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## **Strategies for financing of education: A global view**

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# Strategies for financing of education: A global view

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A series of unrelated recent events provides an opportunity to rethink finance for education:

- Relative success in terms of increasing primary enrolments has created a huge pressure to expand secondary and tertiary education, complemented by the demands of the growing global middle class for their children's education, but has also highlighted the quality issue, represented in part by the shortage of teachers particularly in Africa.
- The global financial crisis challenges developing country governments and donors alike to maintain spending, reminds us of the need for spending to be effective and efficient, and also creates new pressure to pay attention to skills for work.
- An increasing volume of analysis and advocacy on transparency in education spending, largely by civil society organizations, illustrates the serious issues of the diversion of funds in education and of teacher absenteeism.
- More results are now available from randomized evaluations in terms of what works in education, especially at the primary level.
- The importance of a special focus on the fragile states, especially those affected by conflict, is now widely recognized.
- The emergence of new donors for education and the recent evaluation of the Education for All Fast Track Initiative (FTI) raise many questions not only about the FTI itself but about aid for education in general.
- The decision of the Leading Group on Innovative Financing for Development to establish a Task Force on Education starts to fill a huge gap in education compared, say, to health.
- New top management at the major multilateral institutions concerned with education opens up new possibilities for more effective role definition and collaboration – a new Director-General and Assistant Director-General at UNESCO, a new Executive Director and Associate Director for Education at UNICEF, a new Vice-President for Human Development and Director of Education at the World Bank, and a new Board Chair and Secretariat Head of the EFA Fast Track Initiative.

This short essay is intended to stimulate thinking for the IWGE Stockholm meeting on 7-8 June with its theme of education finance. As such, it is neither a research paper with new evidence nor a synthesis of existing findings. Rather, after a quick survey of recent global trends in education and education finance, it is a call to address a series of overlapping issues in education finance.

## **Trends in the 21<sup>st</sup> Century**

The first eight years of this century witnessed an unprecedented advance in education enrolments. According to UNESCO's Education for All Global Monitoring Report 2010, between 1999 and 2007 the net enrolment ratio in primary education rose from 80 to 86 percent in developing countries, the number of primary school age children out of school fell from 105 million to 72 million, the gross enrolment ratio in secondary education went up from 52 to 61 percent and that in higher education from 11 to 18 percent. But the poorest countries in sub-Saharan Africa still lag behind, with the same enrollment ratios at only 73, 34 and 4 percent, respectively in 2007 and there is a particular issue for countries affected by conflict. These increases in enrolments were driven largely by shifting attitudes towards girls' education (the gender parity index in primary education for all developing countries improving from 0.92 to 0.97), by the abolition of school fees and similar obstacles to enrolment at the household level, and by sustained global economic growth, making it possible to consistently expand real public spending on education.

Relative success in terms of primary enrolments, even though there are now some signs of a slowing down in the pace, has not been matched, however, in terms of quality. It is now widely acknowledged that there is a crisis in educational quality in developing countries and that children are not learning what they should. Concerned as it is with finance, this paper does not repeat the well known evidence on this point. Note, however, that this evidence, including not just the standard international assessments but also from newer sources such as early grade reading assessments and citizen surveys (such as those of Pratham in India and Owezo in Kenya, which assess all children in a household against grade 2 standards), indicates that the learning problem begins very early in primary school and requires a focus on basic reading and mathematics from the start. From a financing point of view, the issue is more what to do about this lack of learning – some of it has to do with teacher supply (class sizes being still impossibly large in many countries with recent rapid enrolment expansions) and hence with the level of funding but much to do with teacher training, teacher presence (absenteeism often being very high) and teacher expectations of students, none of which are about the level of funding but more about how it is used.

Despite the huge progress made in primary enrolments, massive financing gaps remain for basic education. The latest EFA Global Monitoring Report puts the global gap at \$16 billion a year, though many donors are skeptical of this, citing alleged absorptive capacity constraints. In addition, it is highly unlikely that developing countries will be able to afford to provide universal access to secondary and tertiary education using current delivery models. Lewin's analysis, for example, indicates that more than an additional 3% of national income would be needed to achieve gross enrolment rates of 60% at lower secondary and 30% at upper secondary in low enrolment countries with existing cost structures. There are no recent systematic estimates of the global financing needs of rapidly expanding secondary and tertiary education, but it will certainly be difficult for developing countries, whose spending already amounts to some 4% of national income, to meet these needs, except, as in East Asia and Latin America, where demographic trends towards lower fertility are also working to reduce financing needs at primary school.

All told, it is clear that the quality issue in basic education is accompanied also by a financing issue for education as a whole. The two are linked in a dangerous way, however. Most attention at international meetings this decade has been on the basic education financing gap, rather than on the effectiveness and efficiency of current spending. As the full extent of the quality problem now emerges, as does alarming evidence from NGOs monitoring

absenteeism and the diversion of public spending<sup>1</sup>, the attention to financing gaps could backfire if it is not accompanied also by renewed attention to effective spending.

This overall financing issue is now compounded by the effects of the global financial crisis. These are not easy to summarize, both because of the lack of any systems of real-time monitoring but also because, now that recovery has largely begun, it is not yet clear what will be the structural consequences of both developing countries and donors now reducing the public spending deficits that they largely – and wisely – used to overcome the crisis.

A financial crisis could be expected to have an impact on education through cuts in actual or planned public spending on education (resulting in lower enrolments than would otherwise have occurred) , through parents' withdrawing their children from school because of an inability to afford the household costs (direct and indirect), through parents reducing spending on tutoring out of school, and through cuts in aid from rich countries. Evidence is sparse on all these aspects, as it is on the impact on enrollments. Let us briefly examine each in turn:

- Public spending on education. The picture is mixed. Many countries, such as China, Korea, Thailand and the USA, increased public spending on education as part of their crisis response. Many others, however, had no scope to do so and have had to cut education as a share of public spending, including Benin, Ghana, Lesotho, Rwanda and Tanzania. Based on past experience and evidence from cross country data, household surveys and qualitative studies, an as yet unpublished World Bank study by Lewis and Verhoeven (2010) shows that countries are more likely to protect education spending (compared to that for health) in a downturn and to increase spending more sharply after a crisis; and that it is the lowest income countries that are most likely to curtail spending while upper middle income countries raise spending.
- Household costs. Reduced household spending might lead to withdrawing children from school as education spending is diverted to food and other immediate necessities. There is as yet little evidence on what has happened. It might also lead to parents with children in private schools instead sending them to free public schools – again, there is little evidence that this has happened though there has apparently been some cascade effect of parents shifting children from more to less expensive private schools.
- Tutoring. There is no evidence on what has happened to tutoring payments during the recession. Here it is worth remembering that these payments by parents are now very significant around the world, amounting to perhaps as much as one percent of GDP on average, or equivalent to fully a quarter of what governments spend on education<sup>2</sup>.
- Aid. Overall, the evidence is that donor funding declines when OECD countries face a downturn and indeed this appears to be happening, notably for the Netherlands where both the overall aid level has declined as a result of its linkage to GDP and where the share of education has also been reduced. More generally, recent OECD figures indicate that several donors are off-track to meet the commitments they made in 2005 to increase global aid by \$50 billion by 2010<sup>3</sup>. The difficulties faced in replenishing

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<sup>1</sup> See, for instance, the education work under R4D's Transparency and Governance program and also the results of Transparency International's support for analyzing education spending, both supported by the Hewlett Foundation.

<sup>2</sup> This figure is deduced from those for specific countries summarized in the work of Mark Bray e.g. The Shadow Education System (IIEP).

<sup>3</sup> The looming aid needs of any global climate change agreement are also likely to reduce aid availabilities for sectors currently receiving support.

the FTI Catalytic Fund may be another indicator – even countries that have increased their commitment, such as France, have done so by making offsetting cuts in their bilateral education aid programs. On the other hand, several new donors are now emerging for education, notably Russia, China, Korea, Gulf states such as UAE and Qatar, and private foundations such as Dubai Cares and the Hewlett Foundation.

- Enrollments. The crisis underlines dramatically the need in education to have something akin to the sentinel sites for disease incidence in the health sector. Absent such real-time monitoring, all we have so far are estimates. The latest World Bank MDG Global Monitoring Report confirms that spending on education has largely been protected so far but suggests that some 350,000 students may be unable to complete primary school by 2015 compared to what was expected prior to the crisis and that the pace of closing the gender gap in both primary and secondary education will slow.

### **Resulting issues**

This short overview would seem to point towards seven overlapping issues that will or should dominate education financing in the next decade or so, at both domestic and international levels:

1. The need for more global public goods in education – while we are beginning to get a reasonable idea of what works at the primary level, there is almost no evidence on what works for secondary, vocational and tertiary education, not to mention the precarious state of education statistics and monitoring.
2. The need for innovation – since both meeting the global primary school teacher gap and also expanding current patterns of education at the secondary and tertiary levels in developing countries are simply not feasible, new ways have to be found to do things.
3. Revisiting cost recovery, cost sharing and the private sector – it is hard to imagine how the financing needs of secondary, vocational and higher education can be met without financial contributions by the students and their families and without involving the private as well as the public sector.
4. Making the case for international financing of education – the financial crisis has confirmed that, while parents and governments in developing countries have heard the message about the importance of educating their children, the international community does not see education as a high priority for external support.
5. Making existing aid more effective and holding existing donors to their commitments – even those countries that currently support education internationally will find it increasingly difficult to justify this to their domestic taxpayers if they cannot show results.
6. Organizing and encouraging new donors in education – the emerging donors should not necessarily do what the existing donors do but it would also be unfortunate if they continue to operate separately and apart from the rest of the international community.
7. Developing new and innovative sources of finance for education – the financing gaps at all levels of education cannot be fully met through public revenues and aid, so new sources are needed, drawing on experience in other sectors.

Each issue is now discussed in turn. Given that the IWGE is a meeting of donors, there is particular attention to the international dimensions of each issue.

## 1. The need for more global public goods in education

Education finance is not used as effectively as possible for the simple reason that there is insufficient knowledge about what works and insufficient access to such knowledge as does exist. This is not a new argument, having been made most cogently by Birger Fredriksen in a paper for the December 2008 EFA High Level Group meeting who noted: “(i) low aid agency capacity to deliver global public education goods; (ii) declining strength in the technical staff of financing agencies; (iii) reduced access to aid-financed technical support by developing countries; (iv) inefficient coordination and quality assurance of technical support; and (v) ineffective modalities to support capacity building.”<sup>4</sup> Fredriksen argues that these developments have been an unintended consequence of the otherwise positive shift toward multi-sectoral operations and general budget support which have “tended to reduce aid agency budgets for education specialists and to shift responsibility for education sector dialogue to generalists and macroeconomists” and “reduced the access of education ministries to aid-financed technical support.” While Assistant Director-General for Education at UNESCO, I also frequently contrasted UNESCO’s education budget of approximately \$100 million a year (including extrabudgetary sources) with the World Health Organization’s budget of about \$2 billion, some twenty times higher.

The long decline in UNESCO’s real budget for education over the last 30 years has led to an inefficient international pattern of research and knowledge management about education, with other agencies such as the World Bank, UNICEF and DFID very reasonably trying but only partially succeeding in filling the gap. There is a striking contrast with the state of knowledge about education in developed countries, where the OECD plays a valuable clearinghouse role, though even this could be more comprehensive; it is also worth noting that there is considerable convergence across countries at all income levels on the principal issues in education: quality at all levels, 21<sup>st</sup> century skills for the worlds of work and citizenry; and financing ever-expanding enrollments. In addition, while many foundations finance the education of individuals, only the Hewlett Foundation consistently supports the development of evidence on education systems, in striking contrast to the situation in health with enormous foundation support for evidence-building, led by the Gates Foundation.

The most recent example of the insufficiency of global public goods in education is the implications of new work using randomized evaluation methodologies in education – much is now known but it is not readily available to decision-makers in developing countries or to education staff in aid agencies. Even aside from this recent evidence, there has long been a problem in obtaining timely, internationally comparable statistics on education and, especially, on education finance<sup>5</sup>. And there are no systematic global ways for developing countries to learn from each others’ experience.

Not only is there a problem in making research findings available to decision-makers, there is a real lack of research in education compared to many other fields, in part reflecting the rather conservative nature of the sector, where most teachers teach as they were taught, and most administrators began their careers as teachers. Teacher training only rarely involves a serious exposure to research methods and the systematic application of empirical evidence.

This problem is only going to become more acute as the focus of developing countries’ education programs turns beyond primary access to encompass quality at all levels

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<sup>4</sup> Fredriksen, The Evolving Allocative Efficiency of Education Aid: A Reflection on Changes in Aid Priorities to Enhance Aid Effectiveness, The World Bank, 2008.

<sup>5</sup> Though the UNESCO Institute for Statistics does now have a program to try to improve the education finance data.

and access to secondary and tertiary education. At these levels the policy issues are more demanding and the evidence is less known and certainly less available. Here the problem is not only a lack of access to information but a lack of knowledge on what works, and especially on what works in terms of cost-effectiveness.

*Recommendations:*

- a) The new heads of the multilateral agencies concerned with education in developing countries could explore mutual collaboration on a joint program to provide more global public goods in education, particularly statistics, cross-country experience sharing, research evidence, research funding, and support for developing country research institutions and CSOs engaged in education sector monitoring<sup>6</sup>.
- b) If possible, they could explore involving also the OECD in this program.
- c) Bilateral donors – possibly working through the Fast Track Initiative, though its scope would have to be expanded beyond basic education -- could fund the program. Even if this were to involve a very minor diversion from their country support programs, there would be an effective payoff. Imagine, for example, what could be done with just \$300 million a year in such a program, out of the current DAC donors' aid to education budget of some \$11 billion.

Over time, such a collaborative program could lead to further harmonization and rationalization of the roles of the various multilateral agencies involved in education, which is itself important for making the case for increased international financing of education (see section 4).

## **2. The need for innovation**

Not only is the education sector characterized by a relative lack of demand for research but also by a lack of innovation. This is one of the key reasons identified in Liesbet Steer's ODI paper on aid for basic education as to why foundations tend not to support education. Beyond this relatively small but symbolically important aspect of foundation financing, however, it is clear that business as usual will not permit developing countries to educate the students who are increasingly demanding secondary and tertiary education. New ways of delivering education at these levels are essential.

There has been some important innovation, of course. The Escuela Nueva model of multigrade teaching for rural children, developed in Colombia, has now been successfully exported to several other countries – although there is still much resistance to such approaches among traditional teachers. Several developing countries are making use of various forms of open and distance learning, supported by technology, to achieve economies of scale and maximize the number of students that can be covered by the existing systems. The trend is most marked in large population countries. For example, 60 percent of secondary school students in Mexico graduate through distance learning programmes and the open secondary school system in India has over one million students. But there are also increasing numbers of smaller and poorer countries in Africa making use of open schooling. For example, Namibia and Botswana support 30 – 40% of their secondary school students through open learning programmes which are designed to complement the full time formal education system<sup>7</sup>. Distance education, including cross-border distance education, is also

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<sup>6</sup> The program could also support innovations in education (section 2) but this might better be done through a dedicated mechanism.

<sup>7</sup> Daniel, J. (2010). Mega-Schools, Technology and Teachers. Achieving Education for All. London, Routledge.

increasingly being used by both public and private higher education institutions and open educational resources are increasingly being advocated by the international community for higher education. These trends towards distance learning mesh well also with the broader trend towards lifelong learning.

Innovation must go beyond open and distance learning, however. For example, there is a huge global shortage of primary teachers, with the EFA Global Monitoring Report estimating the need for 1.9 million new teacher posts by 2015. These new teachers can simply not be provided by existing teacher training institutions operating as they have in the past – they will need major reform, abandoning such luxuries as the academic year and multiyear training while avoiding some of the problems that have become apparent now with several years’ experience of substituting contract or parateachers. And existing and new teachers need to adapt to the reality of large class sizes and adopt techniques to ensure adequate learning at the earliest grades under such circumstances.

Aside from individual governments’ public policies, how might innovation be stimulated? One idea is to establish an international Education Innovation Fund. Such a fund could adopt a venture capital approach, taking risks to find new mechanisms to deliver funds more effectively to achieve better results<sup>8</sup>. An obvious area to test with such a mechanism is results-based financing, ranging from the payment of teachers and administrators according to results to the “cash on delivery” approach to aid advocated by the Center for Global Development. The essence of the fund, however, would be to consider proposals from anywhere in open competitive rounds, and to finance their being tested against rigorous evaluation. Such a fund could also generate ideas that those of us in the established international community have never heard of – akin to Escuela Nueva some 30 years ago. In this context, it is instructive to see the considerable response that has been generated by the Hewlett Foundation’s Ashoka-run competition for effective ideas for achieving quality in primary education in Africa. Even without an international fund, individual countries could establish funding mechanisms to encourage innovation in both the public and the private sectors and individual donors could establish innovation windows in their aid programs.

*Recommendations:*

- a) The international community could establish an Education Innovation Fund to promote innovations in developing countries’ education systems.
- b) Donors could either finance such a fund or could include innovation components in their country programs.
- c) Foundations could be encouraged to jointly finance such a fund, directly or through innovative means.

### **3. Revisiting cost recovery, cost sharing and the private sector**

Whatever extra financing can be secured internationally, developing countries are not in general going to have sufficient public resources themselves to finance the huge enrollment bulge that is coming for the next 15 years or so, as relative success at the primary level is complemented with expensive programs to reach those still not enrolled in primary school and to pass those who are enrolled to the secondary and tertiary levels in ever greater numbers.

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<sup>8</sup> Such an Education Innovation Fund could itself also be financed in innovative ways, as discussed in section 7, but this is not logically necessary.



There is thus no option but to use both private financing and private delivery mechanisms to complement public financing and public schooling. This is a pragmatic, not an ideological point. Unfortunately, however, too much discussion of these issues is caught up in ideological issues. A recent example was the World Conference on Higher Education, held at UNESCO in July 2009, whose communiqué took enormous efforts to conclude, because of the insistence of some countries, especially but not only in Latin America, that higher education is a public good that should be publicly financed.

The reality is that education has some aspects of being a private good, benefiting the individual, and some of being a public good, benefiting all of society. The most striking, though possibly least well known, example of this is the application of Arrow's "learning by doing" work – an individual's productivity (and hence her wages) are related not only to her own level of education but also to the level of education of her co-workers. Differently, no sensible person would surely question that higher education contributes not only to the individual student and his future but also to societal good through such things as research, the supply of technocrats and other leaders, etc. At the basic education level, there is general agreement that education comes closest to being a pure public good, with all the known benefits that accrue to society as a whole from an educated citizenry, educated women, literate voters and so on, not to mention the idea of fairness that all members of society should have equal opportunity, regardless of their circumstances of birth. Where these arguments become most cloudy is at the secondary level, but there is no denying pragmatically that secondary students and their parents can more clearly see the benefits in terms of future employment and earnings from secondary education than they can from primary education.

For most developing countries, therefore, higher education - and probably at least some of secondary education - will likely have to become much more dependent on student fees. The key questions that then arise are those of fee levels, equity and loan mechanisms. These need to be approached rationally and non-ideologically, and without invoking unfinanceable interpretations of the Universal Declaration of Human Rights and other international instruments dealing with the right to education. They also need to be coupled with a review of the sub-sectoral distribution of public spending on education. Countries like Senegal, for instance, which spend something over 40 percent of the government budget on education, have little scope to reduce this budget share but enormous scope to reallocate it toward basic education (and, indeed, innovation) and away from the elite, including the children of Ministry of Education employees, who currently benefit from higher education spending. Detailed work is called for, on a country-by-country basis, to examine the allocation of public spending, its scope for reallocation to improve equity, the resulting need for cost recovery and cost sharing, and appropriate mechanisms that both achieve financial objectives and ensure equity of access. This work is most pressing at the higher level in terms of potential reallocations and at the secondary level in terms of immediate financing needs.

In addition to cost sharing, more use will have to be made of the private sector to deliver education. In some parts of the world, the private sector now accounts for the bulk of students at the higher level, notably in Latin America despite many governments' opposition to this at the recent World Conference! More use will likely have to be made of the private sector also at the secondary level. It is important to stress that the private sector might better be labeled the "non-public" sector as it encompasses a wide range of NGO and faith-based educational institutions as well as for-profit schools and colleges. Increased reliance on the private sector, coupled with existing trends toward decentralization within the public sector at all levels (school-based management, autonomous public universities, etc.) will also mean

renewed attention to the regulatory framework as an instrument of public policy rather than as a simple mechanism of control<sup>9</sup>.

This section has deliberately avoided discussion of controversial mechanisms such as educational vouchers. The section is not advocating choice and market mechanisms as such<sup>10</sup>, but rather arguing that a pragmatic approach to meeting developing countries' educational needs requires them to utilize cost recovery, cost sharing and the private sector. This is what the most successful countries such as Korea have done.

The discussion also has important implications for donors. Except for the United States and Japan, the major bilateral donors to education in developing countries are European countries. Yet Europe is the region with the least experience of cost recovery and of private sector delivery in education. Donors will therefore have to make a very conscious effort to see things from the perspective of developing country needs and not from the limited perspective of their own countries' heritages and practices.

*Recommendations:*

- a) Recognize that cost recovery and cost sharing with students and their families will be the reality for developing countries at the higher level and likely also for some countries at the secondary level.
- b) Build up analysis country-by-country on financing alternatives for secondary education, including transfers from public spending on higher education.
- c) Examine country-by-country the scope for better integration of the private sector into public policy objectives for education.
- d) Develop an approach to the regulatory framework for education that takes account of the growing private sector and of the decentralization of the public sector.

#### **4. Making the case for the international financing of education**

Those of us in the international community who work on education think that the case for investing in education in developing countries is made, based upon its contribution to economic growth, individual livelihoods, social cohesion, and engaged citizens, not to mention the social and health benefits that accrue especially from educating girls and young women. Parents around the world have also largely accepted this case for their sons and daughters – as evidenced by the dramatic shift in attitudes towards girls' education in such places as West Africa and Pakistan and by the household funds that are spent on tutoring. So, with a few exceptions, have the governments of developing countries. And so have some important new donors, such as Qatar with its financing of the education of Iraqi refugees and of Palestinians and Dubai Cares with its financing of basic education in Asia, including in conjunction with Save the Children USA.

The exception to this general trend has been among the existing DAC donors. While aid for education has risen, it is now stagnating and there are no major new initiatives, no prominent donor champions for education, and no signs of major future increases in aid. The recently leaked United States draft Presidential Study Directive on international development does not once mention education. The current President of the World Bank has not used his

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<sup>9</sup> Regulation in education has largely been concentrated so far on health and safety rules to protect students and on controlling the issuance of degrees and diplomas by bogus educational institutions, both highly desirable but neither a sufficiently broad view of the use of regulation to shape the education sector.

<sup>10</sup> The author's view is that more evidence is needed and that there is still scope for considerable innovation in this area of market mechanisms within education, so it falls more under sections 1 and 2 of this paper.

office to promote education's contribution to development. While the new coalition government in the UK is as committed as its predecessor to meeting the overall 0.7% of GNP target for aid by 2012, it has as yet given no indication of its position on education. Only Spain has been significantly increasing its international aid for education and its ability to continue to do so may now be threatened by domestic macroeconomic pressures. The modest replenishment needed of the Fast Track Initiative's Catalytic Fund is in jeopardy. Indeed, the recent relatively negative external evaluation of the FTI, coupled with the endless wrangling over its future by low level officials, may be both a symptom and a cause of the problem with donors: donor politicians and senior aid officials are not convinced either that the education sector has made its case or that it is well organized to use aid. As one very senior official recently remarked to the author: "Suppose we suddenly told the education community that we could make an extra \$1 billion available. First of all, who would we tell? Second, would the community be able to tell us on what it should be spent?"

Intuitively it would seem that the case for international financing of education would be easy to make. The benefits are well known. The donor taxpaying public is probably prepared to support it, based on parents' recognition of their own children's need for education<sup>11</sup>. Yet aid agencies are not strongly convinced.

Overcoming this major obstacle requires three major steps. First, the education sector's communications have to be improved – what seems obvious to us in the international education community is not seen in the same way by others, particularly in contrast to the fairly effective claims now being put forward for aiding health (whose share in overall ODA has gone up from 10 to 17% since 2000), agriculture (especially in light of the food crisis that preceded the financial crisis) and climate change. Nor have we figured out how to tap the latent goodwill of parents in the donor countries. The recent initiative by the new Chair of the Fast Track Initiative to obtain the advice of advertising professionals on how to communicate the education message is thus very welcome.

Second, the international architecture has to be fixed, in terms of funding mechanisms, access to technical advice<sup>12</sup>, and speaking coherently, consistently and convincingly. As Steer and Baudienville (2010) have noted in their recent ODI brief: "The lack of a strong global coordination mechanism is a particular problem for the education sector. Despite its strong record on monitoring progress towards the EFA goals through its flagship Global Monitoring report, UNESCO has been unable to provide the leadership and global voice needed to raise additional financing for the sector."<sup>13</sup> This analysis may not be entirely correct, however; there is not any one strong global coordination mechanism for health either, but that sector is characterized by more use of common language and common metrics than is education and also by a series of special mechanisms for specific diseases, such as The Global Fund for AIDS, Malaria and Tuberculosis and the Global Alliance for Vaccines and Immunization (GAVI). What is for sure is that uncoordinated decisions by different agencies, each perfectly rational in itself, do not add up to a rational global architecture. Examples include the World Bank's decision not to finance adult literacy, the African and Asian Development Banks' decisions only to finance higher education, all agencies' decisions on the location of their field offices and staff, DFID's decision (under the previous government) to commit half of its aid to conflict-affected countries, and so on. The existence of new leadership at the top of the various multilateral agencies and mechanisms

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<sup>11</sup> I assert this, but in fact it requires empirical verification.

<sup>12</sup> See section 1 also.

<sup>13</sup> Not just UNESCO but the entire international education community, I might say as a former UNESCO ADG!

concerned with education perhaps provides an opportunity to do this – but at least one of them must take the lead for this to happen.

Third, we have to be clearer on priorities for funding. This may mean recognizing that it makes some sense for bilateral agencies to provide support to higher education in developing countries, since universities and other education institutions in their own countries provide resources that can be effectively twinned and otherwise partnered<sup>14</sup>. Correspondingly, it may mean expecting the multilaterals to shoulder the main burden of international support for basic education, which would, of course, be very compatible with the idea of some sort of Global Fund for Education, an idea that does not currently look very promising.

*Recommendations:*

- a) Improve as a matter of urgency the international coordination of the education sector, including but not limited to aid for basic education;
- b) Improve the communications of the international education community with donor agencies in the face of increasing and effective competition from other sectors.
- c) Tackle head on the mismatch between donors' stated global priorities (such as the education MDGs and the EFA goals) and where they actually put their money (such as in higher education for France, Germany and Japan).

## **5. Making existing aid more effective and holding donors to their commitments**

Current aid to education is not as effective as it could be. Reflecting historical patterns and geopolitical considerations, too much goes to middle income countries, compared to needier low income ones, especially those affected by conflict, and too little goes to basic education. This has been extensively documented over the years in the EFA Global Monitoring Report. A high proportion of USAID support for education thus goes to Afghanistan, Iraq and Pakistan while French bilateral aid is mainly focused on francophone African former French colonies. Of the approximately \$11 billion in aid for education in 2007, only about \$3 billion went for basic education in low income countries, according to the 2010 EFA Global Monitoring Report. In addition, altogether too much aid goes to expensive international technical assistance and to support such things as “sitting fees” for developing country government officials to attend meetings. The same holds true also for nonconcessional international financing of education by the World Bank and the regional Banks.

Not so well documented, however, is that aid to education is not necessarily producing results in terms of learning. In part, this is for understandable reasons to do with the prolonged nature of education: results take time. But, in part, it is also because the focus of the EFA and MDG movements, and especially of the northern CSOs that have driven much of the debate, has been on the financing gap in basic education, with insufficient attention to how the current levels of aid are actually used, quite aside from the sub-sectoral and geographical distribution. Even the EFA focus has not resulted in significant funding for

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<sup>14</sup> This recognition is not at all the same as recognizing as does the DAC, in my view wrongly, that any expenditure on students from developing countries attending higher education in the donor countries may be counted as ODA.

the entire EFA agenda but rather in a concentration on primary education, to the relative exclusion of youth and adult literacy and, at least until recently, of early childhood care and education. The sector has been slow to introduce effective monitoring and collect evidence on what works (see Section 1); this urgently needs to be overcome both in order to improve effectiveness but also to help make the case that aid for education does indeed work.

Aid to education, especially to basic education, is reasonably monitored, due to the DAC data collection effort and the EFA Global Monitoring Report, though there are long delays and the data are normally some two years old before they are released. This is not so, however, for aid from non-DAC sources, which is becoming increasingly important but it not systematically monitored. The actual uses to which both DAC and non-DAC aid is put, directly or through additions to government spending, are insufficiently monitored, however. An extensive analysis of this is needed.

While aid from DAC sources is reasonably monitored, there is no mechanism, other than the DAC itself, for holding donors accountable. The DAC does do this at aggregate level but there is no mechanism for holding donors accountable internationally for the levels and quality of their aid to education. This could be a purpose of the EFA High Level Group meetings or it could be a function of a revamped Fast Track Initiative, if the FTI were to re-seek its roots in terms of aid coordination and mobilization for particular countries. Whatever the mechanism, it needs to be done.

*Recommendations:*

- a) A new analysis is needed of the impact of aid for education – is it going on the right things, in the right countries, and producing results?
- b) Education aid flow monitoring needs to be made more timely and also to encompass non-DAC donors as much as possible.
- c) An accountability mechanism needs to be developed for donors providing aid for education.

## **6. Encouraging and organizing new donors**

Given the coordination problems of existing donors, it would not seem likely that the important emerging new donors for education would necessarily wish simply to copy the activities of the more established donors. Equally, it would be unfortunate if these new donors were each exclusively to follow their separate paths, as they represent the major source of likely future funding for education. Indeed, given the strategic importance of several of the new donors, there is perhaps an opportunity for them to help resolve the problems that currently characterize aid for education. Korea, for example, will host the next G20 meeting in November and is also itself a model for the development that results from investment in education. China has focused much of its African aid program on infrastructure but has important education lessons also to transfer. Russia has already engaged somewhat with the international education community on the quality issue through the Russian Education Trust Fund at the World Bank, particularly but by no means exclusively focused on Central Asian and African countries. Brazil is pioneering support for higher education in lusophone Africa. The Gulf states are supporting education, especially for refugee populations in the Middle East but also in Muslim countries across Asia.

UNESCO had plans for a meeting of the emerging donors, designed to bring them up to speed on international aid issues but also, and more importantly, to enable them to exchange among themselves about their experiences and possibly explore ways of working together. These plans were shelved during the recent transition in UNESCO's leadership but can now be resuscitated, by UNESCO or others within the international community, though a neutral UN convener such as UNESCO would seem the most appropriate. In addition, the existing donors must welcome the newcomers and offer as much to learn from them as to inform them on current issues.<sup>15</sup>

*Recommendations:*

- a) Emerging donors in education should convene for frank exchanges and to discuss possible mutual collaboration, among themselves and with existing donors. UNESCO could facilitate this, as once was planned.
- b) Existing donors should reach out to emerging donors to the mutual benefit of both.
- c) Emerging donors should make data openly available so that their activities can be monitored along with those of DAC countries.

## **7. Developing innovative financing for education<sup>16</sup>**

Innovative financing is needed for education for at least five reasons, which somewhat straddle the various preceding sections of this essay:

- **Resource mobilization:** If the financing gap is to be met for basic education and if secondary and higher education are to continue to expand, it will be important to increase total resources for education. It will also be important to examine the scope for resource mobilization at the post-primary levels, which could then permit the reallocation of public spending from these levels towards basic education.
- **Raising the profile of education:** An important aspect of innovative financing efforts in the health and other sectors has been to raise the profile of health on global and national agendas. Education is currently too low on the global agenda, compared to such issues as climate change, security/terrorism, and public health, even though it is critical to their achievement. There are many reasons for this, including the sector's failure to "market" its case effectively, its lack (compared to health) of a common language and set of common metrics, its sensitivity to national sovereignty, its conservatism and lack of innovation and risk-taking, and its unproductive internal debates at the international level, characterized particularly by the discussion of the FTI.
- **Improving the effectiveness, efficiency and equity of educational spending:** The large financing needs of the education sector have led to a focus on resource mobilization at the expense of attention to the way in which education funds are spent. The most egregious example of the ineffectiveness of much education spending is the increasingly recognized crisis in actual learning in developing countries. There are other inefficiencies that have long been identified: excessive financial spending on higher education but almost none on adult literacy (allocative efficiency), high levels

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<sup>15</sup> In this regard it is disappointing that so few emerging donors are taking part in the IWGE meeting for which this essay is written.

<sup>16</sup> This section draws heavily on Nicholas Burnett and Desmond Bermingham, *Innovative Financing for Education: A Report for the Open Society Foundation*, draft, 17 May 2010, available from the authors on request.

of repetition and dropout and of teacher absenteeism (internal efficiency), regressive patterns of spending at secondary and higher levels, and inefficient private spending especially on tutoring.

- Meeting the needs of fragile states (especially those affected by conflict): For several years now, the International Network on Education in Emergencies has been calling for innovative international financing for countries in or emerging from conflict. It is important to note also that over half the children not enrolled in primary school live in such countries. This is a very urgent need but it is not so easy to meet as, say, the food or health needs of people in these countries precisely because education is a key element of national identity and so warring parties take a great interest in controlling it.
- Promoting innovation in education: As noted above, education is widely perceived as a conservative sector. The basic model of service delivery (a teacher talking to a class of students with the aid of a text book or other learning materials) has remained largely unchanged since the nineteenth century. Most schools in developing countries have remained largely unaffected by the increased availability of new information and communication technologies. In particular, the penetration of mobile technology in poor countries offers opportunities to transform educational delivery by opening up the sector to new delivery mechanisms, including through non formal flexible education programmes delivered by non government providers. The health sector has successfully used *innovative finance* to promote *innovative service delivery* – the same could readily be applied in the education sector.

There are several promising ideas already for innovative financing in education, akin to the airline tax and IFFIm mechanisms now in use in the health sector. Most promising among these within the education sector are those connected with the World Cup (which would mainly raise the profile of education internationally), those involving the use of bond financing (with bonds sold to pension funds in developing countries, enhanced with financial guarantee insurance) for sectors of education such as higher education that have future revenue streams and would thereby permit transfers of public resources from higher education to lower levels of education, and the idea already discussed of an Education Innovation Fund. Most promising among ideas outside the education sector are the allocation of some of the proceeds of any future international financial transactions tax to education<sup>17</sup> and the ideas of channeling migrants remittances and/or diaspora bonds more effectively into education. Further work is needed on all these ideas, as is the development of champions for their need.

*Recommendations:*

- a) Work should be accelerated on innovative financing for education, and this will require attention to both domestic and international financing, in contrast to the health sector.
- b) Some ideas are already more or less ready for testing and should proceed to early verification while other ideas require more analysis and preparation.

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<sup>17</sup> Indeed, the two current active task forces of the Leading Group for Innovative Finance on Development are those on such a tax and on education, and the Leading Group has pledged to connect the two groups.

## **Conclusion**

This essay has suggested several key areas where there is now a new opportunity to address the financing of education. Given that its immediate audience is the International Working Group on Education, the paper has concentrated particularly on the international financing of education and on the international mechanisms that could support domestic financing. It does not claim to be comprehensive – topics such as aid dependency have not been addressed, for example, important though it is, because there seems little new opportunity to address the issues it presents. There is an important opportunity to address the seven issues that the paper does present, however, because of the current constellation of forces in the international education community.

A final question is whether this constellation could be enhanced by establishing some sort of high level international commission or task force on the financing of education or, more narrowly, on innovative finance for education. There is an obvious parallel to the very effective task force on innovative finance for health co-chaired by former UK prime minister Gordon Brown and World Bank president Robert Zoellick. Not only could such a mechanism generate momentum for particular ideas, it could help to raise the profile of education more generally in the international community and serve to alert finance ministers of both South and North to topics of which they may be insufficiently aware.