income countries

1. In the OECD-DAC classification, 'basic education' covers pre-primary, primary and basic life skills for youth and adults.

2. These forty-six countries were the focus of an EFA costing exercise in the 2010 Report (UNESCO, 2010b).

Figure 2.3: Aid to education stagnated in 2010

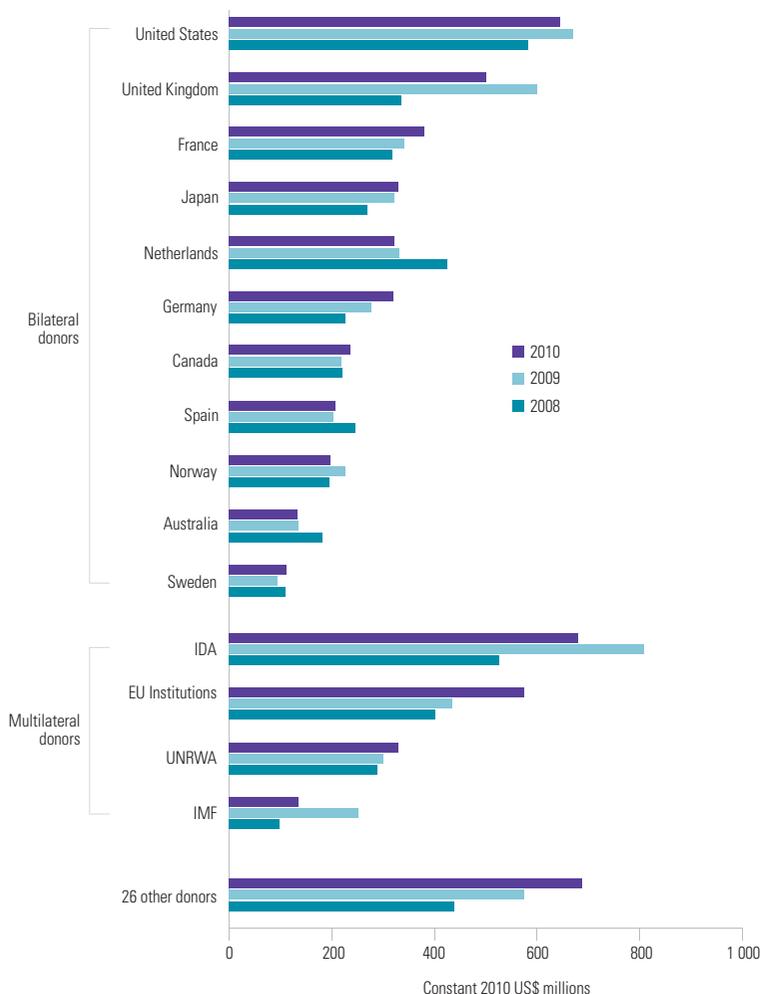
Total aid to education disbursements, 2002 to 2010



Source: OECD-DAC (2012b).

Figure 2.4: The three donors that made the largest increases in aid in 2009 made cuts in 2010

Total aid to basic education, top fifteen donors, 2008 to 2010



Notes: IDA = International Development Association (World Bank); UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East; IMF = International Monetary Fund.
Source: OECD (2012b).

The increase in aid for low income countries was mainly concentrated in Afghanistan and Bangladesh, which received 55% of the additional funding for the sixteen low income countries that experienced an increase. By contrast, funding to nineteen low income countries fell. Among them were some of those furthest from the EFA goals, such as Ethiopia, where the number of out-of-school children remains among the highest in the world.

Overall aid decreased in 2011, and future prospects are not encouraging

The outlook for aid in the years leading up to 2015 is not promising. Many governments are cutting their overall aid budgets and the education sector is likely to suffer.

Education has received a relatively constant share of total aid since 2002. Assuming this pattern continues, aid to education is likely to decline at a similar pace to overall aid. Worryingly, some key donors are not only reducing their overall aid budgets, but may also be making education a lower priority, which would lead education aid to fall faster than overall aid levels (Box 2.2).

Even before the economic crisis hit, donors were off track to fulfil the promise they made at the Group of 8 Gleneagles Summit in 2005 to increase aid by US\$50 billion by 2010. The target was missed by US\$24 billion (in 2010 dollars)

(Figure 2.5). Sub-Saharan Africa received only around half the increase it was promised. Assuming a similar share going to the sector as in previous years, meeting the Gleneagles targets would have meant US\$1.9 billion more for schools in 2010, or around one-third of current aid to basic education. A year after the target had been missed by a large margin, the G8 leaders at their 2011 summit offered only a vague commitment to strive to maintain their efforts, with no clear plan for aid increases (G8, 2011).

Of even greater concern is that, for the first time since 1997, total official development assistance (ODA) to all sectors decreased in real terms by 3% from 2010 to 2011. The drop was primarily a consequence of the financial crisis, as aid budgets tend to lag in their reaction to changes in overall economic conditions. But the decrease was not only a consequence of lower economic growth in rich countries. Between 2010 and 2011, fourteen out of twenty-three DAC members also reduced their aid as a share of national income, suggesting that aid was more vulnerable to cuts than domestic spending (Figure 2.6).

Financial and political pressures on governments to reduce spending mean that foreign aid budgets, no matter how small their part of the overall budget, can be an easy target for cuts. Some countries made drastic cuts. Spain, which had become an important donor in the past decade, made cuts of over 30%. Japan cut its aid by 11%. Norway and France also made cuts. In the case of France, the drop was not only related to the financial crisis; it was also due to Mayotte changing its status in 2011 to a French department. Previously, as an overseas collectivity, it received half of all French aid to basic education in 2009/10. It is now ineligible for aid.

Canada cut its aid budget by 5% in 2011 despite having weathered the storm better than other donors: between 2007 and 2009, its GDP fell by 2.1%, compared with 3.8% for the United States, 5.5% for the United Kingdom and 4.2% for the euro zone (OECD, 2012b). Canada is set to reduce aid further in 2012–2015; as its economy is expected to grow, its aid will fall even more as a share of national income (OECD-DAC, 2012a)

Box 2.2: Aid cuts by the Netherlands jeopardize education gains

The Netherlands, which has been one of the top three donors to basic education over the past decade, is expected to cut its aid to education by 60% between 2010 and 2015. Assuming other donors maintain their direct aid to basic education at 2010 levels, this would mean the Netherlands would go from being the third largest donor to basic education in 2008 to twelfth in 2015.

In response to the government's 2011 development aid policy, activities are being concentrated on sectors and countries viewed as those that are most aligned with the country's foreign policy priorities and where the most impact is expected. Aid spending will be limited to four sectors: security, law and order; water; food security; and sexual and reproductive health and rights. The expectation is that education programmes not directly contributing to these priorities will be phased out.

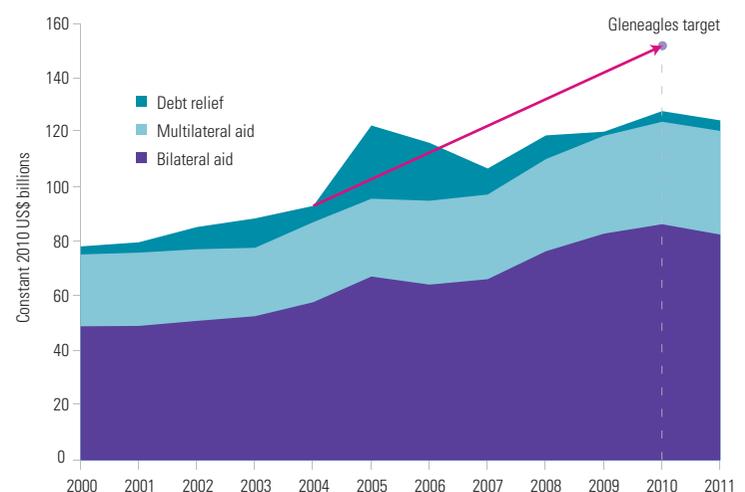
The shift in priorities could have real implications for the well-being of children in some of the countries most in need. The Netherlands is set to withdraw support from education in Burkina Faso, for example, where it has been by far the largest donor in recent years, providing 31% of basic education funding in 2008–2010. Burkina Faso urgently needs continued, predictable support: in 2011 its net enrolment ratio was just 63%. While the Netherlands aims to reduce its support gradually, it is withdrawing just as four other donors have said they also intend to pull out of education in the country.

The Netherlands has become a specialist in aid to education over the years, as a key funder and at the forefront of policy development. As its own recent evaluation concludes, the Netherlands has been valued by its partner countries and other donors for the leading role it has played in advancing aid effectiveness. This expertise risks being lost if planned reductions in support to the education sector are fully realized.

Sources: EFA-FTI and Brookings Institution (2011); Netherlands Ministry of Foreign Affairs (2011a, 2011b, 2012).

Figure 2.5: The Gleneagles target was missed and total aid even decreased in 2011

Total net official development assistance disbursement from OECD DAC donors, 2000 to 2011



Source: OECD-DAC (2012c).

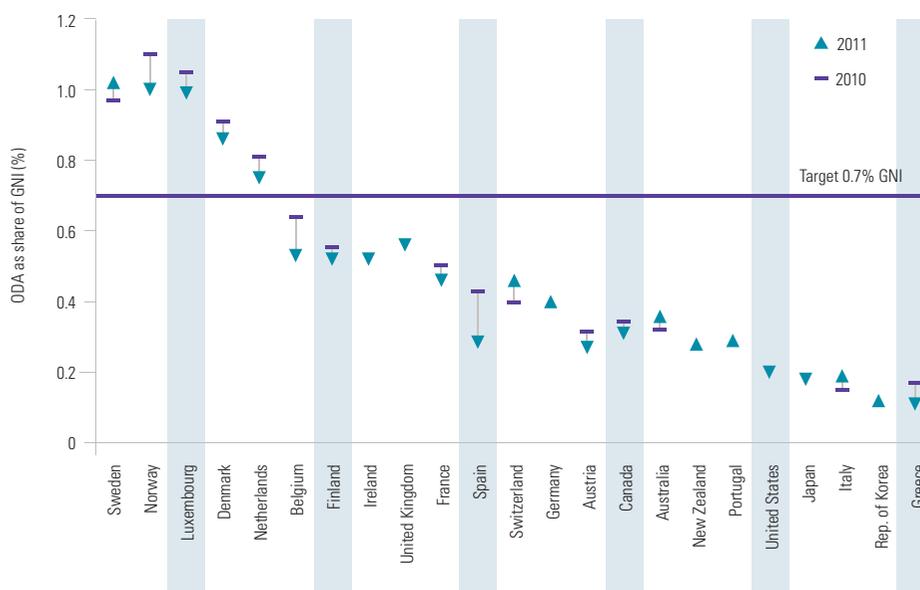
Table 2.3: Trends in expected aid to education from the ten largest donors to education

| Donor | Share of total aid to basic education %, 2002–2010 | Expected future trend on aid to basic education | Notes |
|----------------|--|---|---|
| World Bank | 16 | ▼▲ | Support to basic education dropped by 67% in 2011, but the World Bank projects a compensating increase in 2012. |
| United States | 11 | ▼ | Current budget request for 2013 implies a 28% drop in aid to basic education. Overall foreign aid budget expected to decrease from 2012 onwards. |
| United Kingdom | 9 | ▲ | Increase due to commitment to increase aid to 0.7% of GDP by 2013. |
| Netherlands | 8 | ▼ | Planned withdrawal from the education sector and overall aid reduction: 45% cuts in aid to education between 2010 and 2012, reaching 60% by 2015. |
| European Union | 8 | ▲ | Under the current proposals for the 2014–20 EU Multi-Annual Financial Framework, funding for the Development Cooperation Instrument is expected to increase by 19% as compared with the previous 2007–13 MFF. |
| Japan | 6 | ▼ | A further decrease in 2012 is expected, following 11% overall aid budget cuts in 2011. |
| France | 5 | ▼ | Decrease likely in the short term due to the change in status of Mayotte, medium term will depend if money is reinvested elsewhere. |
| Germany | 4 | ▲ | Increase in overall aid combined with commitment to education as a priority sector as stated in the BMZ Education Strategy 2010–2013. |
| Norway | 4 | ▼▲ | Development assistance levels maintained at 1% of GNI, with levels earmarked for the education sector being maintained at 2008 levels. |
| Canada | 4 | ▼ | Cuts due to reduction in overall aid budget of 7.5% by 2015. |

Sources: BMZ (2011); Canada Ministry of Finance (2012); EFA-FTI and Brookings Institution (2011); Gavas (2012); Global Campaign for Education (2012); Japan Ministry of Finance (2011); Netherlands Ministry of Foreign Affairs (2012); Norway Ministry of Foreign Affairs (2011); OECD-DAC (2012c); World Bank (2011a).

Figure 2.6: Most donors reduced aid as a share of their national income in 2011

Official development assistance as percentage of gross national income, 2010–2011, OECD-DAC donors



Source: OECD-DAC (2012c).

Has aid to education reached its peak?

(Table 2.3). Similarly, in the United States, plans to cut the federal budget are putting foreign aid under severe pressure (Myers, 2011).

Australia, Germany, New Zealand, Sweden and Switzerland, by contrast, managed to continue increasing their aid budgets despite the crisis. The United Kingdom's aid decreased slightly in real terms in 2011 because its economy contracted at the height of the crisis in 2009, but the government remains committed to keep its pledge to bring its aid budget to 0.7% of GNI by 2013.

The 2012–2015 OECD survey on donor spending projects that country programmable aid levels will increase in 2012 but then stagnate (OECD-DAC, 2012d). If the share of education as a proportion of sector allocable aid remains at 13%, then direct aid to the education sector will remain at its current level of around US\$13 billion (Figure 2.7). As a result, it will fail to bridge the financing gap to achieve the EFA goals.

Education remains a low priority in humanitarian aid

Conflict-affected countries are the most off track in efforts to achieve EFA. Many fall through the cracks in the international aid structure, with their education systems receiving neither long-term development assistance nor short-term humanitarian aid. There are promising signs that donors such as the United States are increasing their support for education in conflict-affected countries, at least through official policy statements (USAID, 2011b). The United Nations refugee agency, UNHCR, recently developed its first education strategy (UNHCR, 2012). And, after many years of difficulties in engaging with fragile states, the Global Partnership for Education now includes them as one of its three core priorities (Global Partnership for Education, 2012a).

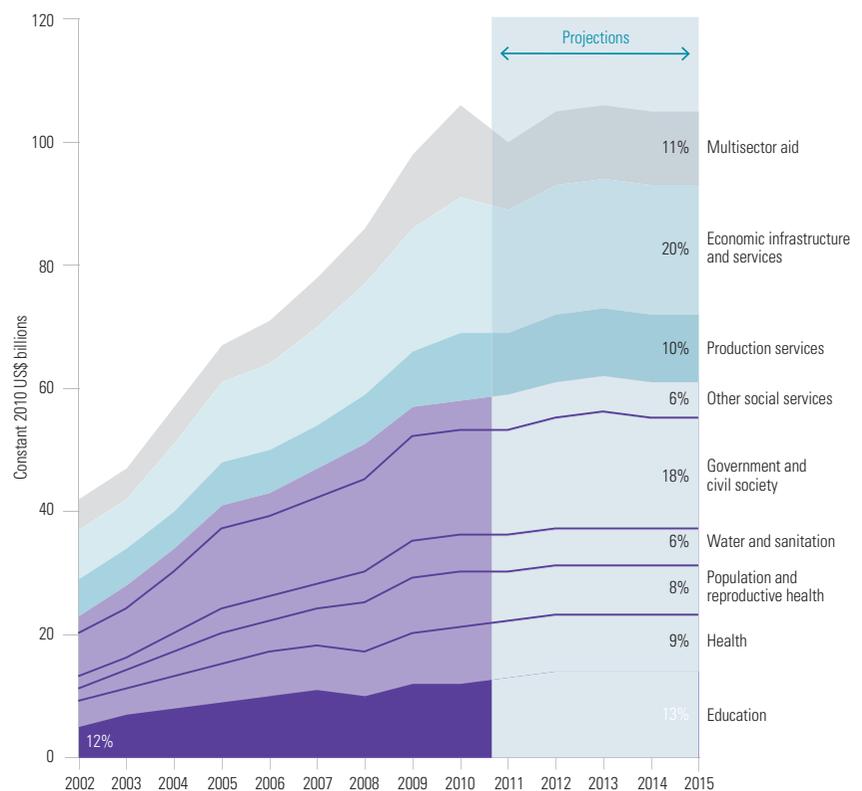
These policy commitments have yet to translate into funding, however. Of the twenty consolidated appeals in 2012 to the United Nations Office for the Coordination of Humanitarian Affairs, just five proposed that funding to education should make up more than 5% of the total requirements of their humanitarian work plans. Within Mali's consolidated appeal, for instance,

education sector requirements made up 4.5% of total requirements. The majority, roughly 70%, was earmarked for food security and nutrition. Insufficient funding for education during the recent conflict in the country could have serious consequences on the progress Mali has made towards increasing primary enrolment and narrowing the gender gap.

There is no guarantee, moreover, that even these extremely modest requests for funding will be met. The education sector remains one of those lagging behind most in terms of requirements that actually receive funding. Education received less than half of its proposed requirements in the 2011 consolidated and flash appeals. As a result, education received just 2% of humanitarian aid in 2011, a share unchanged since 2009.

Figure 2.7: Projections show overall aid levels flattening out

Total education as a share of total sector allocable aid, 2002 to 2010, with projections, 2011 to 2015



Notes: For the projections by sector, the same growth rates are applied to sector allocable aid disbursements for 2011–2015 as those for country programmable aid which the OECD-DAC released in April 2012. The average share going to education directly (excluding the 20% proportion of general budget support) for 2002–2010 has been applied to sector allocable ODA for 2011–2015.

Source: OECD-DAC (2012b, 2012d).

Aid to education: the challenge of effectiveness

Figures on aid to education tell only part of the story. Ensuring that money is spent effectively – that it reaches classrooms, is directed to those most in need and has a lasting impact – is just as vital.

The ‘Paris targets’ on aid effectiveness were not met

To improve aid effectiveness, OECD-DAC members developed a set of common goals to strengthen ownership, alignment, harmonization, mutual accountability and management for results (OECD-DAC, 2011). Donors and recipient countries were expected to adhere to these principles, established in Paris in 2005 and reiterated in Accra, Ghana, in 2008, with the aim of reaching a set of quantitative targets by 2010. The principles have particular relevance for education, which needs long-term, sustainable investment in schools, teacher recruitment and training.

The deadline has now passed, and the overall verdict at the fourth High-Level Forum on Aid Effectiveness, held in Busan, the Republic of Korea, in December 2011, was that the targets had not been met. Of the thirteen targets agreed in Paris, only one was achieved by the 2010 deadline (OECD-DAC, 2011; Wood et al., 2011).

Despite this disappointing outcome, however, education has been at the forefront of aid effectiveness initiatives, in particular in terms of aligning donor priorities with country programmes and priorities. In Kenya, Mozambique, Rwanda and Uganda, for example, significant amounts of aid deployed in conjunction with government plans contributed to unprecedented increases in access to primary education (UNESCO, 2011a).

Mobilizing resources for education and improving the way aid is spent, notably through support for national plans, were the explicit goals of the Global Partnership for Education (formerly the EFA Fast Track Initiative) when it was established in 2002 as the only global pooled fund mechanism for aid to education. In the few years left before the

EFA deadline in 2015, the partnership has a crucial role to play in accelerating progress by mobilizing additional resources for education (Box 2.3).

New donors and the post-Busan aid effectiveness agenda

A key feature of the Busan aid effectiveness forum was the prominence given to donors that are not members of the OECD-DAC (Busan Partnership for Effective Development Co-operation, 2011). These countries contributed about US\$11 billion of development financing in 2010, equivalent to 8% of global aid (OECD-DAC, 2012c).

Among the non-DAC countries, the so-called BRICS grouping (Brazil, the Russian Federation, India, China and South Africa) has received increased attention as donors because their economies are playing a greater role on the world stage and because aid from traditional donors is unlikely to increase in the current economic climate.

How will these donors change the aid landscape? This question cannot be answered with precision, partly because of a lack of transparency in their reporting on the aid they provide. At the meeting in Busan there was a failure to reach agreement on their adherence to DAC standards. The BRICS countries are currently under no obligation to report to the OECD. As a result, their data are patchy and, to the extent that they report, they do not necessarily adhere to the ODA definition (Smith et al., 2010). There is no way to clearly separate aid from other financial flows towards developing countries. In 2011, the DAC attempted to identify the component of their funding that is most consistent with its definition of ODA. It has estimated that BRICS accounted for US\$3.6 billion of the US\$11 billion contributed by non-DAC donors in 2010 (OECD-DAC, 2012c).

China is by far the largest BRICS donor: it contributed US\$2 billion in 2010, and plans to increase and diversify its development assistance, particularly to Africa. But China does not distinguish its commercial and diplomatic activities from its aid. Some observers have argued that many of the

Education has been at the forefront of aid effectiveness initiatives

Box 2.3: Aid effectiveness and the Global Partnership for Education

When the Global Partnership for Education was established in 2002 as the EFA Fast Track Initiative, its goals were to accelerate progress towards primary education by promoting sustained increases to aid and more efficient spending, together with sound sector policies and adequate and sustainable domestic financing. How far has it achieved these goals?

One way is to assess how much it has spent. Between 2003 and 2011, it disbursed US\$1.5 billion, corresponding to 13% of total aid to basic education in the forty countries whose plans it had endorsed and 6% of aid to basic education in low and middle income countries. The disbursement corresponded to 69% of the US\$2.2 billion allocated over the period. At a pledging conference in Copenhagen in 2011, donors promised an additional US\$1.5 billion between 2011 and 2015 – US\$1 billion less than was initially sought.

Another way of gauging how successful the partnership has been is to compare its performance with resource mobilization for global health funds. Between 2001 and 2011, donor contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria totalled US\$22 billion – around ten times as much as those made to the Global Partnership for Education over a comparable time frame. In addition, global health funds receive contributions directly from foundations and corporations, as well as through innovative financing mechanisms such as the International Finance Facility for Immunisation,

Debt2Health and Advanced Market Commitments. While these sources contribute only about 5% of total pledges to global health funds, no such contribution from private organizations is made to the Global Partnership for Education.

The initiative's performance should also be weighed against the original intentions. It was established to provide additional resources aligned with those of other donors – for example, stepping in to fill temporary gaps and reduce volatility. While the success of this is difficult to assess, more needs to be done to evaluate whether the partnership has been meeting the goal of 'additionality' – that is, bringing additional resources to fill gaps left by national governments and aid donors.

The Global Partnership for Education has recently developed a new framework, which states that it works in two important ways: 'by mobilizing resources, both domestic and external, and by helping donors and developing countries work together to ensure that aid is better coordinated and more effective, based on countries' own education strategies' (Global Partnership for Education, 2012c, p. 11). Any assessment of the partnership will need to continue to focus on these roles, ensuring that independent monitoring is undertaken to make sure lessons can be learned for the design of any post-2015 financing framework.

Sources: Cambridge Education et al. (2010); EFA-FTI (2004); Global Fund (2012); Global Partnership for Education (2011a, 2011c, 2012b, 2012d); UNESCO (2009, 2011c).

loans it extends to developing countries would not qualify as aid, as their interest rates, if properly assessed, are not below market rates (Bräutigam, 2011).

The same is true for India, whose contribution was estimated to be US\$639 million in 2010 (OECD-DAC, 2012c). Infrastructure development features prominently within the technical cooperation budget. Around 60% of Indian technical cooperation in 2011–12 was a mix of grants and loans to build hydroelectric dams in Bhutan, which could generate electricity that would in part benefit India (India Ministry of External Affairs, 2012). Similarly, its recent announcement that it planned US\$5 billion in aid to Africa concerns the extension of loans

(NEPAD, 2011). It is unclear whether these loans would be offered at interest rates lower than market rates.

The evidence to date suggests the impact of BRICS on aid to education could be limited. Their contributions are small compared with those of DAC donors and the information available indicates that education in low income countries is not high among their priorities (see Chapter 4). Nevertheless, there are signs that these countries are engaging to some extent with EFA. For example, the Russia Education Aid for Development, a trust fund launched in collaboration with the World Bank, focuses on institutional capacity-building to carry out and use data from student assessments. The fund is

Evidence suggests the impact of the BRICS on aid to education could be weak

CHAPTER 2

providing US\$32 million over 2008–2014, offering an example of how new donors can engage with the education sector (READ Trust Fund, 2012).

Results-based approaches entail risks

Taxpayers funding aid budgets understandably want to see where their money is going and whether aid is achieving its stated aims. Donors therefore are increasingly turning to 'results-based' aid, linking their funding to specific outcomes. The World Bank, for example, is launching the Program-for-Results financing instrument, under which loans will be disbursed to countries once results have been achieved (World Bank, 2011d).

In the education sector, the United Kingdom's Department for International Development (DFID) is testing this approach as part of its partnership with the Government of Ethiopia in 2012–2014. DFID will make a grant to the Ministry of Education for the additional students, above a baseline, who sit or pass the national grade 10 examination. To address gender disparities, the unit grant for each girl sitting or passing the examination will be higher than the amount for each boy. Similarly, grants for each additional student sitting the exam are higher for the poorest regions in Ethiopia (Birdsall and Perakis, 2012). Putting more emphasis on outcomes such as children's learning is welcome and necessary. Results-based aid could also increase country ownership over policies because governments would take responsibility for their own decisions.

Nonetheless, results-based aid involves considerable risks. First, if circumstances beyond recipients' control prevent them from reaching agreed outcomes, withholding the promised funds could be unfair and put governments in a difficult financial situation. Proposals for paying for results usually allow for some extenuating circumstances, but the reality of the development process is that such circumstances are unlikely to be an exception, as many external factors could prevent a given plan from running smoothly.

Second, there is a danger that results-based aid will create perverse incentives. While a

greater emphasis on measuring children's learning is necessary to reach the sixth EFA goal of education quality, a system where funding is contingent on standardized test results would drastically raise the stakes of the test. Such high-stakes testing has been common in some richer countries, such as the United States, where it has been used as a criterion to assess performance and has increased pressure on teachers and administrators to meet the standards. In some cases, teachers are reported to have changed answer sheets after students took the test to guarantee high pass rates (Georgia State Office of the Governor, 2011; Jacob and Levitt, 2003). In other situations, including in Chile and Mexico, paying teachers by results has led them to focus on the best performing students, raising a problem of widening inequality (UNESCO, 2009).

In linking payments to verified results, there is also a risk of giving governments an incentive to overreport. Experience from the health sector, where programmes under the GAVI Alliance include a payment for every vaccinated child above a certain baseline, found that in Bangladesh, Indonesia and Mali official data had systematically understated the baseline and therefore overstated subsequent coverage of vaccinated children (Lim et al., 2008).

Third, poor countries need aid because they have insufficient funds to finance their own development and need up-front money to deliver programmes. In addition, education outcomes cannot be achieved within an annual budget cycle. If aid is only disbursed once children have graduated, who will pay for school buildings and teacher salaries to improve the conditions that would allow them to graduate?

Current results-based aid proposals, such as the one being piloted in Ethiopia, are avoiding this problem by introducing the approach gradually alongside more traditional aid delivery mechanisms. But this raises the question of whether the donor–recipient relationship would change as fundamentally as hoped if results-based aid only amounts to a small bonus at the end of a programme and were dwarfed in size by more traditional aid.

Taxpayers funding aid budgets want to see proof that aid has achieved its aims

Conclusion

After a period of expanding education budgets, which have contributed to some spectacular outcomes, a period of uncertainty looms. The economic downturn has hit richer countries, with repercussions for aid to the poorest countries, which are furthest behind in achieving the EFA goals.

The decline in aid is likely to result in a widening of the education financing gap, which will necessitate innovative solutions. Aid from emerging donors such as Brazil, China and India is one possible resource, but is currently not sufficiently targeted at those countries most in need. It is therefore necessary to identify other sources of funding. Natural resource revenue and private organizations are two possible additional sources that are explored in the following sections.

The decline in aid will require innovative solutions to fill the EFA financing gap

Policy focus: Turning the 'resource curse' into a blessing for education

17 countries could use natural resource revenues to send 86% of their out-of-school children to school

One of the most striking paradoxes of development is the 'resource curse': countries well endowed with non-renewable natural resources, such as oil and minerals, have experienced slower economic growth than resource-poor countries. Many are far from reaching the Education for All goals and other development targets.

But the curse is escapable. This section shows that there is considerable potential for resource-rich countries to close their EFA financing gap. In seventeen countries already rich in resources or with recently discovered deposits, including Ghana, the Niger and Uganda, revenue from natural resources could finance access to primary school for 86% of out-of-school children if their governments maximized the revenue generated and dedicated a significant share to education. About 42% of out-of-school adolescents in these countries could also have access to school. In a context where donors are cutting back spending and turning away from education, this would be an important development. Ensuring that resource-rich countries embark on a path towards efficient, transparent and fair management of natural resources should therefore be a central concern of the EFA community.

The risks of natural resource wealth

Most low and middle income resource-dependent countries³ have struggled to harness their riches in ways that assure sustained development for future generations (Sachs and Warner, 1997; Sala-i-Martin and Subramanian, 2003). Many of these countries have been unprepared to deal with the sudden discovery of an oil field or ore deposits.

Governments have often struck poor deals with multinational companies. Others have been unable to maintain a steady flow of revenue through good and lean years. Many countries have mismanaged the income, either through

corruption or inadvertently through misguided spending choices.

Natural resource revenue has also often been used to finance armed conflict. 'Blood diamonds' in Liberia and Sierra Leone were used to pay for civil wars (UNESCO, 2011c). In the Democratic Republic of the Congo, high-value minerals such as coltan and tin ore, used in mobile phones, have provided armed militias responsible for human rights violations with a lucrative source of revenue (Global Witness, 2009).

Resource discovery can also create macroeconomic disruptions through 'Dutch disease', a term coined by economists to describe the experience of the Netherlands after a significant natural gas discovery in the 1960s. Because natural resources are mostly paid for outside a country, for example from oil sales in foreign markets, they can increase the value of the local currency and make exported products less competitive (Corden, 1984; Heuty and Aristi, 2010).

To transform natural resources into a blessing, governments must maximize their revenue from extractive activities, manage them transparently and invest the wealth in sectors that will generate higher, equitable benefits for the population. Education is a sector that has delivered such benefits: resource-rich countries such as Botswana have used their economic success to expand schooling. Using natural resource wealth to fund education today can be a way to escape the resource curse tomorrow.

Striking a good deal

The current high prices for non-renewable commodities mean that potential revenue for governments from these resources is greater than ever. In the region furthest from reaching the EFA goals, sub-Saharan Africa, potential profit per capita from non-renewable natural resources tripled between 1998 and 2008 (World Bank, 2012). While commodity prices are vulnerable to economic crises such as that of

3. Resource-dependent countries are those that derive at least a quarter of government revenue or exports from natural resources (IMF, 2007).

2008–2009, they have been following an overall upward trend (IMF, 2012b).

A first step towards translating natural resource wealth into development outcomes is for governments to obtain a fair share of the profit. One key decision in this regard is who will extract and sell the resources. Three options are generally available. First, some countries, such as Malaysia and the Bolivarian Republic of Venezuela, choose to manage extraction directly through a state institution, which means they take all the risk but earn all the profit (Victor et al., 2012).

Second, governments may enter into agreement with a firm to share the risk and cost of extraction, which can be considerable. Third, governments can grant concessions to private companies for exploration and extraction, then raise revenue by imposing royalties on production or taxes on profit, including windfall taxes. The last approach is preferred when there is major uncertainty or when exploitation requires technology and capital that the country lacks (Auty, 2006; Boadway and Keen, 2010).

Botswana is an example of a country that has chosen the second option and entered into an agreement with a private company. Diamonds are mined through a 50–50 arrangement with De Beers (Kojo, 2010). Around half of diamond exports translated into government revenue in 2007/08, compared with 20% on average for other mineral-rich countries. This positive experience is underpinned by good governance, a competent civil service and political stability (Transparency International, 2007). Returns to investment in foreign financial assets, managed by a special fund, have been directed towards social services. Botswana has consistently spent over 5% of its GNP on education since the mid-1970s, reaching 8.2% in 2010. Today, it is one of the richest countries in sub-Saharan Africa and not only has it achieved universal primary education but its secondary gross enrolment ratio stands at 82%, double the average for the continent.

Whether governments enter into partnerships or grant concessions, considerable capacity is needed to manage the relationship. Many governments are in a weak bargaining position vis-à-vis private mining and oil companies (Stiglitz, 2007). As a result, they are not getting

nearly as much as they could, as the example of Zambia shows (Box 2.4). These countries are missing an opportunity to finance their own development.

In the Democratic Republic of the Congo, a parliamentary investigation estimated that in 2008, the government lost US\$450 million in revenue through a mix of bad management, corruption and insufficient taxation (Smith and Rosenblum, 2011). This is a sum larger than the country's entire education budget, and enough to send 7.2 million children to primary school. Even in the United Republic of Tanzania, which is closer to achieving EFA, if royalties paid by gold mining companies rose from the current 3% of production to the 5% recommended by a presidential commission, it would generate an additional US\$12 million a year in government revenue (OSISA et al., 2009). That could cover the cost of sending more than 132,000 children to primary school.

Transparency is a precondition for maximizing government revenue

The natural resources extracting industry has been characterized by opacity, with details of contracts between states and companies often shrouded in secrecy (Karl, 2007). Recently, however, the international community has been pushing for norms of transparency for resource extraction and revenue generation. The Publish What You Pay campaign, launched in 2002, brought more than 230 NGOs together to put pressure on governments and companies to make their transactions fully transparent and publicly available (Karl, 2007). A year later, the Extractive Industries Transparency Initiative (EITI) was launched. Today fourteen countries fully comply with its standard for 'companies to disclose what they pay and for governments to disclose what they receive', and a further twenty-two countries have taken steps to adhere to them (EITI, 2012).

In 2010, in another landmark development in resource revenue transparency, the Dodd-Frank Wall Street Reform and Consumer Protection Act required mining companies based in the United States to disclose their tax and revenue payments publicly. While details have yet to be worked out and resistance

In 2008, the Democratic Republic of the Congo lost resource revenue that would be enough to send 7.2 million children to school

Box 2.4: Getting a better deal for Zambia's mineral resources

Zambia has some of the world's largest reserves of copper and cobalt, but after initial success in using this wealth towards economic and social development it has suffered a severe case of the resource curse. In 1970, Chile, another leading copper producer, was four times as rich as Zambia in terms of GDP per capita. By 2010, the gap had widened to fifteen times.

Copper prices were high during the first ten years of Zambia's independence. The mines were owned by the state and generated two-thirds of government revenue. However, a sharp drop in prices in the mid-1970s unleashed a severe debt crisis, leading to the privatization of mines under advice from the IMF and World Bank.

Largely secret agreements offered mining companies favourable terms, such as royalties at 0.6% of production instead of the 3% set in the 1995 Mines and Minerals Act, and profit taxes at 25%, compared with 35% for other sectors. As a result, government revenue fell and spending on social sectors could not be sustained. While the primary net enrolment ratio was as high as

85% in 1986, it had dropped to 70% by 1999. It was estimated that Zambia lost US\$63 million in revenue between 2002 and 2004, when copper prices began rising again, because it taxed mining activities insufficiently.

The situation in Zambia could turn around, however. After pressure from civil society, a new Mines and Minerals Development Act promulgated in 2008 has helped ensure that the full royalty payments are made. Revenue from mining taxes more than tripled between 2009 and 2011 to reach 3.2% of GDP. Moreover, the new government doubled royalty rates to 6% in late 2011. Some of this new income will be used for education, where many challenges remain. While the primary net enrolment ratio had bounced back to 91% by 2010, there are still considerable challenges with progression and learning. The government also needs to show greater commitment towards education: Zambia spent only 1.5% of its GNP on education in 2010, one of the lowest shares in the world.

Sources: IMF (2011c); OSISA et al. (2009); England (2011); Hart Nurse Ltd. (2011).

from affected industries is strong, the Act could set a precedent (Ayogu and Lewis, 2011). The European Commission recently followed suit, issuing a draft directive that would require listed companies involved in natural resource extraction to disclose their payments to governments (Revenue Watch Institute, 2011).

Transparency has considerable power to help turn the resource curse into a blessing. Liberia's natural resources, including iron ore, diamonds, gold, timber and rubber, were at the centre of the country's fourteen years of civil war, which left it with some of the lowest education indicators in the world. By the end of the war in 2003, the net enrolment ratio in primary school was just 35% (UNESCO, 2011c). After elections in 2005, one of the first actions of the new government was to vow to assure transparency in how revenue from natural resources was managed, as a means to promote national growth, development and reconciliation (EITI, 2009). The country has participated in EITI since 2006. Transparency is not only helping build government legitimacy but also ensuring that funds from natural

resources are used to strengthen education and other social sectors.

Invest natural resource revenue for future generations

There is broad agreement that natural resource revenue should be used wisely, either by saving it or investing it for the benefit of future generations. Education is a key ingredient of long-term equitable economic and social development; therefore natural resource revenue should be also used to fund education – whether to build infrastructure or to pay teachers' salaries.

For countries still in the initial stages of economic development, targeted investments in sectors that promote long-term growth and development, including education, yield high returns. Investing in a skilled workforce, for example, can help diversify the economy (Collier et al., 2009; Sachs, 2007).

Legal or institutional mechanisms may be needed to prevent corruption and to ensure that an important share of natural resource revenue

Liberia's natural resources were at the heart of its 14 years of civil war

is spent on education. Natural resource revenue may be channelled into a special fund and earmarked for specific purposes. Ghana's legal framework for its new oil revenue management includes a provision that 70% of spending must go to priority sectors (Ghana Ministry of Finance and Economic Planning, 2010).

Governments also need to demonstrate a commitment to education more broadly. Botswana, for example, adopted in 1994 a Sustainable Budget Index, a formula which directs some of its mineral revenue to health and education (Lange and Wright, 2002). The existence of an institutional mechanism does not in itself guarantee that revenue will be used for education however, as Chad's experience shows (Box 2.5).

As an alternative approach to minimizing opportunities for corruption, some commentators recommend that countries distribute new resource wealth directly to citizens in the form of cash transfers instead of spending it via government budgets to build schools, hospitals or roads. This 'oil-to-cash' concept has many attractions, as it is based on the positive experience of cash transfers in addressing poverty, together with the possibility that it could help mitigate the resource curse. Transferring resources directly to citizens, it is argued, gives them

greater incentives to hold their governments to account. Alaska, the United States, is an example of such an approach: its government sends an annual cheque based on oil revenue to every person living in the state. The payments amount to 3% to 6% of household income (Moss, 2011; Segal, 2010).

However, there are drawbacks to this approach. Unlike conditional cash transfers in countries like Brazil and Mexico that target poor households and have been successful in improving education outcomes, the oil-to-cash idea does not incorporate the redistributive element of approaches that have been successful in targeting poverty. In addition, where the supply of public services is inadequate, transferring most or all natural resource revenue directly to citizens may not improve education outcomes for those most in need. In many countries, strengthening the education system as a whole is required: schools need to be built and teachers properly trained and paid. Cash transfers are more likely to be effective when accompanied by improvements in education provision. Brazil's impressive results in increasing access to education and improving learning illustrate this. Its success has been made possible by a combination of conditional cash transfers and equitable distribution of government resources:

Botswana adopted a formula directing mineral revenue to health and education

Box 2.5: Chad's unsuccessful Oil Revenue Management Law

Originally intended to guarantee that oil revenue would be used to improve social services, Chad's Oil Revenue Management Law has effectively been dismantled by the government. The law, promulgated in January 1999, was a condition for the country to receive World Bank finance for the construction of a pipeline to Cameroon.

The initial version of the law stipulated that, of the total revenue, 10% would be saved and, out of the remainder, 5% would go to the oil producing region, 15% to general government expenditure and 80% to 'priority sectors', including education. However, an amendment in 2006 redirected the savings component to 'priority sectors', whose definition was extended to include security. The government, which was under pressure from a rebel force insurgency,

redirected public expenditure for military purposes. Military expenditure as a percentage of non-oil GDP increased from 2% in 2005 to more than 14% in 2009. Education had been scheduled in the National Poverty Reduction Strategy to receive 21% of the budget in 2004-2007 but only received 13%.

Chad's oil wealth could have supported an education system that is failing: only one pupil in three reaches the last grade of primary, and only 45% of men and 24% of women were literate in 2010. Chad's experience shows that even legal provisions requiring spending of natural resource revenue on priority sectors cannot guarantee that education receives a large enough share.

Sources: Frank and Guesnet (2009); IMF (2011a); Independent Evaluation Group (2009); World Bank (2011e).

the Bolsa Familia programme transfers 1% to 2% of the gross national income to 12 million of the poorest households, while education budget reforms distribute a larger share of government spending to the poorest states, allowing for greater public investment in building schools and paying teachers (Bruns et al., 2012; UNESCO, 2010b).

Seizing the opportunity: natural resource revenue can fund education

Several of the countries that are furthest away from achieving the EFA goals are endowed with natural resource wealth but have failed to generate enough revenue, have not managed it efficiently or have not invested it in productive sectors like education. Meanwhile, natural resource discovery is expected to grow significantly in coming decades in some regions, including sub-Saharan Africa (Barma et al., 2012). Several countries that have recently made oil or mineral discoveries are set to join the list of resource-rich countries.

Table 2.4 lists low and middle income countries with youth literacy rates below 90% that are either dependent on natural resources or have recently discovered oil, gas or minerals. It shows the considerable potential for natural resource revenue to fund education and increase access to primary and lower secondary schooling. The scenario is based on two assumptions.

First, it is assumed that governments would maximize the amount of revenue raised from natural resources (measured by the ratio of natural resource revenue to export receipts). Thus, mineral-rich countries would convert 30% of their mining export receipts into government revenue. On average, mineral-rich countries currently retain around 20%, though Mauritania has reached 30% and Botswana and Mongolia have passed 50%. For oil-rich countries, the scenario would bring all countries up to the current average of 75% of oil exports being converted to government revenue.⁴ Government revenue from oil tends to be higher because it is easier to quantify and tax than minerals, it involves lower up-front investment and a good share of world oil production is done through

nationally owned companies (Barma et al., 2012). Second, the scenario assumes that countries will channel 20% of these new resources to education. Low and middle income countries currently spend, on average, 16% of their budget on education.

The potential gains for education are enormous. Several countries, including Ghana, Guinea, the Lao People's Democratic Republic, Malawi, Uganda and Zambia, could reach universal primary education without needing any more aid from donors. In a group of seventeen countries where extra revenue could be raised, natural resources could fund schooling for 86% of the 12 million out-of-school children and 42% of the 9 million out-of-school adolescents.

While the potential is considerable, so are the challenges. Some mineral-rich countries, such as the Democratic Republic of the Congo, Sierra Leone and Zambia, currently receive less than 10% of export income as government revenue. They are still struggling with the first step: bargaining with extracting companies. Nigeria, on the other hand, already retains 72% of oil exports as government revenue, meaning that the extra funding for education from the scenario presented here could only send 23% of the country's 10.5 million out-of-school children to primary school. In this case the challenge is to manage, distribute and use the revenue better and to ensure that education is a top priority for the government.

In other countries, oil wealth holds great potential for building an education system, but capacity constraints may act as a barrier. South Sudan became independent in 2011 and is already resource-rich, since it possesses most of the oil of the former Sudan. Capacity is weak, however, and the education system has been largely destroyed by decades of war. There are more than 1 million out-of-school children and massive shortages of qualified teachers, and a major school building drive is needed (UNESCO, 2011b). As part of the Comprehensive Peace Agreement reached in 2005, oil revenue was shared 50-50 between north and south, but it is unclear how it will be split now that the south is an independent state, as terms are still being negotiated (IMF, 2011b).

If the agreed share were to hold, South Sudan could in principle derive enough income

4. These shares are an average for 2007–2008. They are based on natural resource export data from IMF Article IV reviews, revenue data from IMF Article IV reviews and/or EITI reports.

Turning the 'resource curse' into a blessing for education

Table 2.4: Many resource-rich countries could reach Education for All if they raised more revenue and increased focus on education

| Country | Current situation | | | | | Potential | | |
|---|--------------------------------|-------------------------|---|----------------------------|------------------------|--|---|--------------------------------|
| | Conflict-affected ¹ | Youth literacy rate (%) | Education as share of total public spending (%) | Natural resource revenue | | Potential extra education funding from natural resource revenue ² | Out-of-school children who could be funded by natural resource revenue ³ | |
| | | | | % natural resource exports | % total public revenue | | US\$ million | Number (thousand) ⁴ |
| | | 2005–2010 | 2010 | 2007–08 | 2007–08 | | | |
| Resource dependent | | | | | | | | |
| Oil and gas | | | | | | | | |
| <i>Iraq</i> | Yes | 83 | ... | 111 | 89 | ... | ... | ... |
| <i>Angola</i> | Yes | 73 | 9 | 54 | 81 | 2 245 | 493 | 100 |
| <i>Yemen</i> | Yes | 85 | 16 | 77 | 72 | ... | ... | ... |
| <i>Nigeria</i> | Yes | 72 | ... | 72 | 79 | 457 | 2 374 | 23 |
| <i>Congo</i> | No | 80 | ... | 54 | 83 | 271 | 56 | 100 |
| <i>Chad</i> | Yes | 47 | 10 | 41 | 72 | 247 | 1 895 | ... |
| <i>Cameroon</i> | No | 83 | 18 | 39 | 34 | 203 | 179 | 100 |
| Minerals | | | | | | | | |
| <i>D. R. Congo</i> | Yes | 65 | 9 | 8 | 20 | 223 | 3 620 | ... |
| <i>Zambia</i> | No | 74 | ... | 8 | 10 | 159 | 184 | 100 |
| <i>Papua New Guinea</i> | No | 68 | ... | 24 | 37 | 49 | 334 | ... |
| <i>Guinea</i> | Yes | 63 | 19 | 11 | 22 | 45 | 355 | 100 |
| <i>Mauritania</i> | No | 68 | 15 | 30 | 25 | ... | ... | ... |
| <i>Sierra Leone</i> | Yes | 59 | 18 | 4 | 2 | 11 | 97 | ... |
| <i>Liberia</i> | Yes | 77 | 12 | ... | 15 | ... | ... | ... |
| Recently discovered deposits⁵ | | | | | | | | |
| Oil and gas | | | | | | | | |
| <i>South Sudan</i> | Yes | 37 | ... | ... | ... | 762 | 3 876 | ... |
| <i>Uganda</i> | Yes | 87 | 15 | ... | ... | 450 | 623 | 100 |
| Minerals | | | | | | | | |
| <i>Afghanistan</i> | Yes | ... | ... | ... | ... | 120 | 1 786 | ... |
| <i>U. R. Tanzania</i> | No | 77 | 18 | ... | ... | 130 | 137 | 100 |
| <i>Lao PDR</i> | No | 84 | 13 | ... | ... | 95 | 23 | 100 |
| <i>Burkina Faso</i> | No | 39 | 21 | ... | ... | 82 | 596 | 58 |
| <i>Malawi</i> | No | 87 | 15 | ... | ... | 12 | 62 | 100 |
| Both | | | | | | | | |
| <i>Ghana</i> | No | 81 | 24 | ... | ... | 692 | 567 | 100 |
| <i>Niger</i> | No | 37 | 17 | ... | ... | 92 | 916 | 91 |

Notes: The countries included in the table are those with youth literacy rates below 90%. Cambodia, Côte d'Ivoire, Madagascar and Mali are also set to increase extraction of natural resources in coming years, but the potential quantity of exports is not yet known. Countries in italics are the seventeen included in the aggregate figure used in the text.

1. According to the list of conflict-affected countries compiled for the 2011 EFA Global Monitoring Report.

2. 'Potential extra education funding from natural resource revenue' is based on assumptions that (a) governments increase the share of revenue raised from natural resource exports to 30% for mineral-rich countries and 75% for oil- and gas-rich countries and (b) governments spend 20% of the extra revenue (i.e. above what is already being raised) on education. Because Iraq and Yemen already raise more than 75% from oil exports, and Mauritania 30% of minerals exports, there is no extra education funding available.

3. Pupil unit costs were calculated for primary school and lower secondary school using either EPDC and UNESCO (2009) costings (therefore including improvements in quality) or actual unit costs as reported in the statistical tables of this Report. For countries where data were unavailable, an income group average was used.

4. For countries with available data, the potential number of pupils that could be funded was capped at the number of current out-of-school children, with funds remaining in many cases. For countries without out-of-school figures, the total number of pupils that could be funded is shown in italics. The inclusion of this number does not mean that there are necessarily that many children out of school.

5. For countries with recently discovered deposits, an annual average over 2010–2015 of current IMF projections on exports for natural resource revenue was used to calculate potential education funding.

Sources: EFA Global Monitoring Report team calculations (2012) based on IMF Article IV reviews and EPDC and UNESCO (2009); Annex, Statistical Tables 2 and 9.

98% of South Sudan's revenue has been from oil, badly exposing it to price changes

to send all primary school-aged children to school. The challenge will be to gradually increase the capacity of the education system, manage oil funds efficiently and work towards a more diverse economy with less dependence on oil. The government has derived 98% of its revenue from oil, which leaves it badly exposed to drops in world prices such as those witnessed during the world financial crisis of 2008–2009 (IMF, 2011b).

Countries that have recently discovered natural resource riches are in a unique position to tackle these challenges, as they can learn from the experience of others, and vastly extend access to primary and secondary schooling. In countries such as Ghana, new oil discoveries could complement mineral wealth to provide additional

development spending (Box 2.6). The extractive industries boom is reaching all corners of the world, and the opportunities are significant (Figure 2.9):

- In the Lao People's Democratic Republic, revenue from copper and gold mining in 2012 will be worth more than double its value in 2008, which could double the education budget.
- In the Niger, oil and uranium extraction is set to increase massively between 2011 and 2016. Maximizing government revenue could send nine out of ten out-of-school children to primary school.

Box 2.6: Ghana's natural wealth: a new source of education financing

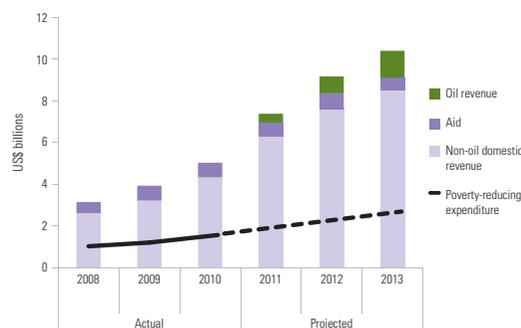
Ghana's strong record on governance and development allows for cautious optimism about how it will manage its newly discovered oil riches to reduce poverty. In coming years, oil revenue is expected to make up a larger proportion of government income than aid.

Oil revenue started to flow into government coffers in 2011, and the Petroleum Revenue Management Act was passed in April of that year. The Act stipulates that 50% to 70% of oil revenue will be spent through the regular budget, with a minimum of 70% going to twelve priority sectors, including human resources development and education. The remaining 30% to 50% will be put into a heritage fund (a savings fund) and a stabilization fund. Transparency is to be guaranteed by following EITI principles and adhering to a strong framework of public accountability. Reports on revenue are to be published in national newspapers and the oil funds are to undergo annual external audits.

Ghana is set to use both oil and non-oil revenue to double expenditure on reducing poverty between 2009 and 2013, which is likely to benefit education and other social sectors. The new oil wealth will be supplemented by greater revenue collection on the country's existing gold riches, with corporate taxes on mining set to increase from 25% to 35% and a new windfall profit tax of 10% to be introduced.

Figure 2.8: Ghana's increased revenue is set to boost expenditure on reducing poverty

Actual and projected government revenue and poverty-reducing expenditure, 2008 to 2013



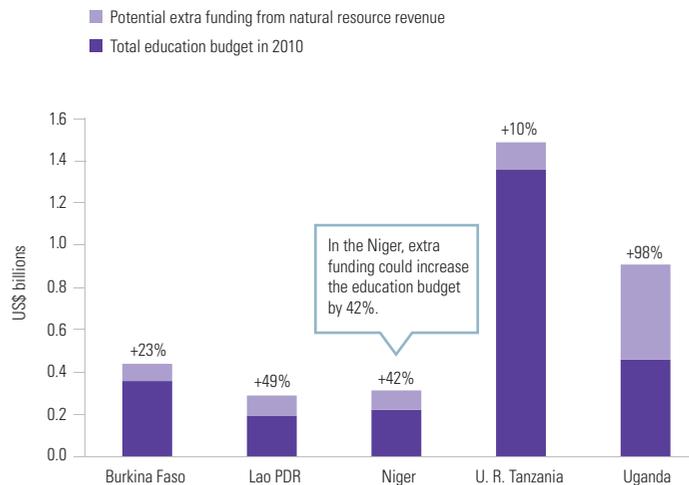
Source: IMF (2012a).

If Ghana were to maximize revenue from oil and mineral wealth as outlined in Table 2.4, the education budget could increase by 43%, and all children and adolescents currently out of school could have access to primary and lower secondary education.

Sources: IMF (2012a); Ghana Ministry of Finance and Economic Planning (2010).

Figure 2.9: Natural resource revenue could significantly increase education budgets

Potential extra funding from maximizing natural resource revenue relative to 2010 total education budget, selected countries, in billion US dollars



Note: Maximizing natural resource revenue is assumed to take place in two steps: (i) an increase in the share of revenue from natural resource exports to 30% for minerals and to 75% for oil; and (ii) the allocation of 20% of this additional revenue to education.

Source: EFA Global Monitoring Report team calculations (2012) based on UIS database and IMF Article IV reviews.

- In Uganda, following recent oil discoveries, the government's total budget is set to almost double by 2016. This could lead to a doubling of the education budget and send all primary and lower secondary school-aged children to school.

Conclusion

The potential for natural resource revenue to finance the achievement of EFA and other development goals is enormous. With commodity prices increasing and new exploration and extraction opportunities arising, developing countries – with those in sub-Saharan Africa at the forefront – could raise sums vastly surpassing what they currently receive from aid donors.

For the seventeen countries with available data, total extra funding for education from natural resource revenue could reach US\$5 billion a year. This is equivalent to two and a half times the amount that these countries received in aid

to education in 2010. Ensuring that 'old' and 'new' resource-rich countries maximize the revenue they get from extractive activities, that funds are managed efficiently and transparently, and that a good share is spent on education should be central concerns for EFA actors: international organizations, national and international civil society groups, donors and governments.

To encourage fair and productive use of natural resource revenue, education advocates should concentrate on three fronts. First, they should support EITI and other transparency and fair taxation measures, pushing all governments to comply with their standards. Second, they should get involved in national debates on the use of natural resource revenue, and make the case for education as a long-term investment essential to diversify the economy and avoid the resource curse. Third, each country should explore options to ensure that this income is spent on education.

Education advocates should make the case for natural resource wealth to be spent on education

Policy focus: Harnessing the potential of private organizations

Given the acute need for resources to support Education for All and the gloomy outlook for international aid in filling this gap, private organizations are increasingly seen as a potential source of finance. Private foundations and corporations engage in education in many different ways and with very different motivations, ranging from altruistic philanthropy to self-interested investment. They channel hundreds of millions of dollars to education in developing countries annually, but a lack of transparency and accountability limits the evidence available about the magnitude and effectiveness of this support to education.

According to analysis for this Report drawing on publicly available information from the largest private foundations and corporations based in rich countries, such organizations provide an estimated US\$683 million per year to support education in developing countries.⁵ While this is a drop in the ocean compared with national education budgets, and equivalent to just 5% of aid from donor countries that belong to the OECD-DAC, private contributions have the potential to catalyse innovation, advance policy reform and address the education needs of marginalized populations.

Private organizations could do much more to realize this potential, not only by dramatically increasing their funding, but also by aligning their activities better with EFA objectives and building more effective partnerships with the EFA community – national governments, civil society groups and other donors.

Mapping contributions of private organizations to global education

The two broad types of private organizations that support activities related to EFA, foundations and corporations, are influenced by different objectives and operate in different ways (Box 2.7).

A lack of comparable information makes it difficult to measure their total contribution.

On one estimate, private contributions to all sectors originating from OECD-DAC countries amounted to over US\$50 billion in 2008–2010,⁶ compared with around US\$120 billion for official development assistance (ODA) from governments (Center for Global Prosperity, 2012). While these figures look impressive, education benefits very little. US foundations, for example, give around 8% of their grants to education, compared with 53% to health. As much as 90% of corporate contributions are from pharmaceutical companies (Center for Global Prosperity, 2012).

Contributions to education come in a variety of shapes and sizes. A review for this Report identified spending of around US\$683 million a year by key foundations and corporations based in DAC-member countries, on activities specifically related to education in developing countries.

Funding from foundations is low compared with official aid

Among thirty philanthropic foundations surveyed, nineteen provide publicly available financial information on their programmes in ways that allow their funding for education in developing countries to be identified. Their contributions total around US\$135 million a year. This is likely to be an underestimate because information on some key foundations, such as the Aga Khan Foundation, is either not available or not sufficiently detailed.

Among foundations with data, only five provide more than US\$5 million a year. These five account for 87% of the total amount from foundations (Table 2.5). Their contributions are comparable with aid to education from some of the smallest government donors, such as Luxembourg and New Zealand (Figure 2.11).

5. This section draws heavily on van Fleet (2012), which includes the full list of organizations reviewed.

6. This estimate covers contributions from foundations, corporations, voluntary organizations, religious organizations and academic institutions.

Contributions from private organizations amount to 5% of aid to education

Box 2.7: The many faces of private contributions to education

Discussions about contributions by private organizations to global education often mix very different types of involvement. The motivation for engagement of foundations and corporations can be placed on a continuum between philanthropy and corporate interest, with corporate social responsibility falling somewhere in between (Figure 2.10).

Foundations. The activities of philanthropic foundations are generally the most comparable to aid from DAC donors. Some of the foundations that contribute to education, such as the William and Flora Hewlett Foundation, are supported by personal wealth. Their activities are commonly not directly related to corporate goals. Others, such as the MasterCard Foundation, are established by a corporation but operate independent of corporate oversight and have their own programmes, separate from any business interests. They rarely run their own projects but instead channel their funds to other organizations, usually local or international NGOs. Some also engage in advocacy aimed at influencing policy.

Corporations. The involvement of corporations differs widely in terms of how closely it is tied to core business activities. It can be divided into three broad subcategories. First, some corporations make contributions towards education in developing countries through grants to NGOs or international organizations, which is classified here as 'corporate giving'. This is the subcategory most closely aligned to philanthropic

motives. About 78% of the surveyed US Fortune 500 corporations that made contributions to education channelled at least some of them through international NGOs. All of ING's US\$13 million contribution to global education since 2005 has been spent on a partnership with UNICEF. Other corporations, such as Nike, channel their contributions through a foundation or trust housed within the company, with corporate executives serving on the governing board.

Second, companies with activities in developing countries undertake 'social investments' in sectors such as education as a form of corporate social responsibility. Some corporations, typically oil and mining companies, are contractually obliged by governments to invest in social sectors. For example, the Hess Corporation, which operates oilfields in Equatorial Guinea, has contributed US\$20 million over five years towards reform of the education system, including building model schools and providing teacher training.

Third, companies may supply products or expertise, sometimes through a partnership with a government. Companies in the field of information and communication technology (ICT) have been particularly active in providing training for teachers or students. For example, the Cisco Networking Academy is a global programme that trains students to create and maintain computer networks.

Sources: van Fleet (2011, 2012); ING (2012).

Figure 2.10: The motivation of private engagement in education ranges from philanthropy to corporate interest



Figure 2.11: Education funding from the largest foundations is dwarfed by donor aid

Contributions towards education from the five largest foundations and total aid to education from selected government donors, 2009-2010 or closest available year



Notes: Around two-thirds of the US\$15 million annual average from the William and Flora Hewlett Foundation originally came from the Bill & Melinda Gates Foundation. In most cases, the amount of support to education in developing countries had to be estimated using aggregate data from foundations.

Sources: Annex, Aid Table 2; Carnegie Corporation of New York (2011); Ford Foundation (2011); MasterCard Foundation (2010); William and Flora Hewlett Foundation (2010); van Fleet (2012).

Table 2.5: Funding provided by foundations identified as supporting education in developing countries

| Annual average funding | Foundations | Share |
|---------------------------------|--|-----------------|
| More than US\$5 million | Ford Foundation, William and Flora Hewlett Foundation, MasterCard Foundation, Open Society Foundations, Carnegie Corporation of New York | 87% |
| Between US\$1 and US\$5 million | Michael and Susan Dell Foundation, Kellogg Foundation, MacArthur Foundation, Bernard van Leer Foundation | 10% |
| Less than US\$1 million | Jacob and Hilda Blaustein Foundation, Global Fund for Children, Global Fund for Women, International Community Foundation, Unbound Philanthropy, d.o.b. foundation, International Development Exchange, Voxtra, Roger Federer Foundation | 3% |
| Total | | US\$135 million |

Source: van Fleet (2012).

The largest corporate contributors are ICT and energy companies

Through publicly available information for the world’s 100 top revenue generating companies and a survey of Fortune 500 companies in the United States, 103 were identified for the analysis in this Report as contributing to education in developing countries. However, only fifty-six provided financial information on the size of their contributions, most of them confidentially.⁷

Contributions towards education in developing countries from these corporations amount to

7. For 14 of the 103 identified corporations it was possible to estimate annual funding for education in developing countries using publicly available data. A further 42 provided this information confidentially; it has been used to estimate the aggregate amount but the donors cannot be listed individually.

an estimated US\$548 million a year. This is four times the amount identified as coming from foundations. It is concentrated among just a few contributors: around 71% comes from five corporations that each report giving more than \$20 million a year.

Most corporations that contribute over US\$5 million a year to education are ICT or energy companies, and their activities fall into the ‘social investment’ or ‘supply of goods and services’ category. For example, Cisco Systems and Intel each report spending over US\$100 million a year on education in developing countries, much of which is in-kind contributions (Table 2.6).

Private contributions are seldom aligned with EFA goals

The contributions of most foundations and corporations are not strategically coordinated with the broader global EFA framework. In terms of recipients, middle income countries tend to attract these donors’ interest more than low income countries.

In terms of the EFA goals, about 75% of the foundations and 70% of the corporations surveyed reported supporting primary education. Nearly half contribute to youth and adult skills, including a large programme of the MasterCard Foundation. The skills focus generally includes science, technology, financial literacy and entrepreneurship (van Fleet, 2012). Corporations that pay attention to activities associated with goal 3 are likely to do so because a skilled workforce is of direct interest to their needs. Some, such as the Nike Foundation, pay attention to gender equity and girls’

Table 2.6: Corporations spending above US\$5 million a year on education (2010 or closest available year)

| Corporation | Industry | Annual (US\$ million) | Corporate giving | Social investment | Supply of goods and expertise | Examples | Where? |
|-----------------|-----------|-----------------------|------------------|-------------------|-------------------------------|--|-------------------------|
| Aviva | Insurance | 7 | X | | | Street to School (urban youth programme) | China, India |
| Banco Santander | Banking | 124 | X | | X | University networks and scholarships (83%); other scholarships; youth programmes | Latin America |
| Cisco Systems | ICT | 120 | X | | X | Cisco Networking Academies (93%); grants to organizations | World |
| Citigroup | Banking | 5 | X | | | Secondary education; youth training | Africa, Brazil, India |
| Coca-Cola | Food | 24 | X | X | | Grants to organizations | World |
| ExxonMobil | Oil | 24 | | X | | Technology; vocational training for women | Oil-producing countries |
| Intel | ICT | 100 | X | | X | Teacher training in ICT; ICT access in classrooms | World |
| Repsol YPF | Oil | 8 | | X | | Primary and secondary education; youth training | Oil-producing countries |

Note: In most cases, the amount of support to education in developing countries had to be estimated using aggregate data from corporate social responsibility reports. *Sources:* Aviva (2011); Banco Santander (2012); Citigroup (2011); ExxonMobil (2011); Intel (2011); van Fleet (2012).

education. A few place a special focus on early childhood education, such as the Open Society Foundations and the Bernard van Leer Foundation. Others, notably the William and Flora Hewlett Foundation, pay particular attention to improving the quality of education (Box 2.8). Adult literacy, the goal that is probably most neglected in the EFA agenda, also appears to receive the least attention from private organizations. Only 18% of surveyed foundations indicate support in this area.

It is difficult to translate this information into the amount of money available for each goal, since the reporting of foundations and corporations is not broken down in this way. However, in terms of the volume of funding, higher education appears to receive more attention than the EFA goals as a whole. Two of the foundations giving the most to education (Carnegie Corporation of New York and Ford Foundation) and the corporation giving the most (Banco Santander) directed over 80% of their grants to developing countries in 2010 towards scholarships and support for higher education institutions. While higher education certainly needs more funding, the fact that many poor children and young people do not even complete primary school means that such investment is not sufficiently targeted at the disadvantaged.

Foundations tend to focus their efforts on countries most in need, whereas corporations typically disburse to regions of strategic importance to them. The most frequent recipients of the ICT sector's education contributions are Argentina, Brazil, Chile, China, India and Mexico (van Fleet, 2011).

Private interests and public policy: too close for comfort?

Over the past decade aid donors have improved aid effectiveness by working to strengthen government systems. But this approach is not common among private organizations, particularly corporations, which contribute the largest amount of resources.

The work of some domestic foundations shows that they can support broader government efforts in education in ways that can have a large impact. In India, Azim Premji, chairman of Wipro, one of the largest ICT corporations in India, transferred US\$2 billion worth of shares from his company to found the Azim Premji Foundation, which aims to improve the quality of the public education system. Over the past ten years, the foundation reports, it has reached over 2.5 million children in 20,000 schools across thirteen states in India (Azim Premji Foundation, 2012; Bajaj, 2011; The Times of India, 2010; van Fleet, 2012).

The private sector gives least attention to adult literacy, the most neglected EFA goal

Box 2.8: Leveraging private resources to improve the quality of education

Through strategically focused grants, foundations can achieve a broader influence in education policy debates.

Since 2008, the William and Flora Hewlett Foundation, with support from the Bill & Melinda Gates Foundation, has developed the Quality Education in Developing Countries initiative, focused on Ghana, India, Kenya, Mali, Senegal, the United Republic of Tanzania and Uganda.

One of the initiative's areas of emphasis has been generating data on learning outcomes in developing countries. For example, in India it gives funding to Pratham to assist the NGO in conducting its Annual Status of Education Report, the world's largest non-government household survey collecting data on learning outcomes of primary school children. In East Africa, the initiative supports Uwezo, which has adapted Pratham's survey to the region.

Reporting of the results of these assessments has been instrumental in promoting national debate on the quality of education in the countries concerned. While the initiative's investment is modest, it highlights the potentially innovative role of philanthropy in improving learning and catalysing policy dialogue.

Source: van Fleet (2012).

Some corporations may provide genuine value to education systems even if this directly benefits their business strategies. This is particularly true for ICT companies. One example concerns the Assessment & Teaching of 21st-Century Skills research project. As part of this initiative, Cisco, Intel and Microsoft contributed ideas on how to develop the assessment of ICT skills in the Programme for International Student Assessment (PISA) (van Fleet, 2012). Intel recognizes that its corporate success depends on 'young people having access to a quality education and technology' (Intel, 2011, p. 16). Yet even if such activities add value, they need to be subject to scrutiny. In Egypt, where the Intel Teach programme works with the Ministry of Education, teachers must take Intel Teach or an equivalent computer course to receive a promotion (Intel, 2011).

Such scrutiny is not easy, because private organizations do not face the same level of accountability as governments or aid donors. And there is a risk that they may exercise unwarranted influence over education policy. Pearson announced in July 2012 that it was launching the Pearson Affordable Learning

Fund with US\$15 million to invest in private companies seeking to identify affordable ways to improve learning outcomes. The first investment of the fund is a stake in Omega Schools, a privately held chain of for-profit schools in Ghana. This follows Pearson's investment in 2010 in Bridge International Academies, a chain of low fee private schools in Kenya. Promoting private schooling is closely associated with Pearson's business interests. Since these schools commonly operate independently of governments, it is not clear, however, how such an approach will help achieve Pearson's commitment at the Global Partnership for Education replenishment meeting to strengthen and improve national education systems (Global Partnership for Education, 2011b; Pearson, 2012).

Towards more productive engagement

The greater involvement of private organizations is a welcome move towards increasing funding and raising the visibility of education needs in poor countries. For their engagement to support EFA effectively, however, there is still a long way to go.

Transparency on funding and impact is vital

As a crucial first step, all private organizations should provide information on their commitments, including the amounts allocated and how they are spent. This would allow scrutiny to ensure that business interests do not override collective goals, while also giving information on the amount of resources available to fill the EFA financing gap.

At present, few report such information. Private organizations made a joint statement outlining their commitments at the Global Partnership for Education replenishment meeting in Copenhagen in 2011. But many private organizations were unwilling to reveal details of their commitments publicly. As a result, there is no way of knowing whether they keep their promises. It is also not possible to tell whether the pledge to spend on education in developing countries made by the private sector at the replenishment conference referred to previously planned investment

or additional commitments. If private organizations want to make a genuine contribution to collective education goals, they should make public their current and future spending plans, in the same way expected of national governments and aid donors.

By the same token, to have a lasting impact on EFA, private organizations need to provide sufficient funding over several years to assure the sustainability of initiatives, because education is a long-term endeavour. Some philanthropic foundations, such as the MasterCard Foundation, the Firelight Foundation and the Roger Federer Foundation, make multi-year commitments to their grantees. However, most contributions, particularly from corporations, tend to be short term (van Fleet, 2012).

Private organizations often publicize the details of their interventions. According to their brochures, IKEA will support the education needs of 10 million children between 2009 and 2015, Intel trained 10 million teachers in more than seventy countries in the last twelve years, and the UBS Foundation aims to spend five years improving the lives of 200 million children under the age of 5 (IKEA, 2012; Intel, 2012; UBS, 2009). But how these results are substantiated remains unclear. Impact evaluations seldom exist or are not easily accessible, especially in the case of corporations.

Private organizations should align their support with government priorities

The contributions from private organizations would be more effective if they were coordinated with governments and driven by countries' needs. The Global Business Coalition for Education is one promising way forward since it operates within the framework of EFA goals (van Fleet, 2012).

Another way private organizations could support government education efforts would be to channel some of their funding through a pooled mechanism. Global health funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, have been successful in this regard. But the main existing mechanism in the education sector, the Global Partnership for Education, has not yet played this role effectively.

At present, the private sector has a say in the partnership's policy direction via a seat on its board, yet pledges made by foundations and corporations at the partnership's replenishment meeting will not be disbursed through the pooled funding mechanism.

There is no administrative or legal reason for private organizations not to channel resources through the Global Partnership for Education, so why does the partnership seem to be less attractive than global health funds? First, the partnership may not yet be sufficiently recognized as an effective mechanism for funding education, capable of disbursing resources quickly and linking results to funding. Second, activities may need to be identified that are both consistent with the partnership's priorities and sufficiently attractive to private organizations. Third, education needs private sector champions that will lead by example. The drive of the Bill & Melinda Gates Foundation has given visibility and credibility to the Global Fund to Fight AIDS, Tuberculosis and Malaria, encouraging the involvement of other private organizations.

Conclusion

Private organizations contribute to EFA in several ways, but the limited data available on the size of their contributions suggest that the education sector is not a prime destination of their resources. Their support is equivalent to 5% of what was spent by official donors on education in 2010 – and of that only a small share is spent on EFA priorities.

Calls for the increased involvement and funding of the private sector in education need to be accompanied by measures to ensure that partnerships are more balanced. Foundations and corporations keen to support EFA should be much more transparent about how much they are investing, where, and what the results are. And governments, donors and non-governmental and multilateral organizations that want to bring private organizations into EFA partnerships should specify more clearly how the private sector can contribute to collective efforts.

The private sector should be transparent about its investments in EFA