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Mobilizing resources for international development cooperation in education: what innovative mechanisms and partnerships?

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UNESCO Future Seminar
14 September 2010
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Mobilizing resources for international
development cooperation in education:
what innovative mechanisms and partnerships?

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PART ONE

UNESCO Future Seminar on Innovative Financing for Education

Mobilizing resources for international development cooperation in education: what innovative mechanisms and partnerships?

PRESENTATION OF THE UNESCO FUTURE SEMINAR ON "INNOVATIVE FINANCING FOR EDUCATION"

The UNESCO Future Seminar on "Innovative Financing for Education" was held on 14 September 2010 at UNESCO Headquarters. A group of high-level experts will address the theme of: **"Mobilizing resources for international development cooperation in education: what innovative mechanisms and partnerships?".**

The UNESCO Future Seminar is a meeting gathering high-level experts on strategic and technical issues in UNESCO's fields of competence. This new series comes in addition to the other events organized by the Section of Foresight of the Bureau of Strategic Planning: the UNESCO Future Forums and the UNESCO Future Lectures. An event may bring together policy-makers, leading scientists, intellectuals, artists or other personalities from all parts of the world in a spirit of forward-looking interdisciplinary enquiry.

Less than five years remain until the 2015 for the Millennium Development Goals (MDGs) and the UNESCO-led Education For All (EFA) goals. If current trends persist, the world is likely to miss the EFA goals by 2015, including universal primary education and gender equality in education. Without added efforts, an estimated 56 million children will remain out of school and 710 million adults without basic literacy skills in 2015.

Innovative sources of financing represent a novel approach that could help close the financing gap in education, which is estimated by the 2009 EFA Global Monitoring Report at US$16 billion a year to meet the goal of universal primary education by 2015. Eight years after the international community acknowledged, in the Monterrey Consensus on Financing for Development (2002), "the value of exploring innovative sources of finance" to foster the realization of the international development objectives, including the MDGs, a number of pioneering initiatives have led to elaborating and implementing new and creative mechanisms for financing development, most notably in the health sector. Airline ticket solidarity levies now help combat HIV/AIDS, tuberculosis and malaria through the drug purchase facility UNITAID. The International Finance Facility for Immunisation (IFFIm) has mobilized around US$1.2 billion through government bond issues. The first Advance Market Commitment, a mechanism aimed at creating incentives for the development of new drugs to treat poverty-related diseases, has generated US$1.5 billion.

To identify the potential of such innovative modalities for education, the Director-General has invited a group of high-level experts from UN agencies, developing country government representatives, aid donors, the private sector, non-government organisations, and academia to explore possible options, review and assess their potential for concrete results, and chart possible approaches and strategies in this field.

SUMMARY AND RECOMMENDATIONS OF THE UNESCO FUTURE SEMINAR ON INNOVATIVE FINANCING FOR EDUCATION

14 September 2010, UNESCO Headquarters

INNOVATION FOR EDUCATION, INNOVATION IN EDUCATION

Reflecting the main points developed in the opening statements and presentations, two core considerations structured the discussions held during the UNESCO Future Seminar on Innovative Financing for Education: (a) innovative financing solutions had to be distinguished in two aspects, the sources or levy mechanisms and, on the other hand, the delivery mechanisms; (b) innovation pertained not only to financing, but also to education itself.

FROM FRINGE TO ACCEPTED DEBATE

Most of the participants remarked that, compared to the late 1990s, the debate on innovative financing had reached a level of acceptance that was unthinkable even a decade ago. After the 2002 Monterrey Consensus, a trend in favour of innovative financing had emerged, notably through the successes in the health sector, and it was now confirming itself. This trend was apparent in the discussions to extend innovative financing solutions to the fields of climate change or education. Welcoming the atmosphere of enthusiasm and creativity that surrounded these debates, some participants nonetheless called for a measure of caution. The very expression "innovative financing" could be perceived as a way to conceal that the debate was actually less about innovation than taxes, to which some countries were historically extremely adverse. But, it was answered, this kind of concern had always been a central preoccupation of the proponents of innovative financing for development, who had wanted to move the debate beyond the aspects of obligatory tax and universal application that had created much controversy around the "Tobin tax" projects:

(a) **levy mechanisms could be obligatory as well as voluntary**, so that governments could adopt them in accordance with their priorities;

(b) as innovative financing required to **adopt an experimental approach**, mechanisms were introduced incrementally, with a few numbers of volunteer countries at the onset, and expanded progressively (the hope, of course, was for all the countries to join any given mechanism);

(c) **levies were designed so as to be minimal and avoid market distortions**, since the objective was to finance development, not to alter behaviours; and

(d) the private sector and NGOs were systematically involved as partners precisely because **innovative financing solutions did not aim at any form of State control or regulation**.

It was partially thanks to these principles that the first mechanisms had been able to surface in the first place and that they were now moving out of pilot phase.

FROM THE "HOW" TO THE "WHAT FOR": NOTHING WILL HAPPEN WITHOUT CHAMPIONS

It was also noted that the financial crisis had added momentum to the innovative financing debate. Politicians and public opinions were considering international taxation of financial transactions in a growingly positive light, feeling that the **financial sector had benefitted a lot from the globalization of the economy without contributing much to the globalisation of solidarity**. Calls for transaction taxes were all the more timely that is had been definitely demonstrated that, because international transactions are operated electronically through a reduced number of institutions, **technical feasibility was not an issue anymore**. The situation was thus similar to the one prevailing in the industry of air tickets, the source of the levy on behalf of UNITAID. The challenge was not technical any more, it was political – and in the hands of the education sector. Since most technical aspects were under control and pilot experiences had revealed which criteria led to success, the debates had to move from the "how" to the "what for". If the initiative was with the development cooperation actors in the field of education, they themselves did not though have the political influence required to translate the current favourable trends into tangible and actual mechanisms. Education aid agencies now had to **turn to champions**, mobilizing a group of Heads of States with an interest in education or organizing regional and international ministerial meetings.

RAISING FUNDS FOR EDUCATION, RAISING THE PROFILE OF EDUCATION

The **16 billion US dollars financing gap in primary education could not be filled ODA alone**, which amounted to about 120 billion US Dollars per year, adding that the development and climate change agendas required together about 300 billion dollars. Complementing ODA, innovative financing solutions should (a) consist in **mixes of innovative sources**, which would, on the quantitative side, help reach a **critical mass** of funds and, on the qualitative side, **allow for different donors to adopt different strategies**, and (b) help **raise the profile of education**, the argument being that some innovative mechanisms could be found to raise less funds than others while significantly raising public awareness on the need to increase funding for education. This last point was illustrated by the (PRODUCT) Red campaign, which had not raised as much funding as other mechanisms, but had appreciably heightened public awareness of the need to address HIV/AIDS.

THE COMMUNICATION GAP OF EDUCATION

Important efforts would be needed in crafting and diffusing relevant and effective messages, with a view to convincing all kinds of stakeholders in the different regions of the world, including public opinions, business leaders, Heads of States, high officials, the media, NGOs, etc. **The hearts and brains of everyone had to be reached**. The participants were concerned by the **communication gap of the education sector, which was all the more preoccupying that the EFA campaign had delivered solid results in an important number of countries**. All the participants agreed that it would be very difficult to convince politicians, private foundations, civil society and the general public of channelling additional funds towards education if it was felt that those would fuel business-as-usual activities in a sector that was often perceived as conservative. Innovation may constantly happen in education, but these efforts had so far been insufficient to alter the common opinion on the sector and help **generate positive images, stories and messages**. Such messages could advertise the positive impacts of education at all level, from primary to higher education and technical and vocational education, on such domains as the economy – and especially in the context of post-crisis economic recovery. Nonetheless, as innovative financing drew its significance and legitimacy from its connection to the MDGs and other global public goods, it should not be lost to the public that education was a universal right and that efforts had to be made so as that resources flow directly to the marginalized.

EDUCATION, A CATALYST OF ALL THE MDGS

Discussions on how to raise the profile and overcome the communication gap of education often referred to the health sector, which had managed to attract more funding in the previous years**. As a pioneer sector, health had to be emulated**. But, it was pointed, **not everything was replicable**. Innovative financing programmes in health did not, for example, aim at reforming health systems. Most often, they focused on drugs, which were a product very different from books and teaching materials: the latter were not intuitively perceived as life-savers. This had to be considered in exploring solutions adapted to the needs of the education sector.

Many interventions warned education agencies and advocates to avoid at all cost giving the impression that there was a competition with other areas of international development and cooperation, such as climate change and HIV/AIDS. Such a competition would be detrimental both for the education sector, which would suffer from a credibility gap, and to the development agenda as a whole, including climate change and the transition towards a green economy and society. Synergies had to be stressed as **education produced positive effects well beyond the two MDGs that explicitly mention it**. As education was a catalyst of all the MDGs, it had to be acknowledged that the EFA crisis affected the achievement of all the MDGs – conversely, it was noted that "non education" aspects of education, such as school meals, had to be better integrated by educational organizations like UNESCO. **Rethinking education called for an integrated approach of the MDGs as well as the EFA goals**, which had been implemented without paying due attention to higher education and technical and vocational education, two fields much likely to raise the profile of education.

AT THE CONFLUENCE OF INTERNATIONAL AND DOMESTIC SOURCES OF FINANCING

The whole project of channelling innovative sources of financing towards education was faced with a challenge that was not present in health when it came to purchase drugs: to date, most of the funding in education was domestic, essentially from governments or households. Participants wondered whether there was even a point in bringing international funds into education, which had to be funded by growth. There were unsolved issues to address in terms of sovereignty and responsibility as well as in terms of financial and monetary sustainability. The domestic dimension of education systems was manifest in the fact that, for example, teacher would have to be paid in local currencies. Participants agreed on the need to address that challenge, noting that (a) while education was a national responsibility, it was not always possible for poor countries and, especially, those with least advanced status, to appropriate enough resources for their education systems; (b) the risks had to be turned into opportunity to design efficient delivery systems; and that (c) innovative financing solutions were systematically elaborated and implemented under the principles of the Paris Declaration and Accra Agenda for Action. Thus, as in any other domain of international cooperation, it was recognized that, for both levying and delivering solutions, government ownership was a central pillar of innovative financing in education.

REFORMING THE EFA FAST TRACK INITIATIVE (FTI)

Ownership was a central feature of the EFA Fast Track Initiative (FTI), which consisted in increasing international support all low-income countries which demonstrated serious commitment to achieve universal primary completion. While critical assessments of the functioning and results of FTI had to be taken into consideration in the reflection on innovative financing for education, it was admitted that the facility had the merit to exist and to offer a global network of diverse partners, including intergovernmental organisations, donors' aid agencies and NGOs. Its reform had to be considered as **a potential asset in establishing innovative delivery solutions**.

The new architecture of international cooperation: innovative financing and creative multipartite partnerships

Throughout their exchanges, the experts acknowledged that **innovation in financing called for innovation in the architecture of international cooperation**. Beyond their strictly financial dimensions, the **multipartite platforms that elaborated and implemented innovative financing solutions were a laboratory of global governance for the 21st century**. They were a symbol of the transformations in the international community in the recent decades. The fact that developing countries could be contributors in innovative financing mechanisms could be hailed as a sign that we had firmly entered post-colonial times. For many actors in the development cooperation environment, the challenge was to **think beyond the traditional division between donor countries in the North and recipient countries in the South**. This division had lost all relevance. It was unfit to describe the number and the complexity of the actors constituting the international community, which included developed, emerging and developing States, private companies and foundations as well as NGOs.

While it could not be expected that the emerging economies would espouse the same objectives and path as the developed ones, common platform had to be found nonetheless. If the international community was to achieve such agendas as the MDGs or the EFA, which had been adopted by developed, emerging and developing countries, the **involved partners had to accept to pool their resources into coherent platforms instead of pursuing their own objectives on their own**. Committing themselves to innovative financing solutions, **international organisations had to seize the opportunity of raising their profile**, as they remained the most appropriate cooperation platforms to host new forms of international, multilateral and multipartite governance. To fulfil this exigent role, intergovernmental organisations, especially in the UN system, had to demonstrate to their partners and the public, that their actions could be more coordinated and result-oriented.

Innovative financing mechanisms were an opportunity to institutionalize relationships with the private sector – which was growingly aware of the stakes of Corporate Social Responsibility (CSR). It was hypothesized that, as the global financial crisis had significantly disrupted the reputation of the financial sector in the public opinions, financial institutions were potentially in a position to play the same role in education as the drug companies in the health aid sector during the previous decade. As for intergovernmental organizations, entering Public-Private Partnerships (PPPs) with for-profit organizations raised a challenge in terms of governance: such partnerships required platforms capable of accommodating a wide and diverse range of objectives, interests and business models.

INNOVATIVE FINANCING SOLUTIONS FOR EDUCATION IN AFRICA AND DEVELOPING COUNTRIES

In the case of Africa, in particular, it was suggested that solutions be explored to **coordinate the efforts of regional and sub-regional political and financial institutions**, which all were growingly interested in developing innovative financing solutions for the Africa region. Innovative financing for education was all the more important for Africa that it population was anticipated to grow by about 800 million by 2050. For developing countries, including in Africa, education was one major future challenge as the emergence of the knowledge economy and the knowledge societies risked increasing inequalities between those who had access to quality education and those who have no education at all.

TAPPING THE RIGHT MARKETS

In light of the lessons learned from existing levy mechanisms, the markets to focus on should share at least two characteristics: (a) they should be of a strong international nature, so as to contribute to the globalization of solidarity; and (b) they should rely on electronic transactions for the sake of technical feasibility. A number of areas were proposed for consideration:

- foreign exchange transactions;
- interbank transactions;
- diaspora remittances transaction costs;
- mobile telephony.

In the minds of the participants, the international community had to consider such areas because financial institutions and Internet companies had significantly benefitted from the globalization of the economy but still had to demonstrate that they were fully committed to the globalization of solidarity. Regarding diaspora-related solutions, though, it was noted that they did not always represent an optimal solution for development, as the countries receiving such flows were often Middle Income Countries (MICs), rather than Least Advanced Countries (LDCs).

AIMING AT EDUCATION-SPECIFIC TARGETS

Throughout the debates, some education-specific targets were proposed for consideration:

- teachers and teacher training;
- literacy;
- Information and Communication Technologies (ICTs) in education;
- education of girls and adult literacy for women;
- out-of-school learning;
- science and technology education;
- technical and vocational training (TVET);
- education for sustainable development, climate change education, green schools;
- countries in conflict and post-conflict situations.

An important element to consider in targeting specific areas of education was that **80% of education budgets go to teachers' salaries**. This represented an important challenge, since financing these – for example, to address the teachers' gap in developing countries – would not be perceived as an innovative strategy likely to appeal to a wide range of stakeholders. There was a need to identify innovation gaps in relation to teachers. Some participants suggested focusing on ICTs as pedagogical tools as well as a means to improve the training of teachers. What mattered was that teachers had to be trained differently so as to **raise the quality of education everywhere**.

Literacy was proposed as a target compatible with the criteria of successful innovative financing programmes. Its objectives were easily understandable by all stakeholders, easily measurable through standardized tests, implementable in a short amount of time through effective pedagogy.

In relation to the interrelated dimension of the MDGs, it was suggested to identify **the missing links between education and gender equality**. These linkages could have positive impacts across the board. While the health sector had succeeded in mobilizing additional funds, it remained that such areas as maternal and child health were still confronted to many shortcomings. Progress in those areas was next to impossible without sustained investments in education.

Given the growing proliferation of mechanisms to choose from, an expert suggested that the time had arrived when, after months of discussions and seminars, the **education sector needs to turn to partners, notably from the private sector, to help it identify effective, efficient and appealing financing solutions – thus initiating a first phase of PPPs**.

MAIN RECOMMENDATIONS FROM THE UNESCO FUTURE SEMINAR ON INNOVATIVE FINANCING FOR EDUCATION

The participants agreed that, in the short- and mid-term, UNESCO, the education sector and the international community should identify:

- **goodwill ambassadors** to champion the cause of innovative financing for education;
- a **mix of mechanisms** to close the 16 billion US dollars financing gap in education;
- **new ways of communicating** on education;
- two to three mechanisms that could enter their **pilot phase within 6 to 12 months**;
- mechanisms to be implemented in the sectors of **finance, internet and mobile telephones**;
- **articulations between international and domestic financing**.

PARTICIPANTS IN THE UNESCO FUTURE SEMINAR ON "INNOVATIVE FINANCING FOR EDUCATION"

- **Irina BOKOVA** – Director-General of UNESCO
- **Hans d'ORVILLE** - UNESCO Assistant Director-General for Strategic Planning
- **Qian TANG** - UNESCO Assistant Director-General for Education

KEYNOTE SPEAKER:

- **Philippe DOUSTE-BLAZY** – United Nations Under Secretary-General for Innovative Financing for Development; Chairman, Executive Board of UNITAID and Millennium Foundation and former Foreign and Health Minister of France

EXPERTS:

- **Desmond BERMINGHAM** – Visiting Research Fellow at the University of Oxford, Representative of the MasterCard Foundation
- **Sven Kuehn von BURGSDORFF** - Director, Forward-looking Studies and Policy Coherence, Directorate General Development and Relations with African, Caribbean and Pacific States (DG Development), European Commission
- **Nicholas BURNETT** - Managing Director, Results for Development Institute, Washington D.C.; former Assistant Director-General for Education of UNESCO

- **Simone de COMARMOND** – Chair of the Commonwealth Foundation and Chairperson of the Forum for the African Women Educationalists (FAWE); former Minister of Education of the Republic of the Seychelles
- **Klaus HUFNER** – Professor of Economics (Emeritus), Freie Universität of Berlin
- **Bruce JOHNSTONE** – Professor (Emeritus); Director of the International Comparative Higher Education Finance and Accessibility Project – State University of New York (Buffalo)
- **Marja KARJALAINEN** - Policy Officer, Education & Training, DG Development, European Commission
- **Detlef J. KOTTE** - Head, Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development (UNCTAD)
- **Philippe LACOSTE** – Deputy Director for Global Public Goods, Directorate General of Globalization, Development and Partnership, Ministry of Foreign and European Affairs of France
- **Jon LOMOY** - Director, Development Co-operation Directorate, Organisation for Economic Co-operation and Development (OECD)
- **Christian MASSET** - Director-General of Globalization, Development and Partnership at Ministry of Foreign and European Affairs of France
- **Hughes MOUSSY** – Head, Human Development Unit, Directorate General of Globalization, Development and Partnership, Ministry of Foreign and European Affairs of France
- **Marcio POCHMANN** - President of the Institute of Applied Economic Research, Secretary of Strategic Matters, Presidency of the Brazilian Republic
- **Halsey ROGERS** – Senior Economist, Development Research Group, World Bank
- **Faiq SADIQ** – Country Manager, Habib Bank Limited
- **Kishore SINGH** – United Nations Special Rapporteur on the Right to Education
- **Dirk VAN DAMME** – Head, Centre for Educational Research and Innovation (CERI), OECD
- **Kevin WATKINS** – Director of UNESCO's Education For All (EFA) Global Monitoring Report
- **Rebecca WINTHROP** – Director, Centre for Universal Education, Brookings Institution
- **Shahid YUSUF**- Senior Advisor to the World Bank Institute (WBI); former Director of the World Bank's World Development Report
- **Dov ZERAH** – Director-General, Agence Française de Développement

OPENING STATEMENT

by **Irina Bokova**
Director-General, UNESCO

Welcome to you all to this Seminar UNESCO Future. As an introduction, I would like to highlight the immense challenges facing the funding of education programs. You know them as I do. The global economic crisis has reduced the fiscal space of donor countries. The Official Development Assistance promises of 2005 have not been kept. Africa alone is faced with a funding deficit of nearly 20 billion US Dollars. We must find new sources of funding, while continuing to advocate that the commitments already made are met. The fate of 70 million children currently out of school depends on it.

Let me add that we are less than 5 years from the target date of both the Millennium Development Goals (MDGs) and Education for All (EFA) goals. I will be in New York next week for the summit of the Millennium Development Goals. One thing is certain: on the basis of current trends, the goal of universal primary education will not be achieved. And it is not enough to bring the children to school; they must still be provided with a quality education: teacher training, recruitment of teachers, all of it expensive. For basic education in poor countries only, the requirements amount to 16 billion US Dollars per year.

The international community must be more creative if it wants to keep to its commitments, and identify new sources of funding. Our obligation to do so is all the more ardent than previous efforts have borne fruit. They show that with political will, adequate resources and targeted programs, our goals are realistic. Since 1999, the number of children out of school has dropped by 36 million worldwide. It has been more than halved in South and West Asia. These results demonstrate that quality education for all is not a utopia.

The evolution of global governance has given way to the emergence of new donor countries such as China, India, Brazil and Qatar. They are fully aware of the importance of education for human development. Above all, financial innovation creates new room for manoeuvre. New financing mechanisms are emerging, and we need to integrate fully them into future development assistance flows. As soon as 2002, the Monterrey conference in Mexico underlined the interest of the international community for the new financial instruments. The work of the Leading Group established soon after led to innovative mechanisms, with the support of 55 member countries. A special task force dedicated to education funding was established earlier this year. A forum on innovative financing was just held last week at the International Institute for Educational Planning, under the auspices of UNESCO. Today's seminar is an important step in this process.

Imagination allows for development breakthroughs. Equitable Finance has demonstrated its ability to raise funds in many sectors such as health, through the contribution on airline tickets for example. In that regard, I want to thank our keynote speaker, Mr. Douste-Blazy, Chairman of the Board of UNITAID, who has so graciously agreed to join us. Mr. Douste-Blazy is at the epicentre of the global network of actors mobilized for the renewal of development assistance. He is in the best position to shed light on the challenges posed by these new tools to address concerns about rising tax burden and questions about the organizations responsible for collecting money and spending it. I would like to thank all participants for agreeing to join forces as part of UNESCO Future Forum UNESCO. We are fortunate to benefit from an exceptional concentration of talent: we have to be creative, to learn from what has worked, to adapt the education sector.

The challenge to our collective ingenuity and resolve is to identify innovative and sustainable financing mechanisms to mobilize a critical mass of resources in the field of education. Innovative sources of development funding include: automatic mechanisms generating predictable and reliable funding streams; levies on the purchase price of a product or activity for a particular cause; and easy mechanisms of collection and distribution. Airline ticket solidarity levies now help combat HIV/AIDS, tuberculosis and malaria through UNITAID. The International Finance Facility for Immunization has mobilized around US $1.2 billion through government bond issues. The first Advance Market Commitment, for the development of new drugs to treat poverty-related diseases, has generated US$1.5 billion. Debt swaps, an instrument UNESCO has been promoting for years, can also play a significant role in alleviating the burdens of Least Developed Countries. Other more controversial approaches are currently being explored, such as models aimed at harnessing carbon markets and taxes levied on financial transactions. Whatever the case for or against these particular approaches, innovative financing calls for creativity in the modalities of cooperation.

A new partnership paradigm should tap the generosity of all major stakeholders, ranging from governments and international organizations to corporations, foundations, non-governmental organizations and individual philanthropists. Which, in your opinion, are the most promising approaches? How should they be tailored to the problems they seek to solve? I look forward to your answers to these and other questions. We already know that for such mechanisms to be legitimate and operational, the institutions concerned must be above reproach in terms of accountability and transparency. The funds raised should also serve to support government-owned programmes. Lastly, the chosen mechanisms should not create market distortions or inhibit sustainable development growth. They should help to guarantee the predictability of funding. Of course, new efforts should not mean that donors feel less obliged to maintain or increase their traditional investments for development. As you can see, innovative financing goes beyond mere resource mobilization; it is about designing mechanisms suited to and accepted by targeted professionals and populations.

For over 60 years, UNESCO has been the standard-bearer of education as the cornerstone of wider human development and peace. Education is what empowers individuals to take control of their lives, to provide for themselves and their families. I shall personally press for educational financing to be included as a top priority on the international agenda, particularly at summits such as the G20. Successful deployment of such new tools presupposes political commitment at the highest level. In this regard, you have my assurance that UNESCO will spare no effort in making Education for All a collective responsibility.

KEYNOTE ADDRESS

Philippe Douste-Blazy
United Nations Under Secretary-General for Innovative Financing for Development
Chairman, Executive Board of UNITAID
Chairman, Executive Board of Millennium Foundation

I would like to thank the Director General of UNESCO, Irina Bokova, for inviting me this morning to talk about Innovative Financing for Education. I welcome all the members of this assembly and in particular Catherine Colonna, Ambassador, Permanent Delegate of France to UNESCO. I believe that innovative financing is a major key to this century. I think it has nothing to do with education, humanitarian, health, it is about political decisions.

It is authentic international politics at the highest level. Why? Because there are a billion and half people in the world today who are disconnected from the so-called global public goods. So on the one hand, one and a half billion people are disconnected from global public goods and, at the same time, these billion and a half are going to know about our way of life through the Internet. They do not have the Internet at the moment, not for the moment, they do not know yet but they will eventually: this is explosive. On the one hand, those one and a half billion people have nothing and, on the other hand, those billion and a half will be less and less ignorant about the differences between their lives and ours.

It is thus impossible to continue like this: either you understand or you do not understand it. If we understand it we can get by; if we do not understand it, it will be a disaster. Irina Bokova just spoke of peace: that's exactly where the problem lies. Everyone knows it, and in Monterrey in 2002, as she rightly said, fifty Heads of State and Government talked about it at the International Conference on Financing for Development. Then in 2004 - 2005 three people got together, President Chirac of France, President Lula of Brazil and President Lagos of Chile. They said, well, we know about politics and if we continue with Official Development

Assistance (ODA) backed by State budgets, the more we will evolve towards direct democracy, the more we will obviously have to please those who vote for us rather than those who live five thousand miles away. So ODA will not rise. That was the great debate and this was the moment when all three politicians actually changed this very debate and acknowledged that State budgets would not be able to fuel ODA. Of course, we need to move assistance budgets up to 0.51% of GDP by 2011 – we will repeat it next September 20 and 21 and that, of course, we will need to reach 0.7%. But, in addition, we must find other ideas.

The idea is actually quite simple. It has to do with globalization. In fact, there were two things that we had not understood 15 years ago, two things that we had not realized. Firstly, we thought that globalization would help all the countries in the world and that, as markets would gain importance on the international scene, all countries would increasingly experience growth rises. While it became true for emerging countries as Brazil, India, China – as we are well placed to know today. There are fewer large poor countries in the world because China, India and Brazil are going up –, but we had not foreseen that fifty or sixty countries in the world, especially in Sub-Saharan Africa and some Asian countries, would be going down. Globalization, we realized, had not helped at all some fifty to sixty countries which are now moving from, I would say, low income to very low income status.

The second element we had not foreseen had to do with the global economic activities that benefit the most from globalization – the Internet, mobile telephony, tourism and financial markets. These four activities that earn the most money from globalization actually have very a limited social role. When Henry Ford, in the years 1910-1920, chose Detroit, United States, to settle and create tens of thousands of jobs, he gave good wages to his workers; he paid for school; he paid taxes in Detroit. He paid taxes to the United States, but he had a role of welfare capitalism. He had a social role and gave something back. Now, take the big Internet companies, Apple, Microsoft, Google; take the large tourism enterprises; take the large mobile telephony companies; take the large firms of the financial markets: their owners are very rich and they pay taxes of course; but the companies themselves are not located anywhere. As a consequence, the social aspect of before is absent.

What I propose with innovative financing, what Presidents Chirac, Lula and Lagos proposed, is to profit from these activities that profit greatly from globalization by requiring a small, microscopic, and painless solidarity contribution, whether it consists in a tax – because we are French and it is not that we hate taxes, but we are not afraid of taxes –, or a voluntary contribution. We happen to have started with plane tickets. But, in fact, all of this is a small laboratory: UNITAID is a small laboratory for innovative financing. It is only the beginning. The main interest of UNITAID is that it exists and demonstrates its effectiveness. We chose the health sector. Why did we choose health? President Chirac wanted it because he was aware of AIDS; as for me, I am a physician and former Minister of Health. But in truth this was not the core issue. The issue was that we picked a Millennium Goal, which turned out to be the sixth. We could have chosen education as well.

So what did we do? We took a business based on global capitalism: airplane tickets. It is very important to understand that the mechanism is based on a consumption activity. The second thing that we did was to opt for a very low rate of 2 Euros or 2 US dollars. Thirdly, we did it through the law, something that seems very important to me, that is to say that, whenever a passenger buys a plane ticket in France, no airline company in the world can take a free ride. All the world's airlines – or every traveller in the world who buys a plane ticket in France – has to contribute 2 Euros. Whether it is Delta Airlines, American Airlines, Iberia, Sabena, or KLM does not matter. This is important to underline, because it implies that there is no economic distortion: no airline company – all of them screamed at first, of course – is affected more than another. This implies that competition is not affected. Obligatory innovative financing is possible only if the economy is not distorted. The Tobin tax – named after "Economy Nobel Prize" James Tobin – did not work because there were places where you paid it and places were you did not. Obviously the world would go where it did not have to pay.

In a nutshell, we have to invent a micro-contribution based on a globalized economy without economic distortion. This is what UNESCO must find. You have several options: we chose airplane tickets, but we can do that in different areas. Recently, as a mind game, I took four parameters, even two, to identify such an area: you know that today there more mobile phones than people. If you take those who pay a monthly mobile phone bill, you satisfy the first parameter and those who pay more than 200 US dollars per month as satisfying a second parameter, with nothing but these two parameters, you will obtain a perimeter including a maximum of three operators. These three operators can be approached by the Director General of UNESCO. What they need is an objective. As for me, I had my fight against AIDS, tuberculosis and malaria to talk about: it was concrete. You must find something very specific, like "We create schools: what can you do?" And you will have to tell them: "Do you three agree to make a contribution, either obligatory or voluntary?"

I will make a second remark: you absolutely need to enrol one, two, or three Heads of State who are very motivated to foster education, because it is not up to the Director General of UNESCO, the Director-General of WHO or the Secretary General of the UN to decide on a tax. Doing otherwise is simply impossible: it is a responsibility for politicians, I would say, at the State level. So you must have one, two, three, four, five of State who would be really working on a tax for education, a micro-solidarity tax for education on a global economy. Then you can have a snowball effect: to date, 15 countries have signed the airline tickets tax and, hopefully, we will be 25 in a year or a year and a half. You must find someone: it can be Mr. Obama, Mr. Sarkozy, or, say, Mr. Zapatero. The other option is to overlook the idea of a tax and opt for a voluntary contribution. This is a public private partnership option. The idea here is for you to go ask our three mobile phone operators if they are ready to boost their image and agree to create the first global citizen solidarity contribution for education. You could raise large sums indeed. Everything is a branding issue, everything is a problem of brands and UNESCO is one. This was my second point.

The third point I will make is that if you want to succeed you must also develop new forms of governance. Let us consider UNITAID. Its governance is very original. In a book to be published soon, I take the liberty to say that the UN should take a close look at the governance of UNITAID. Who is sitting around the table? There are the Heads of State and Government of the founding countries – the French President, the President of Brazil, and the President of Chile –, the Prime Minister of Norway, the Prime Minister of UK. There is WHO, the UN agency. Then there are two seats for civil society, because no one can progress without civil society in today's reality and then there is Bill Gates and his Foundation, representing the private sector. I am only a qualified person. I mean, tomorrow the governance will be public-private. Your reflection on innovative financing should encompass those partnerships, as well as the UN – of which UNESCO is a part – and civil society.

As a fourth and final point, I deem it extremely important that a solidarity contribution for education be paid by the South as well as the North. This must not be a post-colonial scheme. For example, I am very pleased that Mali, Niger, Madagascar, and Mauritius pay the tax on airline tickets. Someone who is in Mali and has enough money to afford a plane ticket business class may very well pay 2 Euros. That does not bother me at all and as it is also South-South and North-South: it changes everything.

Finally, since you mentioned the various innovative financing mechanisms that exist, I just want to finish on two things. First, innovative financing is interesting only for two reasons: firstly because it is additional. If it was not, it would be a waste of our time because while we would be working at it, Finance ministers would, in the mean time, say: "Well, it is fortunate: you are bringing money in and that means less money out for us." This would be terrible! You have to play it hard when it comes to Finance ministers. Note that, among the people you will meet, the Heads of State will all say yes while finance ministers will all say nay. The question is whether the finance minister is politically stronger than the Head of State. It is usually not the case, but I witnessed it sometimes. It happened that Heads of State accepted while their finance ministers refused my propositions – and it froze everything. Anything can happen.

Secondly, innovative financing must be sustainable and predictable. This is where the strength of innovative financing lies. You can not give money for a school or educational program if you only have a one-year budget. You are well placed to know that development programs in education or health extend over at least 3.5 to 6 years. The advantage of the tax on airline tickets is that it does not depend absolutely on ministers of Finance, ministers of Budget or French parliamentarians, etc. Yes, every three years, every 4 years, they have the right to know what we do with the money in order to decide whether their continue or not – but that is a completely different discussion. What matters during these 3 or 4 years is that we are on track. That is how I could obtain a 60% reduction of drug prices: because I said to the pharmaceutical companies: "I will buy drugs for $ 400 million per year for five years and if I do that, you will lower your prices." As a result, they gave me a reduction of 60%. You can do the same for books; you can do the same for school supplies.

I will conclude by saying that, as far as innovative financing is concerned, everything hinges on political will. As Special Adviser on Innovative Financing for the UN Secretary General, I was at the heart of the debate in New York on the text that will be presented September 20 for the MDG Summit. The text shows a considerable advance in the field of innovative financing – you will undoubtedly be surprised. In three or four passages, innovative financing is sanctioned as the cornerstone of the achievement of the MDGs. What a progress! In 2004 -2005, when we began, President Chirac, President Lula and President Lagos were alone; then quickly Norway and the United Kingdom joined us. But the United States never did. We told them that this was not necessarily synonymous with taxes, that it could be voluntary as well. It is cultural and I totally respect the American culture: I am not trying to lecture anyone. Now I am very pleased that the U.S. administration in place since two years has accepted the mention of innovative financing in the resolution which calls to do "everything to explore new financial resources," – this would be the wording of it.

Madam Director-General, I think that the organization of this Seminar is completely in line with the priorities of the UN and the international community. You now have to find politicians, women or men, who will bring the project because, at some point, it is all about political decisions.

FILLING THE FINANCING GAPS IN BASIC EDUCATION – THE CASE FOR INNOVATIVE FINANCE

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In the 2009 edition of the EFA Global Monitoring Report, UNESCO made a small contribution to the discussion on innovative financing. In the context of the World Cup, we proposed a small levy to be imposed on the premier leagues of Europe and the World Cup itself, to generate revenue for education in Africa. So far that proposal has not been widely taken on board. If we were reformulating that proposal today in the light of the World Cup, I would certainly argue for a big tax on the English football team in particular. I am sure many of my French colleagues would support me in targeting individual countries, especially those with rebellious footballers, in France's case.

I will start with a point not on high finance, but on education. When you look at the picture of child students sitting on the dirt under a tree in Northern Uganda, you can have two reactions. [REFERENCE TO PHOTO # 30210301] You can either conclude that this bare minimum is a shocking indictment of the state of education in the developing countries. Viewed from a different perspective, you could say, it really captures the extraordinary energy, resilience of children and their parents. They are trying to achieve a basic human right which many people in rich countries take for granted, but which is denied to millions of people in poor countries. It is very useful, in framing the debate about innovative financing in education, to remember what it is about. We need to look at it through the eyes of the people for whom it really matters.

Before addressing in detail the issues of the costing and the financing gap, I will make a few introductory remarks, which may seem pretty obvious but are worth making. A major question was implicit in Mr. Philippe Douste-Blazy's keynote address. It pertains to knowing why we suddenly care so much about innovative financing in education today, while it has been on the agenda for some 15 years. There are many reasons why the education sector should prioritize innovative financing. The first is that despite the progress achieved, we are facing a crisis in relation to the EFA goals, which manifests itself in the number of children out of school, in the quality of education and a lot of other indicators. A central part of that crisis is financing constraints that innovative financing can help relax and tackle.

Another important reason for the education sector is that we have been left behind – let us be honest about it. There has been a lot of progress, a lot of innovation and a lot of ambition in the health sector, where most of the action has been. We have to acknowledge frankly that the education constituency has not been good at its job. We have not been good champions for the kids under the tree, who are looking to governments to generate the additional funding they need to tackle that crisis.

We also know that because the MDGs have become a focal point for thinking about the deprivation of global inequalities discussed by Mr. Douste-Blazy, they are going to frame the whole innovative financing debate. Regarding education in the context of MDGs, virtually no MDG can be achieved if we do not get education right. Without education, we will not achieve the poverty reduction goal, the nutrition goal, the child mortality goal or the maternity goal. We need to make the argument that if we leave education out of the innovative financing agenda, there will be a very high price to pay, not just in education but across the other MDGs as well.

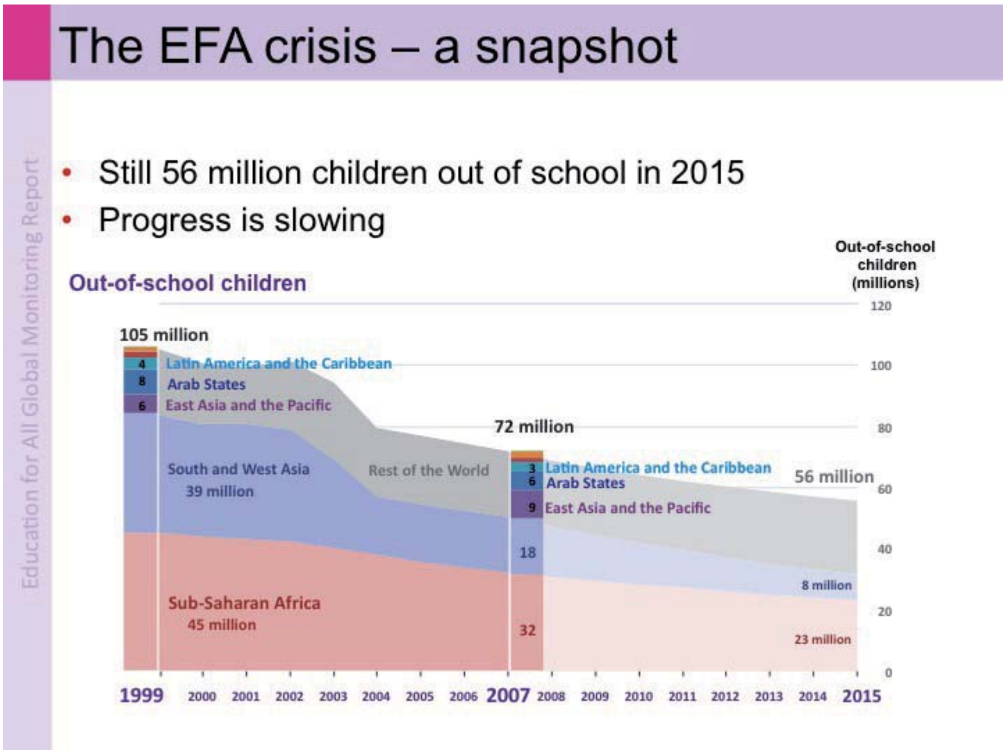
Another reason is opportunistic: there is clearly a political momentum behind innovative financing which is linked to the size of the financing gap, to fiscal pressures on aid budgets in rich countries, etc. We need leadership to seize that opportunity.

There are also non-financing issues at stake, which are spelled out by Mr. Douste-Blazy's experience. It is not about just raising money; it is about galvanizing political support. One accomplishment by the Global Fund to Fight AIDS, Tuberculosis and Malaria – one of the innovative financing mechanisms – was to put the issue right at the centre of the international development agenda, the G-8 agenda and even, to some extent, the G-20 in a way that most participants to this UNESCO Future Seminar can only dream about for education. We need to think about the building of partnerships around innovative financing in the broader context of how we are mobilizing international political support for achieving our goals.

While many big issues need to be discussed in this context, I want to point three of them in particular. First of all, we must ask ourselves how education fits into the bigger picture. When we are talking of a global transaction tax – be it a currency tax or a bank tax –, it would be foolish to imagine that you can have an education-distinctive approach to this. Education has to be part of the wider linkage between the financial transaction tax and the whole MDG agenda. One challenge for UN leaders is to integrate and coordinate their own activities much more closely and work out a shared set of demands around the MDGs while developing education-specific innovative financing approaches.

Secondly, we need to take the communication argument seriously. I am often struck by just how boring education is usually conveyed. The parents of the kids under that tree have a kind of passion which is not evident in the parts of the UN system dedicated to education or in most of the international forums on education. We are boring in the way we communicate our message. We need to communicate better if we want to win the argument.

Last point: this debate is not just about coming up with smart proposals and investigating different opportunities that may or may not be there in the financial markets. What we need is a combination of good arguments and political strategies. If you look back at the history of the Global Fund, nobody even thought of it before 1999. By 2001 it was the prime issue on the G-8 agenda, with a full scale secretariat created a year later. It did not happen just because someone sat down and wrote an article in *The Lancet* to say that it was possible. It happened because there was a critical mass of political activity around the demand led by the UN and Koffi Annan and key governments buying into it. We need to aspire to something similar to that in education.



To get down to the core business, there are different ways to look at the crisis and the financing gap in education. For the sake of brevity, I will focus on one of them. If one looks at the state of the world in education, at the time of the Dakar conference at the start of the decade, there were 105 million children out of school, around 45 million in Sub-Saharan

Africa and just under 40 million in South Asia. Since then, we have seen some quite strong progress. Out-of-school numbers are coming down, but as is evidenced in the data, progress is very uneven. The rate of progress increased dramatically around the middle of the decade. Progress was flat before that and it has become flat again since then. If we project forward the overall trend pattern of the decade to 2015, we end up with 56 million, with 23 million of them in Sub-Saharan Africa. This is giving a fairly benign perspective on the scale of the crisis for several reasons. One of them is that progress is slowing down. If one recalibrates the trends for the last five years we would have more children out of school in 2015 than we have today. We are therefore already off-track and slowing down.

This picture does not capture other key issues in education, like the fact that one in three children going to school in developing countries has experienced malnutrition. Also, the picture does not capture the persistent inequalities and slow progress among highly marginalized groups or the fact that there is a whole group of conflict-affected countries which are further behind everybody else and do not get the attention they merit from the international donors. The picture does not capture the chronic problems in quality. We know from learning assessments around the world that many children come out of primary school unable to read a single sentence after three or five years of education. We know that in today's knowledge-based global economy, primary education is not enough. We need to get children through secondary and tertiary education. Quality education poses grave challenges across the developing world.

As for the financing aspect of the financial crisis, the 2009 GMR Report investigated the extent of the financing gap to fill in order to fulfil the EFA goals. It first appeared that there was some confusion as to what the gap meant. For some people, the gap pertains to the discrepancy between what donors pledge and what they actually disburse. Our model proceeds otherwise: we examined the gap between what governments in poor countries are able to mobilize on a "best endeavour" basis, which is to say if they meet reasonable benchmarks for revenue mobilization for the share of their revenue that goes into the education sector and for the distribution of their budget in education, between the lower and higher levels of the system. The underlying assumption is that developing countries keep to their side of the EFA pact.

The other part of the exercise simply rests on a basic input-output model. It asks the question: "If you wanted to get all the world children into school by 2015, how many classrooms would it take, how many teachers would it require, how many books would be needed, and what would be the cost of delivery?" A detailed paper on the methodology will be available very soon. In the 2010 GMR we calculated the cost of reaching the most marginalized groups. It assumed indeed that getting the next child into school does not to cost the same as the average expenditure of the children who are in school already. The children we are talking about live in remote areas or work. There are therefore incremental costs associated with getting them in school.

The model applies to 46 lower income countries around the world. Starting with the overall cost of achieving a set of core EFA targets, principally in early childhood and basic education, the overall annualized cost for these 46 countries is around US$ 36 billion. The current revenue mobilization for education in these countries is around 12 billion. If one factors in growth and extracts the revenue estimates from the IMF growth projections, one can assume it can generate another US$ 3 billion. If one then factor in this best endeavour commitment, i.e., if countries ensure that they meet reasonable standards for mobilizing revenue and allocating resources into education, that could mobilize another US$ 4 billion. Those are quite significant investments that could be going into education. But even with that best endeavour, we are left with a financing gap of around US$ 16 billion.

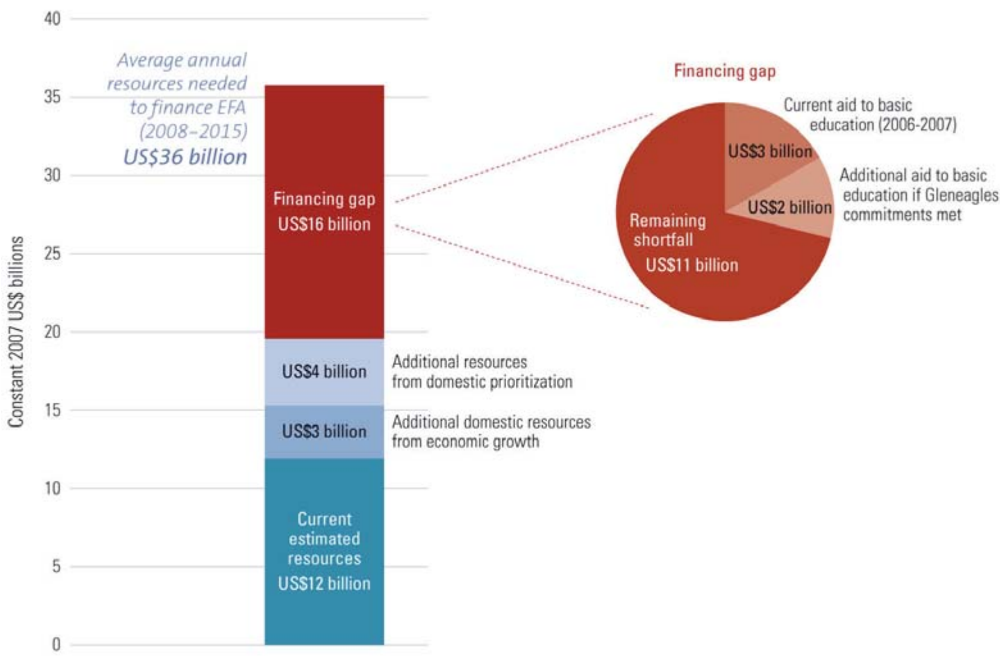
That financing gap can be compared with current aid in education, which, for these 46 countries, is around US$ 3 billion annually. If, in a best case scenario, the donors actually decided to keep the aid commitments they made in 2005, it would generate around another US$ 2 billion. In other words, the external financing gap for that group of countries amounts to US$ 11 or 12 billion annually. This is a huge financing gap if one looks at the overall requirements for EFA.

In the context of the discussions on innovative financing, it is also interesting to compare the health and the education stories. Over time, the growth curb of financing for basic education flattens out. It even decreased slightly in 2008, but it had been stagnating for the last couple of years. In comparing these trends to the evolutions in the health sector, it is clear that aid education is being left behind. This is not just related to innovative financing, but also to the way in which the health sector has been very successful in tapping into donors' support. A lot of the increase in global commitment in health can be traced to the successes of the Global Fund, which has been a channel for UNITAID and other innovative financing sources, or of GAVI, which has channelled IFFIm bonds and Advance Market Commitments.

The health sector has managed to be right at the center of the political debate on development. There is nothing in education which compares with the High Level Taskforce on Innovative International Financing for Health Systems. This is astonishing. Every world leader would go to an international summit and say how education is critical for poverty reduction and the future of their countries. Yet there is nothing comparable to such an initiative in the education sector. What we are seeing in the health sector and what they have been good at is precisely what we have been bad at in education. They have linked high levels of ambition and innovative thinking to a clear story of what the expected benefits. The story of the Global Fund is not that we are finding smart ways of taping financing resources; it is that we are saving lives, that we have saved 5 million lives over the past seven years. The story presented to the world by GAVI is not that we have been operating in very complex bonds markets and have come up with some good ideas; it is that we have vaccinated some kids against measles and there are lots of children who are alive today who would not have survived if we had not resorted to innovative financing mechanisms. The communication dimension has been a fundamental part in the achievements of the health sector. There are of course plenty of problems as well, like the skewing of health priorities in the direction of HIV/AIDS. Nonetheless, it remains an important issue for debate.

Figure 2.49: Financing gaps are large and unlikely to be eliminated by current donor pledges

Breakdown of annual resource needs to achieve basic education goals



Notes: Breakdown of annual resource needs does not add up to the total due to rounding. The percentage increase in aid between 2005 and 2010 associated with the Gleneagles targets (see Chapter 4) are usual to project 2005 basic education commitments to 2010 for each country covered.

Sources: EPDC and UNESCO (2009); OECD-DAC (2009*d*).

Going back to a couple of general reflections, I think this meeting is very timely. There is some research and some interest in innovative financing linked to the global financial crisis, the pressure on aid budgets. There is a momentum behind interventions in the financial sector and a lot of perspectives on this. On the one side, there is this return of James Tobin's ghost from the early 1970s, which Mr. Hans d'Orville wrote about in the mid-1990s. The idea of a Tobin tax has come back and is on the political agenda in a way that is has probably never been. A big constituency of civil society is now arguing for wide-ranging taxes across the financial sector, not just on currency but on derivative instruments, bonds, hedge funds, transactions, etc, with the objective of channelling funds to the MDGs. There is, for example, the Swedish banking stability tax proposal, which has been taken very seriously by the European Commission and the European Parliament and which is somehow analogous to the United States responsibility fee. Many proposals link the revenue thus generated not just to the stability of financial institutions themselves but also to the MDGs. Even the IMF has advocated a tax on profit and bonuses in the financial sector. I believe that when you have NGOs, the IMF and several governments all pulling in the same direction, it points to opportunities that have been absent for a very long time. The trouble is that none of these constituencies may be operating across the different proposals in a way that could make some of them actually real.

There are also a lot of new ideas under review, apart from the football tax proposal. The idea of tapping into the mobile phone sector has potentially huge ramifications. This sector has revenues just under one $US trillion annually with a very small number of operators. It meets precisely the criteria laid out by Mr. Douste-Blazy: it is global; a tiny tax can be levied on high-volume transactions, with potentially big returns for development. I suspect it would not be difficult to sell an interesting story on education to the small number of companies who control access in that industry.

What are the big issues we need to discuss in the context of the education sector? There are three core themes. The first is scale – the financing gap is US$ 13 billion, not 10 or 15 US$ million, so we need to mobilize resources that are commensurate with that huge gap. Another core theme is the financial feasibility of any proposal so as to avoid large scale market distortions or fiscal evasion, and so on. As for the third theme, we need to reflect on political attainability. There is no point in coming up with ideas that will go nowhere. In education, we also need a twin track strategy combining the MDGs and the EFA targets. Wider UN leadership is needed, including from the education sector, setting out how our demands fit into the broader package. There is also plenty of scope for us to come up with our own distinctive proposals, whether it is around mobile phones or some of the ideas that are set out in the paper by Mr. Nicholas Burnett and Mr. Desmond Birmingham.

Potential tensions are also to be considered. Some proposals seem very compelling from a communication point of view, but may not be very effective to mobilize resources at the scale required. For example, a small scale proposal to target a particular group in a country affected by conflict, in the way UNITAID has done for Liberia or Sierra Leone. That may work very well from a public communication point of view, but it may not work to scale. We therefore to need to look at all the potential trade-offs and, beyond education, to the UN package.

As funds are now proliferating, we need to recognize that this carries specific problems. One of the concerns raised by many of my colleagues in the health sector is that the multiplication of funds, which now address vaccines, HIV/AIDS or malaria do not necessarily support or help strengthen the overall health systems that are going the deliver the actual services.

A danger is that these funds are going to reflect donor priorities rather than needs on the ground. Both GAVI and the Global Fund have identified this as an issue and now concentrate much more resources towards strengthening the systems. Still, we should be aware that this could be a danger for the education sector. We need to aim at generating real new money: we must avoid repackaging money from traditional sources or simply change the way funds are delivered. Wider discussions are needed on this topic.

As for the arguments in favour of greater efficiency and equity in public spending, I do not consider that they constitute a proposal for generating additional funding. In that regard, I disagree with Nicholas Burnett and Desmond Birmingham. Efficiency stands on its own right and should be sought for by every government, but the argument for performance-based aid is not about new money. It is a change in conditionality and the way you deliver aid. It should not, therefore, be confused with innovative financing.

Another pitfall to avoid is frontloading. If we look at IFFIm bonds, we can recognize that they play an important role because they enable governments to make investments when deemed necessary. There is no point waiting five years to deliver the vaccines required to keep the children alive today. But frontloading is not an addition to the resource envelope. It has to be repaid – the interests of these bonds are paid out of aid budgets. Strictly speaking, this cannot be considered new money.

Last but not least, we need credible delivery systems in education. They now exist in health, through the Global Fund, GAVI, UNITAID and other initiatives. In education, we have the Fast Track Initiative (FTI), but most donors would not regard it as a credible mechanism for dispersing resources on the scale discussed in the context of innovative financing. There is no point coming out with a proposal that could potentially mobilize five to seven billion $US dollars only to discover that there is no credible delivery mechanism.

Finally, we need to bear in mind the kids under the tree in Uganda: it is all innovative financing in education is about.

INNOVATIVE FINANCING FOR EDUCATION[1]

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And

Desmond Bermingham
Visiting Research Fellow, Oxford University and Representative of the MasterCard Foundation

INTRODUCTION

On March 30, 2010 the Education Support Program of the Open Society Institute convened a meeting in New York to discuss innovative financing for education. It asked Results for Development to lead the discussion at that meeting, which it did through the preparation of a power point presentation, and subsequently to write up the presentation and the discussion into this paper.

The paper has five sections:

1. What is innovative financing for development and why do we need it?
2. What is the state of education in the world and why do we need innovative financing for education?
3. Lessons from innovative financing experience in general and in other sectors.
4. Ideas for innovative financing for education.
5. Possible next steps.

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1. This chapter is an abridged version of "Innovative Financing for Education," a paper by Nicholas Burnett and Desmond Bermingham previously published as ESP Working Paper 2010 n°5. The Education Support Program (ESP) is part of the Open Society Institute.

1. WHAT IS INNOVATIVE FINANCING FOR DEVELOPMENT AND WHY DO WE NEED IT?

There has been heightened interest over the past two years in various forms of innovative approaches to support development programs in low and middle income countries.[1] This has been driven by an acknowledgement that the existing sources of financial support – mostly bilateral donor countries or multilateral development agencies – are insufficient to meet the needs of developing countries and are likely to decline or, at best stagnate, over the next few years, at the same time as needs may increase e.g. in response to climate change.

Official development assistance (ODA) from OECD countries in 2009 was US$120 billion. This represented a 30% real increase on 2004 levels and was a record level. However, ODA still represents less than 0.7% of Gross National Income in most donor countries and several donors are failing to meet the commitments they made in 2005 to increase aid by US$50 billion (now likely to be $46 billion) and double aid for Africa by 2010 (now likely only to increase by about half the $25 billion target).[2] The global financial crisis has placed further pressure on aid budgets as donor countries struggle to reduce deficits in their own budgets.

In addition to the shortfalls in the quantity of aid, there is growing frustration at the failure to improve its quality. The transaction costs for recipient countries aid are still too high. A 2008 survey showed that donors conducted 15,229 missions in 54 countries during 2007. One country – Vietnam – received 782 donor missions in one year – more than 2 a day.[3] It typically takes 12–18 months to complete donor project preparation and approval processes and, even after approval, aid flows are often volatile and unpredictable.[4] In many sectors aid is fragmented with local governments having to deal with a plethora of donor representatives.[5] In addition, donors and multilateral agencies frequently place additional burdens on developing countries by insisting on their own financial management and reporting systems. For the EU alone, this results in wastage estimated at €5–7 billion per year.[6] Donors and multilateral agencies have committed to improve their practices but progress against their self-set targets has been slow.[7]

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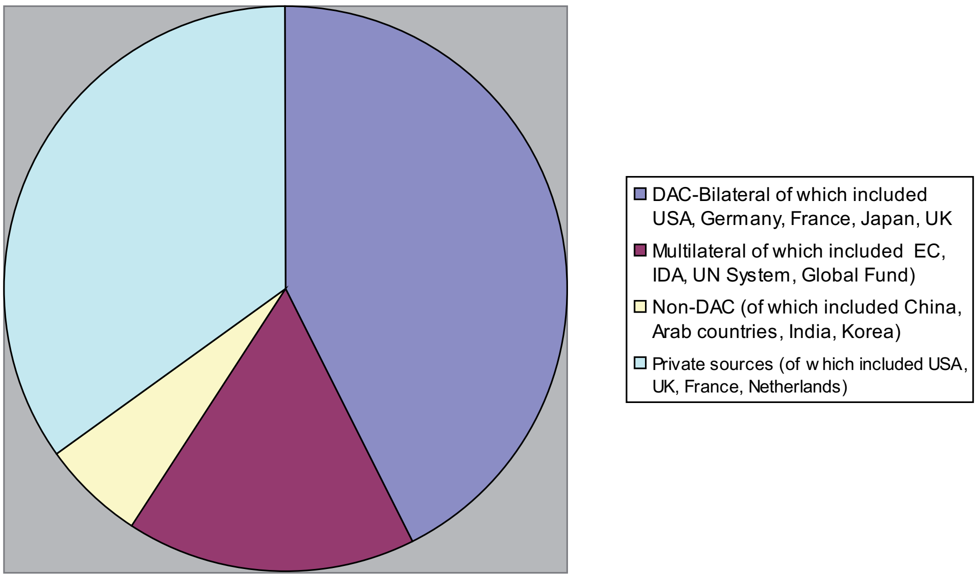
1. For example, a recent Marketplace on Innovative Financial Solutions for Development attracted more than 800 applications for an award as the most promising proposals.
2. Development aid rose in 2009: OECD DAC press release, 14 April 2010.
3. OECD DAC (2009). Reaching Our Development Goals. Why does aid effectiveness matter. Paris, OECD DAC.
4. Measuring the Cost of Aid Volatility. Homi Kharas. Brookings Institution. 2008.
5. The price of fragmentation – New European Commission report unveils the costs of aid ineffectiveness. EURODAD. November 2009.
6. Aid Effectiveness after Accra. Where does the EU stand and What more do we need to do? EC Staff Working Paper. April 2009.
7. OECD DAC (2009). Evaluation of the Implementation of the Paris Declaration. Phase one. Paris, OECD DAC.

The drive to explore innovative approaches to financing for development is partly driven by a desire to move the debate beyond aid to consider other forms of financing that can sustain long term, equitable growth. The aid debate in its current form often neglects the most important source of financing for development: domestic resources from the country itself. Official aid figures also fail to take account of other large and increasingly important sources of external finance for developing countries.[1]

These sources include private foreign direct investment; donations from private philanthropists and foundation donors (estimated at US$90 billion in 2008); and aid from non DAC donors such as China, India and Gulf State sovereign trust funds. These nontraditional sources may contribute as much as US$60–70 billion per year in development assistance on forms that are not currently captured by official reporting.

Figure 3: **The $170 billion aid industry**



Source: OECD/DAC, The index of Global philanthropy 2009 and Kharas (2009)

In addition, official aid figures do not reflect the very large remittances from overseas workers that are sent to developing countries (mostly in Asia) every year. In 2008/9 there were estimated at over US$ 300 billion – nearly three times official aid funds. In response to this increasing diversification of development finances, some commentators have called for a move away from traditional supply driven methods of providing aid and towards more

1. See for example: The End of ODA: Death and Rebirth of a Global Public Policy. Severino and Ray. CGD. Washington, 2009.

innovative financing which promotes a market oriented approach to provide better information and a greater choice for developing countries of how they receive external support.[1]

The French government has taken a lead on the topic of innovative financing for development. It convened in 2006, a multi-agency "Leading Group" which has grown rapidly and currently comprises 55 member countries and 4 observer countries, international organizations (including World Bank, UNICEF and others) and representatives of civil society and private sector organizations.[2]

The Leading Group proposes three key features of innovative financing:

1. It is linked to global public goods such as eliminating diseases or reducing climate change and therefore requires a global intervention.
2. It is complementary and additional to traditional ODA. It may help to improve the quality of existing aid but innovative financing can never replace the quantity.
3. It is more stable and predictable than traditional ODA.[3]

   This paper on innovative financing in education takes this definition as a starting point, but goes further to address some of the limitations of traditional aid and the particular circumstances of the education sector – especially the importance of domestic funding. Thus, in addition to the above features, we propose that the definition of innovative financing in education should also include:

4. Innovative approaches to mobilize domestic as well as international financing. Developing country governments typically spend 4% of GDP of their own resources on education. Securing improvements in the use of this financing and identifying additional sources of domestic funds to supplement tax income will be just as important as increasing external aid. For many countries, one such source of domestic financing, largely untapped, is pension funds, which are estimated to total over $1 trillion globally in developing countries.
5. Innovative approaches to financing should include innovation in delivery as well as innovation in mobilizing resources. Our assumption is that there are significant inefficiencies in the current system and that introducing a culture of innovation and risk taking in the sector will help to achieve much better results even with the finances currently available.

1. Beyond Planning: Markets and Networks for Better Aid. Owen Barder. CGD Working Paper. October 2009.
2. The leading group on innovative financing for development.
3. This, for example, is a key feature of the Innovative Financing Facility for Immunizations (IFFIm) which is able to provide countries with ten year advance commitments based on up front agreements on ten year bonds.

Further details and some examples of innovative financing in education and other sectors can be found in sections 3 and 4 of this paper.

It is important to emphasize here that innovative financing should not be considered as replacement for traditional sources of aid for development, nor should it substitute for more effective spending by developing countries, though it can encourage both. Over the period 2000-2008, non-traditional aid sources yielded an estimated US$57 billion or about 4.5% of total gross official flows.[1] However, there are significant sources of untapped funds at the global and local level which could – with an element of entrepreneurial creativity – be released to serve the needs of the poor in developing countries across the globe.[2] There is also undoubtedly scope for innovations to improve the delivery of finances for the education sector to reduce bureaucracy and to broaden the range of actors working in education, including the private sector and non-government organizations.

For the education sector, finding new sources of long term predictable financing will be essential if countries are to make significant progress towards the international development targets by 2015 and beyond.

2. WHAT IS THE STATE OF EDUCATION IN THE WORLD AND WHY DO WE NEED INNOVATIVE FINANCING FOR EDUCATION?

There are two overlapping sets of international development targets in education. First, there are the two Millennium Development Goals that:

a) Every child should complete at least a primary school education by 2015; and

b) We should eliminate the gap between girls and boys at all levels of the education system by the same year.

The UNESCO led Education for All (EFA) movement has six goals, including the two MDGs and adding the expansion and improvement of early childhood education; learning and life skills programmes for young adults; achieving a 50% increase in youth adult literacy rates by 2015; and improving the quality of education at all levels. The most significant progress in the education sector has been made in increasing primary enrolment. An estimated 615 million children in developing countries are now enrolled in formal primary education. The number of children out of school has been reduced by 32% since 2000 to 72 million and the

1. Speech by Philippe le Houerou (Vice President, Concessional Finance and Global Partnerships, The World Bank Group) to Ministerial Meeting of Leading Group. May 2009.

2. See Section 3 for details of a proposal to tap into the US$1 trillion that are locked into pension funds in developing countries.

gender gap is closing. There has also been an increase in enrolment rates at other levels in the education sector. Secondary gross enrollment rates in developing countries rose from 52% in 1999 to 61% in 2007. Given the continuing rapid population growth in most of these countries this represents a very substantial increase in numbers of young people going to school (UNESCO 2010).

Education for All Dakar Goals and Millennium Development Goals

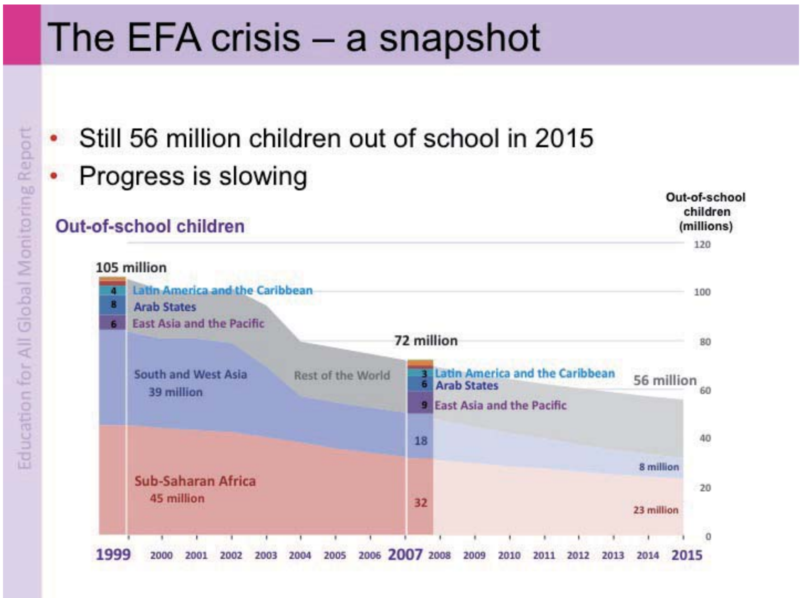
EFA Goals	MDGs
1. Expand and improve comprehensive early childhood care and education 2. Universal primary education by 2015 3. Learning and life skills programmes for youth and adults 4. 50% increase in adult literacy rates by 2015 5. Gender parity by 2005 and gender equality by 2015 6. Improving quality of education	1. Eradicate extreme poverty and hunger 2. Achieve universal primary education 3. Promote gender equality and empower women 4. Health goals 7. Environmental sustainability 8. Global partnership for developmen

However, in many countries progress has been uneven and has not been fast enough to achieve the goal of universal primary education by 2015. There are also signs that progress may be slowing and reaching the last 10% of children in many countries is going to be more difficult and more expensive. At the current rate of progress, there will still be 56 million primary aged children out of school in 2015. 23 million of these children will be in sub Saharan Africa and a significant proportion of them will come from remote rural areas, or areas affected by conflict, or from marginalized communities which are additionally disadvantaged as a result of ethnicity, disability or poverty. Official figures almost certainly overestimate the number of children in school and do not necessarily reflect the large numbers of children who enroll but then do not attend or drop out after a few years. There are also a large number of over-age children in school who are forced to repeat years of schooling after failing examinations and represent a substantial inefficiency in the system.

The serious problems with the quality of education provision in many developing countries are widely acknowledged. Large class sizes persist in many developing countries – up to 80 or 90 in some densely populated urban areas. There is a continuing shortage of trained and qualified teachers and there is a serious problem in many countries with lack of motivation leading to high levels of teacher absenteeism. As a result, the quality divide as measured by learning achievement tests between rich and poor countries remains wide and restricts the private and public benefits that accrue from investment in education in developing countries.[1]

1. Lewin, K. (2007). Improving Access, Equity and Transitions in Education: Creating a Research Agenda. Sussex, CREATE.

Numbers of out-of-school children are declining (GMR 2010) but still 56 million children out of school in 2015



The expansion in primary school enrolment in many developing countries is creating a (positive) upward pressure on secondary and tertiary level education and vocational training systems. As economies move from dependence on subsistence agriculture to service and knowledge based industries, the higher level skills required will necessitate a larger proportion of the population completing at least secondary school. Secondary and tertiary enrollment rates in developing countries have risen significantly in the past decade. But the poorest countries in sub Saharan Africa lag behind with enrolment rates of 34% at secondary level and only 4% at tertiary.[1] (Table 1)

Table 1: **Gross Enrollment Ratios, Secondary and Tertiary Education (%)**

	Secondary 1999	Secondary 2007	Tertiary 1999	Tertiary 2007
World	60	66	18	26
Developing countries	52	61	11	18
Africa	24	34	4	4
Developed countries	100	100	55	76
Countries in transition	91	90	31	58

Source: UNESCO 2010

1. UNESCO (2010). Education for All Global Monitoring Report: Reaching the Marginalized. EFA Global Monitoring Report. Paris, UNESCO.

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. Some analysis indicates that more than 3% of GNP 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. Many countries currently subsidize upper levels of the education system in a form of regressive financing that benefits the elite. This is an area where innovative approaches to financing – including various forms of cost recovery – offer the most scope for leveraging additional private resources and releasing government financing for primary and basic education.[1] The economic and social benefits to secondary education are more immediately visible to individuals and communities. Secondary school qualifications often provide access to salaried employment in the public or private sector. Completing secondary education for girls and young women is strongly associated with better health and lower fertility rates. All of these factors will be magnified over the next decade as developing countries deal with a youth bulge which will see total numbers between the ages of 12 and 24 rising from 1.3 billion today to 1.5 billion by 2035, followed by a slow decline.[2] This offers a huge potential opportunity for developing countries, if they can provide the skills and training these young people will need to become productive citizens. But it also poses a threat if the appropriate education and work opportunities cannot be found and the country is left instead with a large non-productive and unemployed youth population.

In addition to financial constraints, developing countries also face major challenges in recruiting and retaining qualified and trained graduates to work as teachers in secondary and tertiary institutions. Good graduates are in demand and the education system struggles to compete with better paid positions at home and overseas. Innovative approaches to delivering post primary education are beginning to emerge in the public and private sector to meet the growing demand. 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, sixty per cent 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.[3]

1. Lewin, K. (2007). Expanded Access to Secondary Schooling in Sub-Saharan Africa: Key Planning and Finance Issues. Sussex, CREATE.
2. World Bank (2007). World Development Report. 2007. Development and the Next Generation. Washington, World Bank.
3. Daniel, J. (2010). Mega-Schools, Technology and Teachers. Achieving Education for All. London, Routledge.

In order to think about innovative financing in education, it is important to understand the levels and nature of education finance. Most spending on education in developing countries is by the public sector, in marked contrast to health where private spending dominates. Public spending on education by developing countries represents about 4% of GDP and is almost entirely recurrent spending, typically 85–95% of it being on teacher salaries (even in OECD countries, teacher salaries account for about 80%). Other expenditure items are on books and materials, on school construction and maintenance, on teacher training, transport to school, and school meals. Spending incidence analyses generally indicate that spending at the primary level is reasonably progressive, without huge differences between poorer and richer students but that this is not the case at the secondary and tertiary levels where public spending tends to be regressive and focused on the better off.

Private spending on education takes many forms including particularly spending on private tutoring (perhaps 1% of GDP), on fees where these exist, books and materials, uniforms, transport, meals and so on. The poor also have significant costs in enrolling their children, including lost child labour, both outside the home and inside it, where children, especially girls, often help with agricultural production, water collection and the care of younger siblings.

Public spending on education is mainly financed out of general revenues. There are sometimes specific charges for education, such as fees, but these do not generally represent major sources of revenue. There are also sometimes specific taxes for education, particularly training levies on firms for vocational education.

In addition to domestic public and private spending, there is approximately $11 billion per year of ODA for education plus some significant flows of non-concessional external financing, especially from the World Bank and the regional development banks. The ODA tends to benefit middle income countries and higher education more than low income countries and primary education. Fragile states, large countries and francophone countries tend to have the greatest needs but to receive the least funding. A high proportion still tends to go for external technical cooperation. Aid for basic education represents only about US$4 billion per year. Aid for education, like aid in general, tends to be driven by historical patterns and geopolitical interests – thus European countries' aid for education is largely focused on former colonies in Africa and US education aid is increasingly targeted on Afghanistan, Iraq and Pakistan. The share of education in total aid has remained roughly constant at about 12% this century, hence increasing as aid has increased; other sectors have experienced significant shifts, notably health whose share has grown from 11 to 17%.

In addition to the traditional DAC donors, there are new sources of international finance for education, notably from emerging donors such as China, Korea and Russia; from private foundations such as the Hewlett Foundation, Dubai Cares and the Children's' Investment Fund Foundation; and from Gulf States such as Qatar whose funding has focused particularly on refugees such as those from Iraq and Palestine. The EFA Global Monitoring Report has identified a huge funding gap in basic education if the MDGs and EFA goals are to be met. It estimates total needs for low income countries at $ 36 billion per year from 2009 to 2015. Current financing is around $16 billion, with $12 billion from governments and $4 billion from ODA. Even allowing for increased efforts by governments and for donors if they meet the commitments they made at the G8 meeting in Gleneagles, which will not be easy for either because of the financial crisis, the GMR projects an annual financing gap of US$11 billion, or three times the present level of ODA for education.

The impossibility of filling this gap through ODA is a powerful driver of the new interest in innovative finance for education. But it is not the only reason that innovative financing is needed for education. We can identify five reasons:

a) 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.

b) Raising the profile of education: An important aspect of innovative financing efforts in 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[1], and its unproductive internal debates at the international level, characterized particularly by the discussion of the FTI.

c) 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 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.

1. This was identified by many potential foundation funders as a problem in the sector. See Achieving Universal Basic Education: Constraints and Opportunities in Donor Financing Liesbet Steer. ODI, 2009.

d) Meeting the needs of fragile states (especially those affected by conflict): For several years now, the Inter-Agency 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.

e) 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.

3. LESSONS FROM INNOVATIVE FINANCING EXPERIENCE IN GENERAL AND IN OTHER SECTORS

There are many ideas, and some experience, with innovative finance for development, drawing on but not confined to the work of the Leading Group on Innovative Finance for Development which, since 2006, has brought together almost 60 countries, 15 international organizations and over 20 international NGOs. Innovative finance can be through taxes and other government actions or through voluntary contributions. This section explores ideas and experience with both –in general; in the health sector, where innovative financing is perhaps most visible; and, briefly, in other sectors including agriculture, microfinance and climate change.

At the level of overall resource mobilization for development, the following ideas are currently under consideration:

1. A tax on international financial transactions. The idea of such a tax has existed since 1972, following the then major global financial crisis, as first proposed by the economist James Tobin. It has come and gone as a concept for several decades, but now has renewed interest with a special Leading Group task force working on the concept and several major countries supporting the idea. The French

government estimates are that as much as US$33 billion a year could be raised from a tax on transactions involving US dollars, the euro, the pound sterling and the yen. Discussions are much more advanced, however, on the technicalities of raising such a tax than on how its proceeds would be used to benefit the developing countries.

2. A global development lottery. In nine major European countries alone, some 220 million people participate in national lotteries; when interviewed in 2006, some 70% indicated their willingness to participate in a "humanitarian levy" and this idea has been advanced particularly with regard to helping finance food needs in developing countries, with considerable support from FAO, WFP and IFAD and also from Nobel Peace Prize winner Martti Ahtisaari. Ideas are under discussion ranging from a specific global lottery to amalgamating existing national lotteries.

3. VAT "de-tax". Italy has proposed a voluntary rebate by businesses on their Value Added Tax payments, to benefit development. This idea does not enjoy wide support, however.

4. Using remittances more effectively. International migrants send funds back to the countries from which they came, some of which are undoubtedly for their children's education.[1] The transaction costs of the millions of small transfers are very high, amounting to about 10% of the total. At its summit in L'Aquila in 2009, the G8 committed to try to reduce these transaction costs to 5%. This would clearly increase the flow of funds to developing countries but it is not clear how they would also be channeled towards public spending for development.

5. Diaspora bonds. International migrants and their successor generations often want to retain ties with their country of origin and to support its development. One possible mechanism could be bonds issued by the government in domestic currency but purchased by those in the diaspora, who might be willing to accept a lower than commercial return to support development and , very importantly, would also assume any foreign exchange risk – as far as the government is concerned, the bonds are entirely a domestic currency transaction.

6. Financial guarantee insurance for bonds (FGI). One of five prizewinners in the recent Marketplace for Innovative Finance competition sponsored by the Gates Foundation, the World Bank and the Agence Francaise de Developpement was the R4D/Affinity Macrofinance proposal to launch a global "monoline" financial guarantee insurance initiative. The business model of this is quite simple, akin to a parent co-signing a loan for a child who is creditworthy but unable to secure bank financing or unable to secure such financing at an advantageous rate. In essence

1. Some $317 billion in 2009, down from $338 billion in 2008.

FGI provides AAA-level (thus, less expensive) financing for public sector projects which would otherwise be rated BBB, A or AA. A calculation is made of the savings enabled by the higher AAA rating; then the issuer and the financial guarantor split the savings – say, 55% for the guarantor in the form of a premium; leaving the issuer with a net 45% savings over its normal financing costs. This technique has been used extensively in the United States. Rarely do such financings of essential public service projects default, but when they do, losses to the guarantor are minimal because it is almost always critical that the government find a way to save projects like roads or hospitals. This model has great potential for the developing world for three reasons: (a) the huge growth of pension funds, as mentioned previously now amounting to some $1 trillion globally including as much as $80 billion in Africa excluding South Africa (where there is another $80 billion) – these pension funds could invest in development-focused bonds enhanced with FGI and would gain higher returns than earned by their typical fixed income investments; (b) the generally good macroeconomic performance and improving economic policy environment of developing countries; and (c) the growth of local currency bond markets.

7. In the recent past, debt swaps have also been used for development, in which donors cancel a fraction of debt held by developing countries in return for specific expenditures. The best known example was the Highly Indebted Poor Countries (HIPC) initiative promoted by the World Bank. These techniques continue at the sectoral level, including in health and education, as discussed below but have much less promise today than a decade ago because of the much lower levels of developing country indebtedness.

The health sector[1] has enjoyed considerable success with innovative finance, and has also had the experience of a high level international task force co-chaired by then UK Prime minister Gordon Brown and World Bank president Robert Zoellick:

1. The International Financing Facility for Immunization (IFFIm) raises funds on capital markets, using the World Bank, based on the future stream of donor pledges of aid (from UK, France, Italy, Norway, South Africa, Spain and Sweden). These funds are then used to pay for underused vaccines in poor countries, through the GAVI Alliance. This approach allows donors to frontload their assistance and address urgent funding gaps lets recipients access long term predictable financing, and remove financing decisions from the vagaries of donor decisions or the politics of multilateral organization boards.. Currently donors have pledged over $5.3 billion to support IFFim bond issues.

1. This summary is based upon the R4D report by Robert Hecht, Amrita Palriwala and Aarthi Rao, Innovative Financing for Global Health – A Moment for Expanded US Engagement?, CSIS, March 2010.

2. Advance Market Commitment (AMC) creates a secure market for new vaccines against neglected diseases, using legally binding commitments to subsidize prices. Again channeled through the GAVI alliance, the AMC has secured $1.5 billion in commitments (from the Gates Foundation, UK, Canada, Russia, Norway and Italy) for a pneumoccal vaccine. The AMC rewards real results – in the form of a vaccine – and does not finance inputs.

3. Debt swaps for health. Several hundred million dollars of developing country debt has been cancelled thus far, mainly by Australia and Germany, with the proceeds used to finance health projects by the Global Fund for AIDS, Tuberculosis and Malaria, which applies a performance-based disbursement system.

4. A tax on airline tickets, now levied in 12 donor countries (mainly in Europe) provides additional funding to a new organization, UNITAID, a international drug purchasing facility for HIV/AIDS, malaria and tuberculosis. This has raised some $700 million in fresh funds since its establishment in 2006, with relatively low transaction costs but, as recent declines in air travel have shown, some unpredictability.

5. Massive Good is a new voluntary contribution scheme set up by a new organization, the Millenium Foundation, that encourages small voluntary contributions on travel (airlines, hotels, car rentals) in countries where there is not an airline tax. These funds will be disbursed by UNITAID to improve maternal and child health.

6. RED is another voluntary consumer contribution scheme. Consumers buy RED labeled products and a percentage goes to the Global Fund to finance antiretroviral drugs for AIDS patients in Africa. Examples of participating companies include Amex, Apple, Dell, GAP and Starbucks; some $42 million has been raised so far and RED has a target of $140 million per year.

7. Results Based Financing in Health. Innovative finance encompasses not only innovative ways of raising resources but also innovative ways to spend them more effectively. Results Based Financing is increasingly used in the health sector; as its name implies, it rewards achievements and does not finance inputs. On a large scale, it is used by both GAVI and the Global Fund which make disbursements only when target immunization and AIDS service levels have been achieved.

Innovative financing has also been used or is under consideration for agriculture, climate change and microfinance. Many of the product development ideas being used for health might have applicability in stimulating research in agriculture, particularly some combination of donor funding and market mechanisms.[1] International Fund for Agricultural Development (IFAD) also has a very small US$18 million Finance Facility for Remittances,

1. See Kimberly Anne Elliott with Matt Hoffman, Pulling Agricultural Innovation into the Market, Center for Global Development, March 26, 2010.

receiving annual proposals, to support projects and activities that reduce the transfer costs of remittances and promote productive rural investment of migrants' capital in their countries of origin. The Kiva microfinance scheme links online lenders in high income countries to entrepreneur borrowers in developing countries, having so far generated some US$136 million in loans from 453000 lenders to 351000 entrepreneurs in 50 countries and a repayment rate of 98.57% (see www. kiva.com). The area of climate change has many examples of innovative financing, mainly to incentivize reductions in carbon emissions, some linked to development. Carbon emissions trading amounts to some €7.2 billion in the European Union, alone; and there are various carbon financing facilities managed by the UN and the World Bank to support carbon reduction projects as well as the reduce emissions from deforestation (REDD) scheme. Germany, for example, sets aside 50% of its carbon emissions trading proceeds for development. If other countries were to do this, it could generate $2-3 billion per year.

This short review of sectors other than education has several important lessons for education:

First, it confirms that innovative finance can have different objectives. It can be used to mobilize resources, to raise the visibility of a sector or a disease, to promote innovation in a sector and to promote the effective use of resources. This means that it is important to recognise that innovative mechanisms can help to achieve important objectives beyond resource mobilisation.

Second, almost all the schemes so far implemented have tried in some way to leverage aid (there are exceptions like the airline tax and voluntary contributions for health), in part reflecting that much of the impetus for innovative finance has come from within the donor community. As a result, there has been little emphasis on domestic financing and on private financing.

Third, at least at the international level, financial intermediary institutions are needed, of three types. First, there are intermediaries to raise funds and promote innovation, such as IFFIm and the Millenium Foundation. Second, there are intermediaries to secure bonds and provide treasury functions, such as the World Bank for IFFIm and the proposed Affinity Macrofinance model. Finally, there are intermediaries to disburse the financing, such as the GAVI Alliance or the Global Fund for AIDS, Tuberculosis and Malaria.

Fourth, new institutions can be important in stimulating and using innovative financing approaches – in health these include the Global Fund, GAVI, the Clinton HIV/AIDS initiative, UNITAID and the Gates Foundation. All these new institutions have also, however, led to increased fragmentation in the health sector with numerous disease specific interventions which complicate the delivery of support to developing countries' health systems. This is not currently a problem in the education – if anything the opposite is true with support in the sector concentrated in a small number of bilateral donors and multilateral agencies. The key lesson from health is to create new mechanisms not new structures and that any new entities should work through existing channels to the greatest extent possible. Partnerships among very diverse groups have been key. In health, for instance, the innovative financing has involved NGOs, pharmaceutical companies, international organizations, foundations, donors and others.

Fifth, the work in health has followed two streams – innovative financing for health services and for health R&D. Similarly, in education, innovative finance could well support both service delivery and innovation in education.

Sixth, while important, the funding raised from innovative mechanisms is still relatively small, compared even to ODA. But innovative financing has been very important for specific purposes and for raising the profile of a sector or disease, notably health and AIDS. The same could be envisaged for education, such as raising the profile of relatively neglected EFA goals like early childhood care and education or youth and adult literacy.

4. IDEAS FOR INNOVATIVE FINANCING FOR EDUCATION

Success in other fields coupled with financing shortfalls in education has led to considerable interest in innovative finance in education in 2010. At its meeting in Santiago on 28-29 January, the Leading Group established a task force on education, jointly chaired by France and Jordan, which met for the first time in Paris on 11 May and has the aim of producing a paper for the Millennium Summit in New York on 22 September. The Education for All High Level Group meeting in Addis Ababa on 23-25 February called on EFA partners to "explore approaches to education financing" and UNESCO plans to host a Futures Forum devoted to this topic in September. This paper derives from a meeting called by the Open Society Institute in New York on 30 March which decided also to create a working group on innovative financing in education. These different strands of interest have some overlapping membership which will hopefully serve to coordinate their various activities.

As we have seen there are various different objectives for innovative finance. Section 2 identified five possible objectives for innovative finance in education:

- resource mobilization,
- profile raising,
- improving effectiveness, efficiency and equity,
- supporting conflict-affected countries,
- and stimulating innovation in education.

Innovative financing approaches can also be applied both to international and domestic finances, and can be used to leverage both public and private funds. With regard to resource mobilization, it can be about the use in education of funds raised more generally or it can be about the raising and use of resources within education. The annex to this paper presents a typology we have developed of the various innovative finance experiences and ideas in education. For some objectives there are many ideas; for some there are few or even none, as Table 2 shows.

Table 2: **Typology of ideas for innovative finance for education**

Objective	Domestic	International
Resource mobilization- public	Many	Many
Resource mobilization – private	Many	Some
Raise profile of education	Very few	Few
Improve effectiveness/efficiency	Many	Some
Improve equity	Few	Very few
Support conflict-affected countries	None	None
Stimulate innovation in education	None	None

In this section, we do not discuss all these ideas but rather examine those that are currently most under discussion or that we believe have the most potential to meet at least one of the objectives noted above:

International Resource Mobilization Ideas specific to Education

1. Soccer (FIFA) levy. The EFA Global Monitoring Report 2010 suggests a 0.4% levy on broadcast and sponsorship revenue from five major soccer leagues in England, France, Germany, Italy and Spain, which it estimates would raise some $48 million per year and also, by associating soccer with education, significantly raise the profile of the sector. Further analysis will be needed on costing prior to negotiation with football leagues about methods of collecting revenues. Further work will also be needed on management arrangements to collect funds and channel them through the most effective delivery mechanisms.

2. World Cup Legacy Fund. Also linked to soccer and helping to raise the profile of education is the idea that the World Cup host country (South Africa in 2010; Brazil in 2014) should establish a legacy fund that can be used to fund future education projects within its borders and for poor countries (e.g. in Africa for South Africa).

3. Teachers for Education for All Fund – some members of the international teachers union Education International have suggested that a 1% voluntary levy on teacher union dues in richer countries could be used to finance a fund for education in developing countries This would be an important act of solidarity that would also help raise the profile of education in developing countries. This proposal is still at the concept stage and requires further analytical work prior to design.

These ideas, while all helpful for raising education's profile, especially through the association with soccer, would not raise major resources compared to the education sector's needs.

General International Resource Mobilization Ideas applied to Education

4. If a tax is placed on international financial transactions, then the education sector could benefit. Indeed the Leading Group's two current task forces are concerned with such a tax and with education, and the two task forces are now being linked. The case for education could also be made if there is a global development lottery or if any global development bonds are issued. The case may be strengthened by OECD countries' own recognition during the current global financial crisis that education and training spending needs to be protected, or even increased, during recessions.

5. Linking climate change financing to education. Education is essential for dealing with climate change, in both the general sense that educated populations can more easily adapt their behaviors and in the specific sense that certain specific skills will be needed to help the world transition towards a green economy.[1]

6. A remittance levy for schools. It has been estimated that a voluntary 0.1% levy on remittances could raise $300 million a year. Coupled with reduced transaction costs, such a levy could still cost remitters less than present arrangements. Collection mechanisms would need to be developed, as would mechanisms to assure remitters that the levy was being used to achieve the specified objectives.

7. Diaspora bonds for education. This idea seems promising[2] but, by definition, can only benefit countries of past emigration which now have significant diasporas.

8. Debt swaps for Education. There have already been several swaps, including triangular debt swaps among UNICEF and such countries as Bolivia, Madagascar, Mexico, the Philippines and Senegal between 1989-95, and more recent swaps between Spain and Argentina and Ecuador, between Germany and Indonesia, Jordan and Pakistan, between France and Cameroon, Mauritania and Tanzania, and between Italy and Guinea. There is still some scope for further swaps[3] but globally the prospects are relatively limited as the bulk of sovereign debt held by low income countries has already been forgiven under HIPC and other bilateral initiatives by the Paris Club countries.

1. OSI has commissioned research on the relationship between climate change and secondary education.
2. OSI has commissioned research on the topic.
3. UNESCO plans to organize a seminar on this later in 2010, in collaboration with Argentina.

9. Buying down IDA debt for education. Such mechanisms already exist but not in the education sector. They can have the great advantage of being linked to performance. This might be one option for increasing the long term sustainability of the FTI Catalytic Fund.

10. An endowment fund for education funded by sovereign wealth funds. This idea is promising but requires significant analysis and preparation; little is known about the wealth funds' willingness to participate.

Domestic Resource Mobilization Ideas

11. Cost recovery and cost sharing schemes are almost inevitable at the higher education level, given overall financing needs, and may become more prevalent at secondary level. At present public spending on higher education tends to favor the more privileged; the introduction of cost recovery would require mechanisms to ensure that the poor who gained access to higher education were able to afford the necessary payments or were subsidized to attend. With such shifts, however, considerable transfers could then be made from spending on higher education towards spending on basic education. Analytically this is straightforward; politically it is very difficult to implement given the vested interests of the politically powerful elite whose children generally benefit disproportionately from public spending on higher education. In Senegal, for instance, public sector employees' children have the right to free higher education.

12. Public-private partnerships in education take various forms including sharing financing for state provision with private sector organizations (e.g. UK Academy school scheme); fully contracted out service provision in order to utilize skills and expertise of non government organizations (e.g. BRAC schemes in Pakistan and Afghanistan); subsidized mixed public-private systems (such as is now envisaged as part of the post-earthquake donor support to Haiti); and voucher schemes that provide targeted subsidies to households to allow them to purchase education services from local non state providers. The involvement of the private sector in basic education is controversial as it can be seen as leading to privatization and contrary to the principle of the state's obligation to provide at least primary education to all of its citizens. However, there are examples where governments have managed these partnerships successfully to fulfill their responsibility to ensure that every child is educated without assuming that the state is always the best agency to provide that education in every circumstance.[1]

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1. The most commonly cited example is that of Chile which introduced a universal voucher scheme in the 1980s which led to a significant increase in the number of private primary schools with enrolments reaching 51% in 2005. Patrinos, H. A., F. Barrera-Osorio, et al. (2009). The Role and Impact of Public-Private Partnerships in Education. Washington DC, World Bank.

13. The single largest existing source of private education finance is parents, through tutoring funds which amount to perhaps 1% of GDP on average.[1] This shows parental willingness to pay for their children's education and dissatisfaction with the formal education system. Mechanisms can be investigated to make tutoring more effectively complement mainstream teaching and also benefit the poor as well as those with the ability to pay for it. Particularly important could be to focus tutoring on the early grades, where it is now apparent the bulk of the learning problem begins, rather than on the grades closer to exams and certificates.

14. Bond financing has been extensively used in the United States and other countries to finance higher education institutions – with future student fees being used to finance the bond issues. This concept could be applied to the developing world also. Donor funds could supplement student fees as repayment support for an educational bond issue that would transfer public resources away from higher education towards basic education. The amount of funding in the bond issue could be further significantly increased by participation of local pension fund investors protected from loss by financial guarantee insurance.

15. As is also common in the USA, bond financing could also be used by local governments to finance school construction, improvement or even operation, either as local issues supported by taxes or transfers from the central government or as revenue bonds.

Ideas for delivering education finance more effectively internationally

16. Unlike health, education has only one international funding mechanism, the Education for All Fast Track Initiative (FTI). The FTI is currently undergoing a major reform process following a rather critical external evaluation. These reforms will include merging the existing trust funds into a single "FTI fund" that will deliver financial and technical support through more streamlined delivery mechanisms using alternative supervising entities to the World Bank and making greater use of national financial and procurement systems.[2] The FTI is currently disbursing approximately US$200 – 250 million per year and provides mainstream financing (including for recurrent costs) to national education sector plans. If successful, the reforms should allow the FTI to act as an effective delivery mechanism for additional funds raised through innovative financing instruments. The OSI consultation meeting agreed that the FTI should form an important constituent part of the discussions on innovative financing but that other channels should also be considered depending on the specific circumstances.

1. See Mark Bray, The Shadow Education System, IIEP, 2009.
2. FTI Board of Directors Meeting. February 2010.

17. Mechanisms for supporting countries in or emerging from conflict are evolving. The key features of effective aid in conflict affected areas are that they should combine a rapid response to the emergency situation with longer term support. The first priority will be to establish security and the provision of basic services typically involving one or more the major UN organizations as well as the large international NGOs. However, this should be combined with efforts to build the capacity of local governments to take over the management of basic service delivery at the earliest possible opportunities. Education has a particular importance in the post conflict reconstruction period as it can act be used as a tool both to heal wounds and to perpetuate division. The most promising proposals to develop innovative approaches to supporting education programmes in conflict affected countries include:

    • Replicate the OSI–UNICEF Liberia education pooled fund.[1] Learn the lessons from the experience of setting up the pooled fund and seek opportunities to extend this approach to other countries with limited national capacity.

    • Strengthen education programme component within multi-donor trust funds. MDTFs (often managed by the World Bank) are becoming the instrument of choice for delivering aid in post-conflict and emergency situations. They provide a single channel for donors and should help to ensure that financing is delivered in a more streamlined and effective manner. However experience on the ground has been mixed with weak local capacity severely delaying disbursements in many countries.[2]

    • Expand FTI to include conflict affected countries. The FTI already supports several countries which have been affected by conflict.[3] However, there are concerns that the current requirement to prepare a costed education sector plan may exclude countries with very weak local capacity. Reforms are underway to introduce a progressive approach to assessing local needs with a view to making FTI support available to a larger number of countries.

18. "Cash on Delivery" (COD) Aid is an innovative proposal developed by the Center for Global Development in Washington to provide additional funding to developing countries in return for achieving progress against pre-agreed targets.[4]The proposal has used education as an initial focal sector. The key features of COD Aid are a focus on outcomes rather than inputs and a change in incentives to

1. Liberia's Education Pooled Fund: A case for private foundation engagement in post conflict education recovery. ESP Working Paper No. 2. May 2010.
2. Operating in insecure environments. UK National Audit Office. London. 2008.
3. These include Haiti, Sierra Leone, Central African Republic ,Chad and, most recently, Liberia.
4. Cash on Delivery Aid. A New Approach for Foreign Aid. CGD. Washington. 2010.

encourage donors to take a 'hands off' approach to the design of programmes in return for greater transparency and independent verification of progress achieved. For example, one or more donors would sign a legally binding agreement with one or more countries to achieve an increase in the number of children completing an assessment test at the end of primary school. At the end of the contract period (typically 5 years) the country would receive the agreed payment once the progress had been confirmed against the benchmarks. In order to work effectively, COD Aid would need to be additional and complementary to existing aid flows and a mechanism such as an escrow account would be needed to ensure that the aid is delivered as promised. This proposal has received several expressions of interest from developing countries and some donors. The concept is well developed and is ready to move to implementation in one or two pilot countries. However, despite receiving high level endorsement from several donor agencies, COD Aid has failed to find any 'first adopters' in the education sector that are willing to support the pilot.[1] This could be overcome by the creation of a funding mechanism which is able to take more risk as part of the drive to promote innovative approaches to mobilizing finance.

Innovative proposals to deliver resources more effectively domestically

19. Conditional cash transfer schemes with links to education. There are numerous examples of cash transfer schemes which provide direct benefits to households in return for ensuring that their children attend school or take advantage of other social amenities.[2] The objective of such schemes is to provide an incentive for families to accept the opportunity cost of sending their child to school by providing an immediate benefit to the household. These schemes have proved particularly successful in encouraging families to make greater use of social services and, for example, send their girls to schools in cultures which might traditionally favor boys. The schemes have the additional value of providing an effective mechanism to redistribute wealth to the poor and can be further targeted to specific policy areas such girls transitioning from primary to secondary schools. The drawback is that these schemes require quite sophisticated government financial systems to ensure effective targeting and efficient delivery of funds to the intended beneficiaries. This appears to have impeded the transfer of CCT programmes

1. In contrast, health and water sectors have been more pro-active and have begun working on proposals to apply the COD Aid approach in their sectors.

2. Virtually all countries in Latin America have some form of conditional cash transfer schemes the best known examples being the Progressa and Opportunidades programmes in Mexico and the Bolsa Familia programme in Brazil). Elsewhere, there are large-scale programs in Bangladesh, Indonesia, and Turkey, and pilot programs in Cambodia, Malawi, Morocco, Pakistan, and South Africa, among others. Fiszbein, A. and N. Schady (2009). Conditional Cash Transfers. World Bank Policy Research Report. Washington, World Bank.

to the least developed countries in Africa which have much weaker government systems. There may be scope for overcoming some of these problems through public private partnerships possibly linked to cash transfer savings schemes.

20. Education Venture Fund. This is a proposal to establish a fund which is specifically designed to mobilize finances from new sources (including private sector and bond markets) and to use that finance to promote innovation and experimentation in the delivery of services in the education sector. The intention would be to stimulate social entrepreneurs (in non government as well as government agencies) to take new approaches to solving intransigent problems. Issues which could be addressed by the Education Venture Fund could include:

    - raising learning achievement in mainstream classrooms
    - teaching children from remote rural communities;
    - providing open learning opportunities for secondary school students;
    - tackling adult illiteracy through work place training programmes.

    Other ideas would emerge depending on the local context. The EVF could use a challenge fund approach and invite proposals with verifiable outcomes for consideration by a national panel of experts. Proposals would be assessed against an agreed set of broad criteria but the activities and issues to be addressed should be left open in order to encourage new thinking. Independent evaluation should be built into the programme as well as a strong communications and social marketing strategy to promote the funds activities and share lessons as widely as possible. This proposal is still at the concept stage and will need further work on the design and implementation details before seeking funding. There are some components of the Hewlett Foundation Quality Education in Developing Countries initiative which could be used as a prototype for a national Education Venture Fund.[1] The challenge fund approach and support for social entrepreneurship is likely to be more attractive to private sector donors and foundations than more mainstream donors.

5. POSSIBLE NEXT STEPS

Innovative finance for education holds significant promise but the broad coalition of interests that has characterized the health sector has yet to be mobilized behind it. We suggest that five steps are now needed to take further and concretize innovative finance for education: making more explicit what is meant by "education"; securing high level support for

1. Quality education in developing countries. Hewlett Foundation.

the need for innovative financing for education; developing a more detailed menu of options and possibilities; further analytical work on promising ideas; and a few specific actions to get a couple of ideas up and running quickly.

1. Repackaging the education 'ask'.

The various innovative approaches in the health sector have not tried to finance system wide issues but have rather demanded responses to specific diseases and vaccines in order to save lives. These messages are then presented in ways that can be easily understood by policy makers as well as the general public. In education, the impetus for innovative finance has come from the recognition of the financing needs of basic education. Now we need to determine further what innovative finance is to be used for – the bulk of spending is recurrent and is for teacher salaries but innovative financing ideas likely need to be built around simpler concepts, such as "a child's basic education"[1]or "a set of books for every child" or "a child reading at grade level" or similar. These simpler concepts should be relatively easy to market to individuals for voluntary contributions or to funders for public initiatives. Once such clarifications have been made – and there can be more than one- it will then be important to define them in ways that can be monitored and also to cost them so that, for example, there is a $ number associated with a set of books for a child. Experience from the health sector indicates that it is effective to create multiple scenarios that can combine at global and national level (a) program scale up; (b) cost; and (c) impact. This gives decision-makers and the media a range of possible options with level of effort, a price tag and a tangible human benefit attached to each one.

2. Securing high level support.

The health sector benefited from the support of major world figures, notably the UK prime minister, the president of the World Bank and others. Similarly high level support is needed for innovative finance for education. The World Education Forum has floated the idea of an education commission but it has not as yet gained major traction. Possibly limiting its scope to innovative finance for education (or, at most, to finance for education including innovative finance) could be a way to generate this support and bring together the needed alliance of political, NGO and business backing.

1. UNICEF's evolving "9+1" concept is an example, consisting of 9 years of basic education preceded by one year of early childhood education.

3. Developing a detailed menu of ideas and possibilities.

This paper is a first attempt to bring together the ideas that currently exist for innovative finance for education. A more detailed menu is next needed, as has been suggested in the context of the Leading Group's education task force.

4. Further analytical work.

Much more work is needed on many of the most promising ideas and a program of applied research is urgently needed. OSI has set the initiative and intends to continue with further support to develop at least two ideas, education and climate change and diaspora bonds for education.

5. A few specific actions.

We suggest that two ideas are ready to be tried, adopting a learning-by-doing approach:

a) A test of domestic bond financing, using the Affinity Macrofinance approach. This will not require establishing the full Affinity company but rather simulating its proposed approach by working with a volunteer country and an aid agency. A joint venture would be formed with a local private or public sector entity. The joint venture would issue bonds, a portion of which would be AAA-rated due to financial guarantee insurance. The government would fund the most junior tranche of the bonds; the donor would fund the middle or mezzanine tranche; and the donor would as well provide a financial guarantee for the least risky top tranche, which would be sold to local pension funds. This structure would roughly double the amount of money a government can put to work in its education sector through the funding of the mezzanine tranche and the financial guarantee attracting local pension funds to the most senior tranche.

b) The Ed Venture Fund, to stimulate innovation in the global education sector both in terms of raising finances and in delivering financing more effectively on the ground. This will require the establishment of an intermediary entity (or possibly entities) which is modelled on a commercial venture capital fund but with the returns to investment measured in social capital rather than financial gains. The Ed Venture Fund (this is a working title – others may have better ideas) will have the mandate to take an entrepreneurial approach to raising finance through a variety of mechanisms that were designed to maximize the opportunities offered by the innovative financing drive both specifically in the education sector and for development in general. The Ed Venture Fund will also be able – and indeed required – to take risks in the choice of delivery channel. It could use existing funding mechanisms (such as World Bank projects and programmes, the FTI fund, UN agencies or bilateral donor programmes) or support new mechanisms

> such as the proposed Cash on Delivery Aid. Its criteria in selecting the delivery channel will include effectiveness, efficiency and the extent to which innovative approaches were being supported. If conventional channels were used, the Ed Venture Fund would require an innovation component in the mode of delivery, thereby introducing the potential to leverage change within mainstream funding operations.

There are precedents in other sectors for a venture fund approach to social investment in developing as well as developed countries. The best known is probably the The Acumen Fund which is a non-profit global venture fund that uses "entrepreneurial approaches to solve the problems of global poverty."[1] In the UK, the government has recently partnered with Social Finance Limited to launch the first Social Impact Bond which will be used to fund social organizations working with young offenders with a share of the savings to the government from reduced recidivism rates being passed onto to private investors as part of the bond terms. Social Finance Limited is a not for profit advisory body which was established to develop financial products that marry the needs of investors and the social sectors, to support organizations in their efforts to deploy and raise capital, and research social investment markets and opportunities.

A strong lesson to be learnt from the health sector is that successful innovation requires an entity or entities with the vision, drive and mandate to do things differently. The success of the IFFIm and GAVI Fund, UNITAID and the Millennium Foundation all demonstrate the value of a small dedicated team with high level financial and management skills with a remit to innovate and take risk. The maxim of the Leading Group is to create 'new mechanisms not new structures' in order to minimize the risk of duplication or competition with existing structures. This can best be achieved by using a range of models including possible hosting arrangements within existing organizations (as with UNITAID in WHO) or creating a shell company with a board of directors overseeing the work of a Secretariat housed in one or more partner organizations (as with IFFIm and GAVI). If a separate entity is established, this should be kept small and skilled with financial management, communications and organizational development expertise rather than education technical skills which can be secured from other organizations.

1. Acumen was established in 2001 with seed capital from the Rockefeller Foundation, Cisco Systems Foundation and three individual philanthropists. It currently provides "patient capital" to 36 enterprises in South and East Asia and Sub Saharan Africa. The fund supports innovative interventions in the health, water, housing, water and energy sectors – not education. The investments are typically small scale (less than $1 million) and there is a strong focus on scalability and long term returns for investment. Results are still to be fully evaluated.

LEGAL AND POLICY FRAMEWORK FOR FINANCING BASIC EDUCATION

Kishore Singh
UN Special Rapporteur on the Right to Education

Human rights in general carry the obligation for States to provide resources for giving effect to them. States have responsibility under international human rights law to provide resources for the right to education.[1] These are all the more important as the right to education is not only a human right in itself, but also essential for the exercise of all other human rights. It deserves high priority in public investment, as both the individual and the society are its beneficiaries.

Member States of UNESCO also have the obligations under UNESCO's Constitution, of which the right to education is an integral part; providing necessary resources is indispensable for the realization of this right. Moreover, political obligations undertaken by States for investment in education are implicit in a number of instruments adopted by UNESCO in the field of education. Importance is attached to such obligations in UNESCO's *Recommendation on the Status of Teachers* (1966) which gives high priority to education,

1. The UN Committee on Economic, Social and Cultural Rights (CESCR) has clarified such obligations with respect to universal primary education. See the General Comment 11 on Article 14 of the International Covenant on Economic, Social and Cultural Rights, elaborated by CESCR. See General Comment No. 11 (1999): Plan of Action for Primary Education (Art. 14): 10/05/99. E/C.12/1999/4.
The State obligations for enhancing national level resources for overcoming the constraints on the right to education consistently figure in the Concluding Observations which the United Nations human rights treaty bodies adopt after examining reports submitted to them by States.

and allocation of an adequate proportion of the national income for the *development of education*.[1]

Such political obligations are reinforced by collective commitments made at the World Education Forum (2000), where Governments, along with other stakeholders, pledged themselves to a strategy, inter alia, to: "mobilize strong national and international political commitment for education for all, develop national action plans and *enhance significantly investment in basic education*." (para. 8 i, emphasis added). Pursuant to commitments undertaken at the World Education Forum that "political will must be underpinned by resources", it is incumbent upon Governments to provide domestic resources for achieving Education for All (EFA).

However, in spite of these commitments, public expenditure on education is decreasing, and the gap between commitment and reality has become a matter of serious concern. As a result of dearth of resources, the EFA agenda is falling behind, and making basic education accessible to everyone as a right remains a daunting challenge.

The High Level Group on EFA has consistently advocated the need for raising resources for EFA and allocating a certain percentage of national budget (15to 20 percent) or share of GDP (4 to 6 percent) to education, of national budget) as a matter of norm.[2] It is, therefore, crucial to mobilize domestic resources for EFA based upon a sustainable legal and policy framework. In reflections on the innovative financing for education, consideration must be

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1. In its article 10 (l), the Recommendation provides that "as the achievement of the aims and objectives of education largely depends on the financial means made available to it, high priority should be given, in all countries, to setting aside, within the national budgets, an adequate proportion of the national income for the development of education."

2. At its Fifth Meeting (Beijing, November 2005), the High Level Group on EFA recommended that "Countries increase the proportion of national budgets allocated to basic education to meet the scale and the scope of the national EFA challenge as expressed in their national education plan."
In the Final Communiqué issued at the Sixth Meeting of the High Level Group on EFA (Cairo, November 2006), the Ministers of Education stated that "developing country governments will continue to increase the proportion of national budgets allocated to education, seeking to reach 4%-6% of GNP for education."
At the Seventh Meeting of the High-Level Group on Education for All (December 2007, Dakar), the Ministers of Education recommended that "National and local governments should mobilize sufficient domestic resources in accordance with indicative standards (~6% of GNI / 15-20% of government budget) in allocations to education, with a prioritization of basic education (>3% of GNI / 10% of government budget)."
The Oslo Declaration "Acting Together", issued at the eighth meeting of the High-Level Group on EFA (December 2008) urgently calls on "national governments to allocate adequate domestic resources (4-6% of GNP/15-20% of public expenditure) to education (....). ."
At the Ninth Meeting of the High-Level Group on EFA (February 2010, Addis Ababa), the Ministers of Education called upon national governments to reinforce their determination to increase the current level of domestic spending to education to at least 6 percent of GNP and/or 20 percent of public expenditure, with greater focus on (...) equitable allocations of resources according to need."
At the Ninth Meeting of the High-Level Group on EFA (February 2010, Addis Ababa), the Ministers of Education called upon national governments to reinforce their determination to increase the current level of domestic spending to education to at least 6 percent of GNP and/or 20 percent of public expenditure , with greater focus on (...) equitable allocations of resources according to need."

given to public funding of education and national resource mobilization for the realization of the right to education.

In this respect, it is important to note that the Paris Declaration on Aid Effectiveness (2 March 2005) stipulates that the system of financing education, including budgetary provisions, must be strengthened at the national level. Within the framework of the Declaration, the partner countries commit to "intensify efforts to *mobilize domestic resources*, strengthen fiscal sustainability and create an enabling environment for public and private investment." (Emphasis added). 'Strengthening public financial management capacity' is part of these commitments.[1] It may also be noted that at the Second Meeting of the Education International Task Force of the Leading Group on Innovative Financing (17 June 2010, Paris) one of the avenues explored was "mobilization of domestic resources." In this respect, high importance should be attached to the principle of solidarity which applies both at international and national level.

Financing of Education and National Legal Framework

Provisions of public funding of education in a country's constitution, national legislation and educational policies are important in order to give effect to its obligations for the realization of the right to education. Constitutional provisions for financing education provide firm basis for developing national legislation and education policies. Such provisions exist in some countries.[2]

National legislation is very important for putting in place a legal and policy framework for financing education. As part of the EFA process, many countries have developed/ modernized their national legislation. This is indeed commendable and imparts added significance to the need for public funding of basic education, which has emerged as a fundamental right. Recent developments in a number of countries can be cited as practical examples for moving in that direction.[3]

While exploring the possibilities of innovative financing mechanisms, national approaches in terms of mechanisms for financing education, including institutional

1. The Statement of Resolve in the Paris Declaration reflects commitment to strengthening partner countries' national development strategies and associated operational frameworks (e.g. planning, budget, and performance assessment frameworks), and "defining measures and standards of performance."

2. Notably in Brazil and in Indonesia. Such provisions also exist in Costa Rica, in the Philippines, in Peru, and in Ethiopia.

3. For instance, in Brazil, Nigeria, Mexico, Argentina, Indonesia, Ecuador. Besides, the Education Laws in China and in South Africa also carry provisions for financing of education. Importance is given to public investment in education in China's National Plan Outline for Medium and Long-term Education Reform and Development (2010-2020).
As regards policies for public funding of education, Senegal and India can be cited as noteworthy examples.

mechanisms, are also useful for building upon available experience.[1] In this respect, the responsibility of local bodies and municipalities is of special significance.[2] Besides, countries having a federal structure require specific financing arrangements in terms of competence and responsibility of federal and provincial (state) authorities.[3]

Financing Mechanisms and Equitable Resource Allocations

The mobilization of resources is not enough. They must be judiciously utilized, and allocated where most needed. Policies for resource allocation should respond to the common challenges of bringing about *equality of opportunity in education, and ensuring quality of education provided*.

In face of challenges in responding to quality imperatives, normative basis for quality education should be a priority concern in public spending on education. In that spirit, national level norms should be developed for financing education, in keeping with obligations for quality and standards in education as laid down in UNESCO's Convention against Discrimination in Education,[4] and in the Dakar Framework for Action. Development and application of norms for standards and quality education - *both for public and private schools* - with a focus on optimizing development expenditure as against recurrent expenditure must be a priority concern in national level action.[5] Status of teaching personnel, teacher-student ratio, educational infrastructure and facilities, text books, assessment of learning outcomes, recruitment of qualified teachers and their career development, etc. are among main areas which call for minimum standards and norms.

1. Such as the Fundo de Manutenção e Desenvolvimento da Educação Básica - FUNDEB - in Brazil, 3 percent value added tax in China, elementary education fund (Prarambhik Shiksha Kosh) and 3 per cent education cess in India, Education Fund, with funds/contributions in form of Federal Government Guaranteed credit and local/international donor grants in Nigeria, Text Books Fund in Kenya, etc. As regards the suggestion for Education Venture Fund to mobilise resources from new sources, for example, from entrepreneurs, provisions in educations laws in Brazil and in China are relevant.
2. The Icelandic Compulsory School Act (2005) provides that the municipality (...) shall finance the capital investment costs of compulsory education. In 2006, the share of education in total public expenditure in Iceland was 17 percent and 7,9 percent of GNP. The National Education Act in Thailand (1999) also authorizes the State and local bodies to levy educational taxes as appropriate.
3. For instance, in India, within the framework of the Right of Children to Free and Compulsory Education Act, 2009, the Federal Government will contribute 65 percent as against 35 percentage of States contribution in public funding of education. In Nigeria, the Compulsory, Free Universal Basic Education Act, 2004, provides for funding from the Federal government, subject to it being matched by financial support from State governments.
4. In Article 1 ≤ 2, the Convention states that "For the purposes of this Convention, the term 'education' refers to all types and levels of education, and includes access to education, the standard and quality of education, and the conditions under which it is given."
5. As an example, one can mention the Decennial Programme on Education and Training in Senegal (2000-2010), and the norms laid down therein for progressive realization of the right to education.

Social and cultural barriers and unequal opportunities manifested in access to quality education remain one of the most serious difficulties of national educational policies. Overcoming inequalities in education is a continuing challenge for governments. Existing inequalities and disparities in education can be minimized by equity-based resource allocation.[1] Besides inequalities in access to education, regional disparities, marginalization, and poverty prevail in many countries.[2] As such, the education policies need to be designed with an equity-based approach, so that resource allocations are aimed at mitigating prevailing inequalities and disparities.

New approaches and innovative mechanisms for financing education in terms of affirmative action and positive measures are important for overcoming inequalities in education. This deserves greater emphasis as it is necessary for ensuring respect for the right to education in all its inclusive dimensions.[3] Children from socially and economically disadvantaged and marginalized groups and from poor households who remain deprived of their right to basic education in today's learning societies, should be provided financial and pedagogic support in order to mitigate inequities based on social origin, wealth etc. Thus calls for fundamental changes in the allocation of educational resources and their proper utilization.

Way Forward

Based open available experience, normative action should be taken with a view to denvelopment and application of national level norms, based upon the legal and policy framework for funding education, especially basic education. To that end, efforts should be made to evolve through intergovernmental consultation some broad guidelines or manual. These can then be used in developing a national legal framework for financing education - for mobilizing resources and for their utilization, along with institutional mechanisms - in country specific situations.

Developing such framework is essential for countries which are struggling to achieve the EFA and realize the right to education. In face of decreasing public expenditure in education, such a framework is crucial. It would provide an enduring basis for such expenditure. This would provide new pathways, with firm legal commitments, in addressing

1. In South Africa, according to South African Schools Act, 1996, (article 34 (1), the State must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and to redress past inequalities in education provision.

2. Conditional Cash Transfer Schemes, as part of social amenities, are designed as an incentive to families to accept the opportunity costs of sending their children to schools by providing an immediate benefit to households. The National Plan Outline for Medium and Long-term Education Reform and Development (2010-2020) in China, mentioned above, carries provisions in details with respect to equitable allocation of resources as part of new education development strategy.

3. "Inclusive Dissentions of the Right to Education: Normative Bases - Concept Paper", UNESCO, Paris 2008.

the critical issue of mobilizing optimal resources for EFA and their judicious utilization. Such a development would contribute to invest sustainably in human capital formation through education, and to the fulfilment of State obligations under human rights law for the realization of right to education as a fundamental human right.

PART TWO
Working Documents

MOBILIZING RESOURCES FOR INTERNATIONAL DEVELOPMENT COOPERATION IN EDUCATION: WHAT INNOVATIVE MECHANISMS AND PARTNERSHIPS?

Background note prepared by
the Bureau of Strategic Planning of UNESCO
for the UNESCO Future Seminar on
"Innovative Financing for Education"
Paris, UNESCO Headquarters, 14 September 2010

Background and objectives of the Seminar

With less than five years to the 2015 target date for the key education goals adopted by the international community in 2000 in the framework of the Millennium Development Goals (MDGs) and the UNESCO-led Education For All (EFA) goals, UNESCO deems it critical that financing for good quality education figures higher on the international agenda. Innovative sources of financing represent a novel approach that could help close the financing gap in education which the last EFA Global Monitoring Report identified for primary education alone at US$ 16 million. The EFA partnership will thus be challenged to explore the full range of financing options. Accordingly, the Director General of UNESCO, Mrs. Irina Bokova, decided to convene a UNESCO Future Seminar on "Innovative Financing for Education," which will gather a high-level group of experts from UN agencies, developing country government representatives, aid donors, International Financial Institutions (IFIs), the private sector, non-government organisations, and academia to draw the lessons from experiences from other sectors, identify options for innovative financing mechanisms and modalities in education and recommend practical strategies for UNESCO.

Innovative financing mechanisms – a shift in the landscape of development cooperation for education

Eight years after the international community acknowledged, in the Monterrey Consensus on Financing for Development (2002), "the value of exploring innovative sources of finance" to foster the realization of the international development objectives, including the MDGs, a definite shift has taken place in the landscape of international development and cooperation. Following the work of such new platforms as the Leading Group on Innovative Financing for Development (the "Leading Group"), now consisting of 55 member and 5 observer countries, as well as 15 organisations and around 20 NGOs, a number of pioneering initiatives have led to elaborating and implementing new and creative mechanisms for financing development, most notably in the health sector.

Airline ticket solidarity levies now help combat HIV/AIDS, tuberculosis and malaria through the drug purchase facility UNITAID. The International Finance Facility for Immunisation (IFFIm) has mobilized around US$1.2 billion through government bond issues. The first Advance Market Commitment, a mechanism aimed at creating incentives for the development of new drugs to treat poverty-related diseases, has generated US$1.5 billion. Climate change is another area increasingly characterized by creative thinking, with models aiming at harnessing carbon markets through auction levies or through air travel and freight shipping levies. The World Bank, Regional development banks and IFAD use creative financing mechanisms as Advance Commitment Authority (ACA) allowing them to invest/lend now on the back of future cash flows arising from past loans. The HIPC-Debt Initiative and Enhanced HIPC-DI have helped many LDCs burdened by excessive debt service payments to free up resources for investment in critical development activities. Education aid agencies and campaigners, however, are still in the process of searching how to respond to innovative financing models. The establishment of the international Taskforce on Education and Innovative Financing by the Leading Group (at the beginning of 2010 – see annex I) and the organisation of the UNESCO Future Seminar "Innovative Financing for Education", which are considered complementary, are part of the process of promoting the definition and implementation of non-traditional financing mechanisms at a global level. The UNESCO Future Seminar seeks to serve as platform for discussion and the promotion of innovative financing instruments exclusively for the education sector, which would draw on the experience and lessons learned by the Leading Group's Taskforce.

The financing gap in education threatens the educational gains of developing countries

As urged by the EFA Global Monitoring Report (GMR), it is vital to ensure that the interests of the world's 72 million out-of-school children are not crowded out of innovative financing by competing claims in other areas. The GMR estimates that donors will have to bridge a financing gap of US$16 billion a year to meet the goal of universal primary education by 2015. Few estimates exist as to the funding gap for education investments in secondary, TVET and tertiary education.

If current trends persist, the world is likely to miss the EFA goals by 2015, including universal primary education (MDG2) and gender equality in education (MDG3). Without major investments and added efforts, an estimated 710 million adults will remain without basic literacy skills and 56 million children out of school in 2015, especially in Africa where aid to basic education decreased from $1.72 billion in 2007 to $1.65 billion in 2008 while the region is in the greatest need of increased aid to achieve universal primary education.

The financing gap is all the more preoccupying as, contrary to persistent myths on the world's poorest countries capacities, some of them have demonstrated that universal primary schooling and other goals are attainable. Spectacular advances in education have been witnessed over the past decade, a striking contrast with the "lost decade" of the 1990s, with strong national efforts by many countries which have significantly increased their budgetary allocations for the education sector. Since 1999 and the 2000 launch of the EFA, the number of children not attending school has fallen by 33 million — and more children, with more of them girls, are completing a full cycle of primary education. This proves that increased financing for education, training and, in general, human resourced development is one of the best investments for the future development and economic wellbeing of not only developing countries but humanity at large.

According to the most recent available data, there is, in addition to domestic public and private spending, approximately US$11 billion per year of Official Development Assistance (ODA) for education plus some significant flows of non-concessional external financing, especially from the World Bank and the regional development banks. The share of education in total aid has remained roughly constant at about 12% in the last decade (In 2008, basic education accounted for 41% of all disbursements of aid to education, secondary education for 17 percent and post-secondary for 42 percent).

Innovative financing in education – an opportunity in the new international aid landscape

Even though ODA flows have recently reached record levels, despite unfulfilled commitments by many donors, the available volume may be insufficient to meet the needs of developing countries within a satisfactory timeframe. Based on current spending levels and forward spending plans, projected aid in 2010 may be US$20 billion less than target levels. Indeed, budget constraints due to the global economic downturn and subsequent political and fiscal decisions by governments of donor countries make it doubtful that 2010 aid targets will be met. Donor country governments are grappling with swelling fiscal deficits as they seek to balance a shrinking revenue base with rising expenditures for economic recovery and social protection.

In this context, innovative funding mechanisms have today attracted renewed interest, also in light of the evolving international aid landscape with its emergence of new donor countries (although members of the Development Assistance Committee of the Organisation for Economic and Co-operation Development (OECD-DAC) continue to dominate international development assistance, important new sources of aid are emerging such as from China, India or Brazil, Russia, Qatar), increased involvement of private sector organizations (private foundations and corporations) and the birth of new types of financial institutions for development (such as GAVI in the field of immunizations). Innovative financing mechanisms and modalities may therefore offer a possibility to bridge the financing gap in education. The challenge is how to identify and tap such new sources of financing and to collect a critical mass of resources.

The private sector and public-private partnerships are important potential sources for innovative financing in education, including through the formation of consortia of foundations formed by corporations and banks – which could also be considered in the spirit of MDG 8 "Develop a global partnership for development". Data on private aid are not easily accessible, but the available evidence points to strong growth in recent years. International foundations – such as the Bill and Melinda Gates Foundation – and corporations dominate these flows, in the past largely directed towards public health. Annex II provides information on some operational and proposed modalities of innovative financing for health and climate action. Nevertheless, some new education initiatives have also emerged recently, many involving innovative private-public partnerships. Mobilizing the energies of the private sector to support the implementation of national education sector plans, the Davos World Economic Forum has initiated the Global Education Initiative (GEI), which has been engaging since 2003 over 40 private sector partners, 14 governments, seven international organizations and 20 NGOs. On the basis of the successes of the ongoing GEI, the World Economic Forum has launched a new programme with UNESCO, 'Partnerships for Education' which aims at creating a global coalition to advance multi-stakeholder partnerships to achieve the EFA goals. In 2008, the Open Society Institute contributed US$5 million to the Liberia Primary Education Recovery Program. Another example was the 2010 football World Cup and the "1 Goal" campaign, which represented an important focal point for international support for Education for All and is hoped to extend its influence beyond the 2010 World Cup events by holding stakeholders responsible for increased funding for EFA.

Innovative financing modalities can also be introduced at the national level, particular in form of public/private partnerships. This may call for a separate discussion.

Innovative financing mechanisms/modalities

There is no shortage of innovative financing suggestions and models to inform more systematic approaches in education. Annex III provides an indicative list of actual and proposed mechanisms and modalities. As was noted by the United Nations Secretary General in his 2009 *Progress report on innovative sources of development finance*, the concept of innovations now further extends to such diverse forms as thematic global trust funds, public guarantees and insurance mechanisms, cooperative international fiscal mechanisms, equity investments, growth-indexed bonds, counter-cyclical loans, debt swaps, microfinance and so on. The challenge is to identify new innovative and sustainable financing mechanisms suitable to mobilise a critical mass of resources in the field of education. Annex IV contains a list of some more general innovative financing proposals.

One main lesson to be drawn from experiences in the health sector is that the innovative financing approach will need to be tailored to the problems it seeks to solve. In other words, starting with promising mechanisms and then looking for which of the traditional areas of intervention new funding could be obtained might not be an effective solution, especially for the education sector which is often perceived as conservative and traditional in its approaches. To attract innovative sources of financing as well as new partners, the move for innovative financing in education may also be linked to a broader reflection on innovation in education addressing such issues as enhancing education-specific funds and programmes (e.g. the mechanisms of the EFA Fast Track Initiative (FTI)), impacting on target populations (e.g. how to better reach the marginalized and the poor or how to improve access to quality education for girls and women) or countries (e.g. how to best address the needs of post-conflict or post-disaster countries).

Lessons learned from innovative financing approaches – key principles

Based on the lessons learned in general from the existing experiences and various debates in the field of innovative financing, a number of key principles may have to be borne in mind when developing such mechanisms and modalities for education:

Solidarity and equity

Innovative financing is based on the values of equity, fairness and joint responsibility inherent in the MDGs. As a collective response to the negative effects of globalization, and market inefficiencies, innovative financing aims at strengthening solidarity between North and South, between developed and developing countries, or even between rich and poor citizens. This calls to favour causes that should be spontaneously legitimate by all, ethically unquestionable and related to the provision of public goods. All Innovative financing goes beyond mere resource mobilization.

Accountability and transparency

Innovative financing mechanisms and institutions must stress the importance of accountability, transparency and the elimination of corruption. For such systems to be legitimate and operational, the management of the funds must be above reproach.

Creative partnerships for development

Successful innovation requires that new and creative modalities of partnership, collaboration and cooperation be envisaged and tested. A new partnership paradigm should aim to include and tap the generosity of all major stakeholders, ranging from governments and international organizations to corporations, foundations, nongovernmental organizations, individual philanthropists and well-to-do citizens. As the success of innovative financing mechanisms depends also on the positive response of public opinion, civil society should also be included.

Political will and high visibility

Political will to innovate is a key element in the success of innovative financing mechanisms. The airline tickets levy benefitted from the impetus of the President of France, Jacques Chirac, who created for that purpose the Landau Commission on Innovative Development Funding Solutions. The introduction of innovative financing into the health sector has benefited from the support of major world figures, notably Tony Blair and Gordon Brown of United kingdom, the President of the World Bank, Robert Zoellick, Bill Gates and others, including rock stars.

Maximum Efficiency

To ensure that the chosen mechanisms are widely accepted and supported, they must not be perceived as creating market distortions or inhibiting economic growth. Predictability and long-term sustainability Innovative financing mechanisms are designed to help enhance predictability of funding and avoid the volatility of flows. Identified mechanisms should be envisaged so as to provide long-term funding.

Complementary and additional to traditional ODA and to national efforts

Innovative financing will need to be complementary and additional to traditional ODA and to national efforts. It aims to increase and diversify the availability of resources so as to reach a critical mass of resources. Innovative financing is not a replacement for traditional sources of development assistance and it should not result in donors feeling less obliged to maintain or increase their ODA.

Targeted financing

Resources collected should be devoted to strategic, high-impact and easily identifiable targets programmes with clear and measurable results. The purpose of innovative financing mechanisms should be easily understood by policy- makers as well as the general public.

Frugal administrative costs

The administration of a particular innovative modality should not absorb a significant portion of the funds raised, lest the public opinion will turn against such efforts. Novel mechanisms should also avoid burdening the weak administrative capacity of many developing countries.

ANNEX I

Report on the Second Meeting of the Education International Task Force of the Leading Group on Innovative Financing (17 June 2010, Paris)

During the second session of the international Taskforce on Education and Innovative Financing (EifD), which was held under the authority of the Japanese Presidency of the Leading Group at UNESCO in Paris on 17 June, attention focused on the various concrete proposals that might help mobilize supplementary resources, in addition to Official Development Assistance for the education sector. Among different possibilities, five avenues were explored:

- a sports tax (soccer levy) that could be based on transfers of footballers/soccer players in various major championships in Europe and other regions where football is the dominant sport, or on live television broadcasts of major football events such as the FIFA World Cup;
- voluntary contribution mechanisms relating to migrants' remittances; - sectoral debt cancellation. Bilateral and multilateral debt cancellation constitutes significant financial reserves that may be tied to the targeting of certain sectors, including social sectors.
- mobilization of domestic resources. The education sector is characterized by a substantial household investment accounting on average for 1% of GDP devoted to that sector and principally finances private tutoring courses and teaching material. In addition, resources placed in pension funds could be mobilized for education;
- public-private partnerships (PPPs). These partnerships, which have developed for some twenty years, can be adapted to the education sector It was also decided that the third and last meeting of the Taskforce would be held in Paris on 13 July 2010, at the French Ministry of Foreign and European Affairs (MAEE).

(Source: http://www.leadinggroup.org/article652.html)

ANNEX II

Operational or proposed innovative financing mechanisms in relation to health and climate

HEALTH

UNITAID

UNITAID's approach is innovative in three respects:

1. The way funds are collected, i.e. through a micro tax levied for global health, including funds received from low or middle income countries that underscore the importance of South-South solidarity on top of North-South solidarity.
2. The way funds are used. This is the first international health intiative which strives to improve public health by leveraging market mechanisms. UNITAID's greatest achievements in the fight against AIDS were obtained by cutting by half the price of medicines. Market impact is also UNITAID's priority for malaria and tuberculosis.
3. The way it operates. UNITAID's streamlined structure (less than 5 per cent overhead costs) ensures financing and follow up of programmes put forward by partners such as the WHO, UNICEF, UNAIDS, the Clinton Foundation, the Global Fund, Roll Back Malaria, the Stop TB initiative, etc. (source: I-8 Group)

International Finance Facility for Immunization (IFFIm)

IFFIm was created in 2005 upon the initiative of the British Government, which uses the long term borrowing capacity of States (UK, France, Norway, Italy, Sweden, South Africa and Spain) to collect funds on the markets and finance immunization programmes in 70 countries amongst the poorest of the world within the framework of the Global Alliance for Vaccines and Immunizations (GAVI). Irrevocable sovereign financial commitments to IFFIm are structured as rising cash flows over twenty years, enabling it to carry an AAA rating. In effect, the twenty–year government pledges are, via placing bonds in the capital markets, converted into cash today. Over one billion dollars have already been collected. The goal is to reach 4 billion dollars in twenty years time. (source: I-8 Group)

Advance Market Commitments (AMC)

AMC offer a financing for development and vaccine production mechanism for developing countries. Donors commit to guarantee the price of vaccines once developed, thus laying the foundations for the creation of a sustainable market. These commitments are essential incentives for producers to invest considerable amounts into research, staff training and production facilities.

Debt2Health initiative

Debt2Health initiative is a partnership between creditors and grant recipient countries under which creditors forgo repayment of a portion of their claims on the condition that the beneficiary country invests an agreed-upon counterpart amount in health through Global Fund approved programmes. In its pilot phase, $125 to $250 million should be available through this mechanism.

(PRODUCT)RED

(PRODUCT)RED, is a brand licensed to partner companies to raise money for the Global Fund to fight AIDS, Tuberculosis and Malaria. Each partner company creates a product with the Product Red logo and in return gives a percentage of the profit on the sale of these products to the Global Fund. Since its creation, the initiative provided the Global Fund with over $130 million.

Massive Good

Massive good is a new voluntary contribution scheme set up by a new organization, the Millennium Foundation, that encourages small voluntary contributions on travel (airlines, hotels, car rentals) in countries where there is not an airline tax. These funds will be disbursed by UNITAID to improve maternal and child health. (source: Burnett & Bermingham)

Results Based Financing in Health

Innovative finance encompasses not only innovative ways of raising resource:s but also innovative ways to spend them more effectively. Results Based Financing is increasingly used in the health sector; as its name implies, it rewards achievements and does not finance inputs. On a large scale, it is used by both GAVI and the Global Fund which make disbursements only when target immunization and AIDS service levels have been achieved. (source: Burnett & Bermingham)

CLIMATE

Carbon Tax proposal

A global tax on all carbon emissions in all countries, but with a per capita exemption that would benefit some poorer countries. (source: Spratt)

Global Capital Fund Mechanism (GCFM)

Bonds are issued on the international capital markets and the proceeds are invested in mitigation and adaptation. (source: Spratt)

Burden Sharing Mechanism (TBSM)

A levy on air travel and freight shipping with different rates for developed and developing countries and exclusions for travel to and from Least Developed Countries. (source: Spratt)

International Air Passenger Adaptation Levy (IAPAL)

A levy on international air travel (source: Spratt)

International Maritime Emission Reduction Scheme (IMERS)

A levy on international shipping (source: Spratt)

The World Bank's Pilot Programme for Climate Resilience (PPCR)

Discretionary loans for adaptation given by developed countries as part of Official Development Assistance through the World Bank. (source: Spratt)

Earmarked aid contributions

Developed countries provide funding of 0.5% of GDP mainly for mitigation. (source: Spratt)

Climate Change Fund (MCCF)

Countries are obliged to contribute to the fund on the basis of emissions, population and income, mainly for mitigation. (source: Spratt)

Auction Levy

Where a small proportion of the proceeds of auctioning carbon permits within the US are earmarked for funding adaptation activities in developing countries. (source: Spratt)

Emission Trading Scheme (ETS) Auction Levy

Where a proportion of the proceeds of auctioning carbon permits within the countries of the European Union are earmarked for funding adaptation activities in developing countries. (source: Spratt)

ANNEX III

Innovative Financing Mechanisms proposed in relation to education

The following is an indicative list of innovative financing approaches, some of which have been specifically proposed for financing education.

Debt Swaps for Education

Debt swaps have also been used for development, in which donors cancel a certain amount of debt held by developing countries in return for specific expenditures, such as in education. Only when both creditors and debtors agree on the earmarking of resources obtained through debt swaps can a debt-for-education concept be put to use as a complementary instrument to finance EFA. (source: Burnett & Bermingham and UNESCO General Conference doc 35 C/52)

Soccer (FIFA) levy

The EFA Global Monitoring Report 2010 suggested a 0.4% levy on broadcast and sponsorship revenue from five major soccer leagues in England, France, Germany, Italy and Spain, which was estimated to raise some US$48 million per year and also, by associating soccer with education, significantly raise the profile of the sector. Further analysis would be needed on costing prior to negotiation with football leagues about methods of collecting revenues. Further work would also be needed on management arrangements to collect funds and channel them through the most effective delivery mechanisms. (source: Burnett & Bermingham)

World Cup Legacy Fund

Also linked to soccer and helping to raise the profile of education is the idea that a World Cup host country (South Africa in 2010; Brazil in 2014) should establish a legacy fund that could be used to fund future education projects within its borders and for poor countries (e.g. in Africa for South Africa). (source: Burnett & Bermingham)

Teachers for Education for All Fund

Some members of the international teachers union *Education International* have suggested that a 1% voluntary levy on teacher union dues in richer countries could be used to finance a fund for education in developing countries This would be an important act of solidarity that would also help raise the profile of education in developing countries. This proposal is still at the concept stage and requires further analytical work prior to design. (source: Burnett & Bermingham)

"Financing results you see in development" (UC Development Services www.yousee.in)

Country of implementation: India

UC brings a post-pay and result-based approach to development finance in the areas of Education, Health and Energy & Environmental services for the poor. First own funds are applied to provide services to beneficiaries. Measured and visible results from such investments are then made available as "Certificates", which donors and financers can buy "off the shelf". Thus, development funding becomes the purchase of a completed project or project phase. Funding would then be based on claiming actual outcomes rather than expected outcomes. By reducing the risk of opportunity cost for social returns, the post-pay model aims to attract more individual and institutional donors and funders, to create a larger and efficient market for philanthropy and development finance. (source: Marketplace on Innovative Financial Solutions for Development)

Global Education Initiative (GEI) and Partnerships for Education (PfE)

Mobilizing the energies of the private sector to support the implementation of national education sector plans, the Davos World Economic Forum has initiated the Global Education Initiative (GEI), which has been engaging since 2003 over 40 private sector partners, 14 governments, seven international organizations and 20 NGOs. On the basis of the successes of the Initiative, the World Economic Forum has recently launched a new programme with UNESCO, "Partnerships for Education" (PfE) which aims at creating a global coalition to advance multi-stakeholder partnerships (MSPEs) to achieve the EFA goals. MSPEs bring together governments, the private sector, civil society, academic institutions and other organizations to pool and jointly manage resources and competencies that contribute to the expansion and enhanced quality of education. They differ from PPPs (Public-Private Partnerships) in their explicit focus on a broader coalition of partners and stakeholders than merely the public (governments) and the private (companies) sectors. (source: http://www.weforum.org/en/initiatives/gei/index.htm and http://www.pfore.org/)

South-South Cooperation

In 2007, UNESCO launched a South-South Cooperation (SSC) Programme for Education with the establishment of a South-South Cooperation Fund. The objective is to support developing countries to meet the EFA and MDG goals through the exchange of experience, knowledge and good practice on a South-South basis, and with developed countries. This cooperation encourages the sharing of experience across contexts which face similar challenges, opportunities or constraints. The SSC Programme and Fund build on UNESCO's experience in the field of South-South Cooperation, most notably through the E-9 Initiative, which gathers the nine most highly-populated countries of the South Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria and Pakistan. The E-9 Initiative is a forum for these countries to discuss their experiences in education, exchange best practices and monitor progress on achieving Education for All (EFA). In 2005, the High-Level Group meeting on EFA suggested that the E-9 could be a catalyst for building South-South cooperation. Several E-9 countries have the capacity and resources to reach out to less well-positioned developing countries and assist them with their EFA efforts. This new partnership, the 'EFA/E-9' will provide support to best practices in teaching and learning, to strengthening institutions, finding innovative financing mechanisms and promoting ICT innovations.

ANNEX IV

General Innovative Financing Mechanisms

The following is an indicative list of other, more general innovative financing mechanisms.

Global development lottery

In nine major European countries alone, some 220 million people participate in national lotteries; when interviewed in 2006, some 70% indicated their willingness to participate in a "humanitarian levy" and this idea has been advance particularly with regard to helping finance food needs in developing countries, with considerable support from FAO, WFP and IFAD and also from Nobel Peace Prize winner Martti Ahtisaari. Ideas are under discussion ranging from a specific global lottery to amalgamating existing national lotteries. The World Food Programme (WFP) has developed the idea of a "humanitarian lottery" in which scratch tickets would be sold for €1, to win prizes ranging from €20 to €100, or a trip to visit a development project in the field. According to WFP's calculations, the game would generate annual revenues of €400 million if it were run globally. (source: Burnett & Bermingham and leadinggroup.org)

Diaspora bonds

International migrants and their successor generations often want to retain ties with their country of origin and to support its development. One possible mechanism could be bonds issued by the government in domestic currency but purchased by those in the diaspora, who might be willing to accept a lower than commercial return to support development and, very importantly, would also assume any foreign exchange risk – as far as the government is concerned, the bonds are entirely a domestic currency transaction. (source: Burnett & Bermingham)

Financial guarantee insurance for bonds (FGI)

One of five prizewinners in the recent Marketplace for Innovative Finance competition sponsored by the Gates Foundation, the World Bank and the Agence Francaise de Developpement was the R4D/Affinity Macrofinance proposal to launch a global "monoline" financial guarantee insurance initiative. In essence FGI provides AAA-level (thus, less expensive) financing for public sector projects which would otherwise be rated BBB, A or AA. A calculation is made of the savings enabled by the higher AAA rating; then the issuer and the financial guarantor split the savings – say, 55% for the guarantor in the form of a premium; leaving the issuer with a net 45% savings over its normal financing costs. This technique has been used extensively in the United States. Rarely do such financings of essential public service projects default, but when they do, losses to the guarantor are minimal because it is almost always critical that the government find a way to save projects like roads or hospitals. (source: Burnett & Bermingham)

Affinity Macrofinance: Financial Guarantees
Results for Development Institute (R4D),
Corporación Andina de Fomento (CAF)
www.resultsfordevelopment.org

Country of implementation: 100 Developing World Nations

Affinity MacroFinance (AM) will finance health, education, SMEs, micro lending, insurance, infrastructure and other development activities by providing AAA guarantees to bond investors in 80 emerging world capital markets. It will also serve poorer countries without local bond markets by structuring guaranteed international financings. Owned by a community of Development Finance Institutions, foundations, and local development agencies, AM will tap the nearly $1 trillion in emerging world pension funds, providing low-cost, fixed-rate, long-term, local currency funding for development. Doing so will help emerging nations become increasingly financially self-sufficient in their development activities. (source: Marketplace on Innovative Financial Solutions for Development)

Voluntary contribution mechanisms relating to migrants' remittances

Migrant remittances to developing countries totalled an estimated $338 billion in 2008 according to the most recent figures published by the World Bank. Private flows are not in themselves innovative mechanisms to finance development, but different initiatives have been undertaken that get them to work to further development. They help generate stable, predictable and complementary resources compared to traditional assistance and correct the negative effects of globalization. (source: Leading Group)

Sources:

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INNOVATIVE FINANCING TO ACHIEVE THE EDUCATION FOR ALL

(2010 EFA Global Monitoring Report)[1]

THE EDUCATION FOR ALL FINANCING GAP

Achieving the Education for All goals in low-income countries will require a major increase in financing. These countries themselves can do a great deal to mobilize more resources for education. But in the absence of a step increase in aid, efforts to accelerate progress in basic education will be held back by a large financing gap.

This Report provides a detailed assessment of the costs associated with achieving some of the core Education for All goals. Covering forty-six low-income countries, the assessment includes estimates for improved coverage in early childhood programmes, universal primary education and adult literacy. Unlike previous global costing exercises, it includes a provision for reaching the most marginalized. That provision is important because it costs more to extend opportunities to children disadvantaged by poverty, gender, ethnicity, language and remoteness.

Among the central findings and recommendations of the Report:

- Low-income developing countries could make available an additional US$7 billion a year – or 0.7% of GDP – by raising more domestic resources and making national budgeting more equitable.

1. This article is composed of paragraphs extracted from the 2010 EFA Global Monitoring Report, chiefly from the Overview and chapter 4, "The Aid Compact: Falling Short of Commitments." For sources and references, please consult the original edition of the Report (http://unesdoc.unesco.org/images/0018/001866/186606E.pdf).

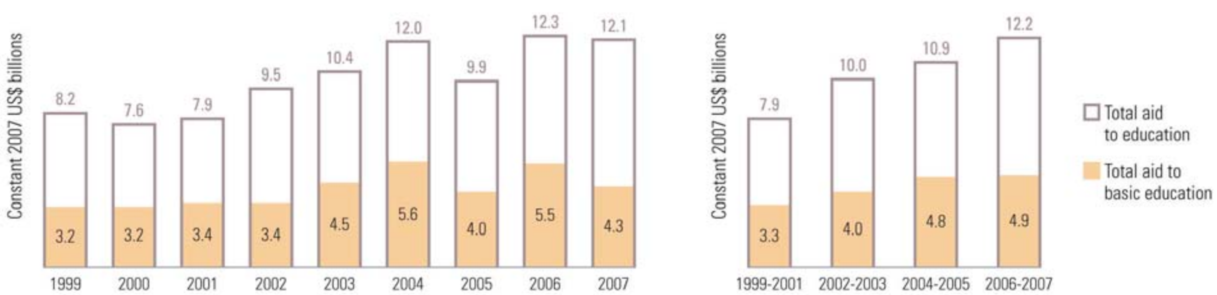
- Even with an increased domestic resource mobilization effort, there will be a global Education for All financing gap of around US$16 billion annually –1.5% of the GDP – for the forty-six low-income countries covered. Sub-Saharan Africa accounts for around two-thirds of the global financing gap, or US$11 billion.
- Current aid to basic education for the forty-six countries – around US$2.7 billion – falls short of what is required to close the gap. Even if donors act on their commitments to increase aid, the financing gap will remain significant at around US$11 billion.
- An emergency pledging conference should be convened in 2010 to mobilize the additional financing required to fulfil the commitment made at Dakar.

THE RECORD ON AID FOR EDUCATION IS DISAPPOINTING

Overall aid has been increasing, but commitments are falling short of the US$50 billion increase pledged in 2005. Africa faces the greatest projected shortfall, estimated at US$18 billion. Aid to education has been rising, but commitments have recently stagnated. Aid commitments to basic education fell by 22% to US$4.3 billion in 2007. Aid to education is not always reaching those who need it most. Some donors continue to give insufficient priority to basic education. Countries affected by conflict are not receiving enough support, undermining prospects for recovery. Education lacks a strong multilateral framework for accelerated progress, suffering from a narrow donor base and an absence of funding from private sources.

Figure 4.7: After rising in the early part of the decade, aid commitments to basic education are stagnating

Total aid commitments to education and basic education, 1999-2007

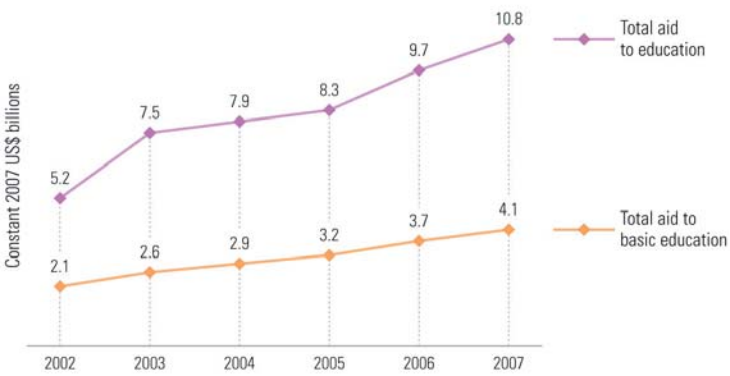


Note: The figure on the right takes two or three year averages in order to smooth out volatility and make the overall trend clearer.
Source: OECD-DAC (2009*d*).

As governments look to the 2015 target date for achieving universal primary education and wider goals, prospects for accelerated progress will depend in part on future aid flows. Sustained and predictable increases in those flows can help support more ambitious education strategies, supplementing the resources available to recruit teachers, construct classrooms and reach the marginalized. Aid delivered to education continues to rise, but there is no evidence of a concerted drive to mobilize the additional resources needed to achieve universal primary education and other education goals. Looking ahead, there is a real danger that reduced commitments to basic education will lead to lower levels of disbursements over the next few years.

Figure 4.6: Aid disbursements to education have been on a steadily rising trend

Total aid disbursements to education and basic education, 2002-2007



Note: Box 4.3 explains the calculation of total aid to education.
Source: OECD-DAC (2009*d*).

Aid priorities have shifted a great deal in recent years, with the shares of overall aid devoted to various sectors rising, falling or staying the same. Education falls in the third category. The increase in support to education recorded since the Dakar forum in 2000 has been driven principally by the overall increase in aid rather than redistribution from other sectors. In 2006–2007, education accounted for about 12% of all aid commitments to sectors, the same level as in 1999–2000.7 In contrast, health has been a big winner in aid allocations, with an increased share of sector aid from 11% in 1999–2000 to 17% in 2006–2007. This reflects a surge of bilateral, multilateral and philanthropic aid directed through global funds and national programmes.[1] United Nations agencies, campaigners, governments and the private sector have succeeded in putting health at the centre of the international development agenda.

Education financing has not suffered directly as a result of the rising share of health in aid spending. With overall aid flows increasing, a fixed share still implies an increase in real resources. Moreover, investment in health generates important benefits for education. What matters in the end is whether overall aid flows and aid targets are commensurate with the commitments donors made in 2000 at the Dakar forum. Unfortunately, they are not. If donors increased aid in line with their Gleneagles commitment and the share directed towards basic education remained constant, there would still be a financing gap of some US$11 billion

1. If education had risen at the same rate as health, direct aid commitments to education would have been US$15.9 billion in 2006-2007. The actual figure was US$10.7 billion.

against the requirements identified in this Report. Donors need to urgently review both the overall level of planned aid and its distribution by sector.

EMERGING DONORS, PRIVATE GIVING AND INNOVATIVE FINANCE

OECD-DAC members continue to dominate international development assistance. But important new sources of aid are emerging, some of which could give a significant boost to education.

Overall aid from countries that are not DAC members is on a strong upward trend. While often referred to as 'emerging donors', many members of this diverse group have a long history of providing aid to developing countries. In 2007, aid from non-DAC donors reporting to DAC[1] amounted to US$5.6 billion – four times the level in 1999. The largest emerging donor is Saudi Arabia, which spent US$2.1 billion on aid in 2007. Aid from Brazil has been estimated at US$437 million and that from India at US$1 billion. Official data are not available for China, but estimates point to a total Chinese aid budget of US$1-1.5 billion in 2006.

Strong economic growth, the size of the external balances available to major economies such as Brazil, China and India, and growing cooperation in areas such as trade and energy could drive a sustained expansion in aid from non-OECD countries. This makes it all the more important to improve the flow of information and coordination between all donors. Achieving that outcome will require a broadening of aid governance structures, which need to be reformed to ensure that the views of emerging donors are taken into account when developing policies and identifying priorities.

Too little is known about the composition of non-DAC donors' aid portfolios to assess their aid to education. China has supported school construction programmes in sub-Saharan Africa. It has also increased its support for training in its external aid. By 2007, more than 80,000 people from developing countries had participated in short- and medium-term training courses, in such fields as agriculture, health, management and education, supported by Chinese aid. The Republic of Korea, which aims to become a member of the DAC in 2010, has a strong focus on infrastructure for social services. Education is one of seven priority sectors in the country's Mid-Term ODA Strategy and accounted for 14% (US$70 million) of its bilateral aid in 2007. In September 2008, Saudi Arabia joined the launch of Education for All: Class of 2015, a new global initiative. It pledged US$500 million in concessional loan financing for basic education – its first such undertaking and one pointing to a greater share for basic education in its overall lending.

1. Including the Czech Republic, Hungary, Iceland, Israel, Kuwait, Poland, the Republic of Korea, Saudi Arabia, the Slovak Republic, Turkey and the United Arab Emirates.

Data on private aid are not comprehensive, but the available evidence points to strong growth in recent years. In 2007, private aid for international purposes reported to the OECD reached US$18.6 billion, which almost certainly understates the real flow. International foundations – such as the Bill and Melinda Gates Foundation – and corporations dominate these aid flows, largely directed towards public health. A recent survey showed that 43% of contributions from United States-based foundations were aimed at health in developing countries, with only 6% directed to education.

That picture could be starting to change. Several new education initiatives have emerged recently, many involving innovative private-public partnerships. In 2008, the Open Society Institute contributed US$5 million to the Liberia Primary Education Recovery Program. This is one of the first cases of a private foundation, and multilateral and bilateral donors pooling resources in support of a national education programme – an approach that is well established in the health sector through the Global Fund to Fight AIDS, Tuberculosis and Malaria and the GAVI Alliance. In 2007, the United Nations refugee agency (UNHCR) launched its 'ninemillion' campaign in cooperation with Nike and Microsoft. It aims to raise US$220 million by 2010 to give 9 million refugee and vulnerable children access to education, sports and technology. Projects have also been initiated in conjunction with the World Economic Forum, in several cases with a focus on the use of information and communication technology in education. The Jordan Education Initiative, supported by the Jordanian Government, private corporations and non-government organizations, works with teachers and pupils to promote interactive learning in 100 'Discovery Schools'.

There is no shortage of innovative financing models to inform approaches in education. Many lessons can be drawn from experiences in the health sector. The International Finance Facility for Immunisation (IFFIm) has mobilized around US$1.2 billion through government bond issues. The first Advance Market Commitment, a mechanism aimed at creating incentives for the development of new drugs to treat poverty-related diseases, has generated US$1.5 billion. Climate change is another area increasingly characterized by creative thinking. Education aid agencies and campaigners, however, have been slow to respond to innovative financing models. It is vital to ensure that the interests of the world's 72 million out-of-school children are not crowded out of innovative financing by competing claims in other areas.

Avoiding that outcome will require more effective campaigning and advocacy, backed by more incisive political leadership in the United Nations system. Opportunities for action have to be exploited. One example is the 2010 football World Cup, which is becoming an important focal point for international action and campaigning on Education for All. In 2009, France and the United Kingdom reaffirmed a joint pledge to get an additional 8 million children in school by the start of the World Cup, though details – especially with respect to the French aid budget – remain unclear. The Global Campaign for Education is working with the Fédération Internationale de Football Association (FIFA) and several major European football leagues in the lead-up to the World Cup to raise awareness of the education problems facing sub-Saharan Africa, along with some additional financing (1 Goal). However, awareness raising and limited voluntary contributions are not enough.

Box 4.5: Education for All and the football World Cup

In 2010, Africa will host the World Cup for the first time. The event will set a benchmark for global sporting competitions. Apart from being the first such event to be staged in Africa, it will be watched by more people and generate more media and sponsorship revenue than any World Cup in history. With leadership from FIFA, its national members, clubs, footballers and supporters across the world, the World Cup could also set a benchmark for fighting deprivation in education.

Directing to education just a small proportion of the revenue flowing into the industry could make a big difference in the lives of out-of-school children. Consider what might be achieved through a modest levy on media and marketing revenue (Table 4.1).

The 2010 World Cup is setting new records. As of May 2009, it had generated US$3.4 billion in commercial revenue – a 48% increase over the 2006 World Cup. The sale of media rights is the single biggest contributor. Revenue flowing to national members of FIFA in the rich world reflects the growth of the global market for football. The five major rich-country leagues – England, France, Germany, Italy and Spain – account for commercial revenue of US$11.1 billion annually. Their broadcast and sponsorship revenue amounts to US$7.8 billion. To put that figure in context: it is more than double all international aid for basic education in low-income countries.

Table 4.1: Football revenue and school levy

	Annual commercial revenue (US$ million)	Revenue from 0.4% school levy (US$ million)	Estimated number of primary school places provided
Major football leagues			
England	3 511	14	140 430
Germany	2 068	8	82 727
Spain	2 068	8	82 727
Italy	2 044	8	81 749
France	1 422	6	56 897
World Cup	850	3	34 000
Total	**11 963**	**48**	**478 530**

Notes: Based on a recurrent unit cost of US$100 per child in primary school. No account is taken of the capital costs (e.g. classrooms) required to provide primary schooling. The commercial revenue for the World Cup is averaged over four years to provide an annual revenue figure.
Sources: Sportcal (2009); Deloitte LLP (2009).

Placing a modest 'Better Future' levy on football revenue would generate potentially significant amounts. For example, a levy of 0.4% would mobilize around US$48 million annually – less than some European clubs spend on a single footballer yet sufficient to finance a basic education of decent quality for approximately half a million of the world's out-of-school children each year to 2015.

A model that could provide guidance is that of Futbol Club Barcelona, which has created a foundation that receives 0.7% of the club's ordinary income and directs it towards global poverty reduction efforts. To follow this good example, the proposal set out in this box would enable all major football clubs to unite in a global philanthropic effort. Directing the revenue towards a reformed FTI (see 'Reforming the Fast Track Initiative' below) would help maximize the benefits, minimize transaction costs and revitalize multilateral aid for education. Football could do for basic education what the Gates Foundation and other philanthropic interventions have done for the Global Fund in health.

The World Cup is an event that will be remembered for many important goals. But its most lasting legacy could be helping to bring basic education into the lives of some of the world's poorest children and demonstrating to governments that, with good leadership, the goal of universal primary education is still attainable.

Sources: Sportcal (2009); Deloitte LLP (2009).

Innovative financing could go on benefiting education well after the 2010 World Cup events are over. An agreement by the major European leagues to place a small (0.4%) EFA levy on future sponsorship and media marketing revenue could generate some US$48 million annually. Channelled through a reformed Fast Track Initiative (FTI) or another multilateral mechanism, these resources would enable one of the world's most popular sports to make a real difference in the lives of some of the world's poorest children.

REFORMING THE FAST TRACK INITIATIVE

Launched in 2002, the Fast Track Initiative was presented as part of a wider global compact for achieving international development goals. At the International Conference on Financing for Development, developing countries committed to strengthen planning for poverty reduction, while rich countries pledged to mobilize more aid to support 'country-owned' plans.

The FTI became a prototype for the new model, seen as a vehicle for strengthening national planning through development of broad-based education strategies that would be a focal point for donor coordination and resource mobilization. The initiative was geared towards achieving universal primary completion by 2015, rather than the much broader set of EFA objectives set out in the Dakar Framework. In reality, it has had no significant impact even on this narrow goal.

LESSONS FROM GLOBAL HEALTH FUNDS

The past decade has been marked by the rapid development of global initiatives in health financing. Unlike the FTI, these initiatives have accelerated progress towards international development goals, principally through official development assistance but also by creating multilateral channels for philanthropic financing. The increasing share of health in overall aid can be traced in large measure to the dynamism of such initiatives. About half of all international aid from private sources is now invested in health. Much of the increase in international aid for health has been directed towards specific diseases or interventions. There are over ninety global health partnerships, and most are in this category. Prominent examples include the Global Fund to Fight AIDS, Tuberculosis and Malaria (usually called simply the Global Fund) and the GAVI Alliance[1]. Far more than the FTI, these programmes have galvanized political support, keeping health at the centre of the international development agenda. Do global partnerships in health provide lessons that could help reshape and revitalize the FTI? Caution has to be exercised in drawing direct comparisons. Education is less amenable than health to 'vertical' interventions such as vaccination. Health interventions may also have greater traction in aid debates, especially when the issues at stake involve child survival and keeping people with HIV and AIDS alive.

Yet the differences between health and education can be overstated. Most of the major global partnerships in health have abandoned narrowly defined vertical funding approaches, recognizing that strengthening health systems is vital for effective disease-specific interventions. About a third of the Global Fund's overall support is now geared towards

1. Formerly the Global Alliance for Vaccination and Immunization

building health systems[1]. Many principles and practices developed in governance models for global health partnerships are relevant to the FTI. These partnerships have succeeded in rapidly scaling up aid resources and sustaining high levels of disbursement. They have been far more successful than the FTI in mobilizing new sources of finance that can complement traditional aid, especially from philanthropic foundations.

Governance arrangements have been an important factor in the success of global health funds. These arrangements have avoided the dangers associated with a proliferation of reporting systems and the rules on endorsing plans and delivering finance are more transparent, more effective and more firmly rooted in nationally owned processes than under the FTI. Global health partnerships also provide a far stronger voice to developing countries and civil society. Donor influence is more circumscribed and the World Bank, while an important actor, does not dominate financing decisions. By comparison, the FTI's donor-dominated governance structures appear anachronistic, ineffective and out of touch with political realities when compared with those of the Global Fund and the GAVI Alliance.

THE GLOBAL FUND

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created to combat diseases claiming over 6 million lives a year. It was first discussed by the G8 in 2000; a year later a United Nations General Assembly Special Session concluded with a commitment to create a new fund and the 2001 G8 summit agreed to mobilize resources. A permanent secretariat was established in January 2002 and the first round of grants for thirty-six countries was approved three months later. The fund has supplied anti-retroviral drugs to about 2 million people and tuberculosis treatment to 4.6 million, provided 70 million insecticide-treated bed nets and saved around 3.5 million lives.

By the end of 2008, it had disbursed US$7 billion. The current target is to cut the average time between commitment and disbursement from between nine and eleven months – around half the post–2007 FTI disbursement period – to eight months. In 2008, 96% of the funding planned in grants was disbursed, and only 16% of active grants had a disbursement rate of less than 75%. One reason for such rapid disbursement is the development of rules aimed at strengthening and working through national procurement and reporting systems. Another is technical support to countries having trouble meeting disbursement conditions.

Effective and accountable governance has been central to sustained delivery. Detailed accounts of the management and administration system are available elsewhere. For purposes of comparison with the FTI, several distinctive features can be identified:

1. The GAVI Alliance has also increased support for health system strengthening, having allocated an additional US$300 million for this purpose in 2008, bringing the total to US$800 million. Current plans aim to ensure that half of all GAVI-eligible countries receive system strengthening support by 2010.

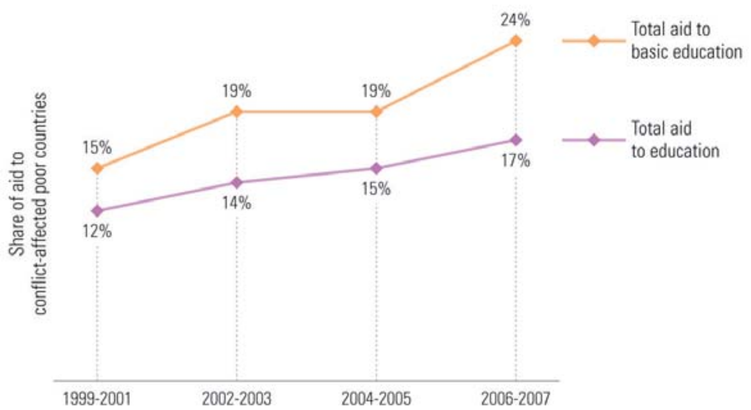
Institutionalized independence. The Global Fund is legally constituted as a Swiss foundation, rather than a multidonor trust fund, receiving administrative support from the World Health Organization (WHO) and fiduciary support from the World Bank. The Bank's role is limited to disbursing funds on instruction from the Global Fund Secretariat. The secretariat is much larger than the FTI's, with about 470 staff, and it answers to the board as a whole, creating a very different set of institutional incentives than those facing the FTI Secretariat.

- **Broad-based donor support**. To provide sustained and predictable support, the Global Fund works with a system based on replenishments over two year cycles. From 2010, the replenishment arrangement will move to a three year cycle. Total grants for 2008–2010 are expected to reach US$9.5 billion. Many donors that have given limited backing to the FTI – including France, Germany, Japan and the United States – have actively supported the Global Fund. Notably, United States contributions represented one-quarter of the total. **Innovative financing**. From 2001 to 2009, contributions from private philanthropy and innovative financing arrangements amounted to US$642 million. Along with the Bill and Melinda Gates Foundation, thirteen major companies have contributed directly or indirectly.
- **Long-term commitment**. The Global Fund operates on a five year grant cycle (compared with three years for the FTI). As part of the 2007–2010 strategy, a facility was introduced to provide support for high-performing programmes for up to six additional years. The new facility reflects a growing commitment to long-term predictable financing to maintain support following investments in the strengthening of health systems, particularly for recurrent expenditure such as salaries.
- **Broad-based global representation**. The board that oversees the Global Fund sets policy priorities and approves grants. It has twenty-four members, twenty of whom have votes: seven from developing countries, eight from donor countries, three from civil society, one from the private sector and one from the Gates Foundation. This structure gives a far stronger voice to developing countries than that of the FTI.
- **Strong country ownership**. Countries develop plans and submit proposals to the Global Fund through a Country Coordinating Mechanism, a country-level partnership that usually consists of governments and donors, along with representatives of non-government organizations, church groups, the private sector, academics and people affected by the diseases. The mechanism appoints one or two organizations to act as Principal Recipients, or managers and administrators of Global Fund grants. About two-thirds of Principal Recipients are government agencies, though in some cases responsibility is split. The mechanism facilitates higher levels of engagement between a wider range of actors than is the case with FTI processes.
- **Transparency in decision-making**. Well-defined rules and processes govern endorsement and disbursement. A Technical Review Panel assesses proposals

and makes recommendations to the board, setting out its arguments for approval or rejection. Rejected proposals can be amended and resubmitted, and if it is again rejected, the applicant country can appeal to an independent panel. Another institutional mechanism, the Global Implementation Support Team, has provided funds to build the technical capacity of Country Coordinating Mechanisms.39 These processes contrast with FTI arrangements in two key respects. First, at the national level the local donor group is just one of several actors deciding whether national plans should be submitted for funding. Second, once plans are submitted, donors have a limited voice in determining whether they are endorsed. In marked contrast, the Catalytic Fund committee can reject applications with no explanation and give applicants no recourse to appeal.

- **Working in fragile states and countries affected by conflict**. From the outset the board of the Global Fund has recognized the need to develop ways of working in conflict-affected countries and fragile states, which receive about a third of total financing.

Figure 4.13: Conflict-affected poor countries receive a low share of aid to education
Share of total aid to education and basic education (commitments) allocated to conflict-affected poor countries, 1999-2007

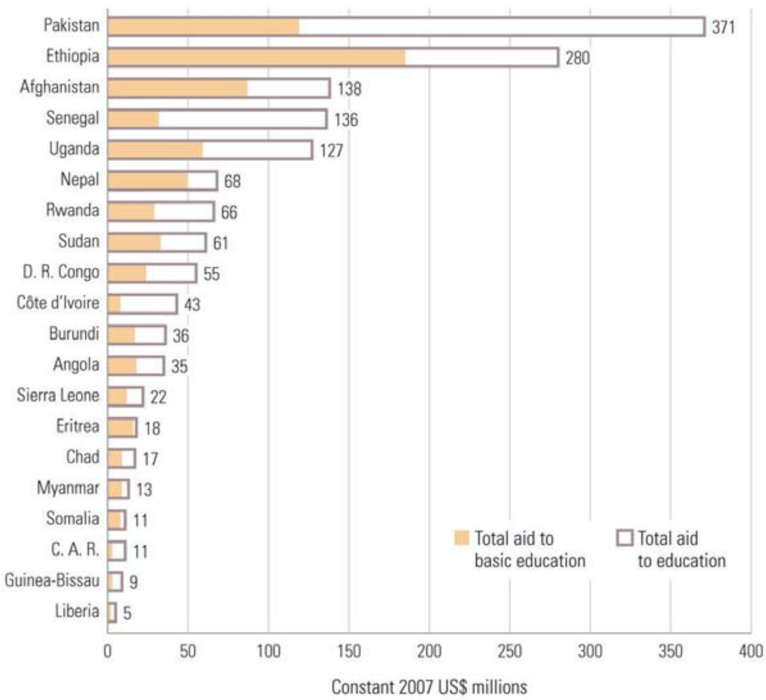


Source: OECD-DAC (2009*d*).

While the FTI's Catalytic Fund committee rejected a financing request from Liberia and has failed to disburse funds to Sierra Leone, the Global Fund has delivered about US$54 million to Liberia and US$43 million to Sierra Leone since 2004. Concerns over national capacity and reporting systems in Sierra Leone led to an innovative approach: with the Health Ministry as principle grant recipient, contracts were drawn up with around thirty-nine 'sub-recipients'. Inevitably, there are problems with rapid disbursement in countries where governments lack implementation capacity and cannot meet donor reporting standards. However, reviews have pointed to levels of delivery comparable to those achieved for grants in other countries. While the risk of large amounts of vertical funding distorting health systems is even greater in conflict-affected countries, it is difficult to escape the conclusion that the FTI's record in such countries compares unfavourably with that of the Global Fund.

Figure 4.14: Distribution of aid to education among conflict-affected poor countries is uneven

Total aid disbursements to education and basic education in conflict-affected poor countries, 2006-2007 average



Source: OECD-DAC (2009*d*).

THE GAVI ALLIANCE

Launched in 2000 at the World Economic Forum with a start-up grant from the Gates Foundation, the GAVI Alliance is a global health partnership geared towards developing, distributing and evaluating improved vaccines for children in low-income countries. Like the Global Fund, the GAVI Alliance has scaled up support rapidly in a short time. Donor commitments since 2000 total US$3.8 billion, with annual disbursement projected to reach over US$1 billion in 2009. The typical gap between grant application and disbursement is around six months.

- The WHO estimates that GAVI support for immunization programmes has averted 3.4 million deaths. Of the seventy-two GAVI-eligible low-income countries, half are in sub-Saharan Africa. Special attention has been paid to strengthening health systems in fragile states and countries affected by conflict. Recipient countries include Afghanistan, the Democratic Republic of the Congo and Liberia.

- While the GAVI Alliance differs from the Global Fund in scale and mission, there are important governance parallels. GAVI has developed a broad base of financial support, with both bilateral and private donors.[1] Donors and developing country governments are equally represented on the twenty-eight member board, which is supported by a secretariat of about 120 people. Grants are made on the basis of a transparent application process. An independent review committee, composed of experts drawn predominantly from developing countries, examines country proposals and makes recommendations to the board. Around 90% of proposals are approved after their first or second submission. All this contrasts markedly with the FTI.
- As with the Global Fund, innovation is another area of contrast. The GAVI Alliance has developed two mechanisms supported through public-private partnerships. The Advance Market Commitment lets donors commit money to buy vaccines that are not yet available, creating incentives for research into vaccines for diseases such as pneumonia and rotavirus infection.[2] The International Finance Facility for Immunisation issues bonds in international capital markets, creating a predictable stream of revenue for the GAVI Alliance, and repays bondholders with funds provided by donors. The IFFIm has mobilized US$1.2 billion since 2000, with a significant injection of funds during 2007 and 2008.[3] For example, in 2008, La Caixa, one of Spain's leading savings banks, launched a fund-raising campaign among employees and corporate depositors that mobilized US$5 million.

SOME LESSONS FOR THE FAST TRACK INITIATIVE

The Global Fund and the GAVI Alliance do not provide blueprints for FTI reform, but they do offer an approach to governance and resource mobilization that could help frame a global education initiative that delivers results.

There are four broad lessons for the FTI. The first is that developing countries have to be given a stronger voice at all levels, from the design of national plans to the framing of finance proposals and decision-making at the global level. The second concerns plan endorsement and

1. Between 2000 and 2008, donor governments mobilized US$1.5 billion and private foundations and individuals US$1.1 billion. In 2008, the Gates Foundation provided US$75 million out of US$81.5 million in receipts from individuals and private foundations.
2. Pneumococcal diseases and rotavirus infections (the most common cause of severe diarrhoea) are the two biggest killers of children under age 5.
3. A bond issued by IFFIm and backed by sovereign governments raised US$223 million in 2008.

the release of finance. FTI arrangements have suffered from opaque rules and arbitrary decision-making. An independent review panel empowered to make recommendations on financing to a more balanced executive board would go some way towards resolving the problem. At the same time, the global health funds have avoided long delays between commitment and disbursement partly because they are not governed by World Bank rules.

The third lesson concerns public-private partnerships. Many private foundations and companies support education, but they lack a multilateral framework for channelling their support towards meeting shared development goals, adding to transaction costs and reducing aid effectiveness. Unlike the Global Fund and the GAVI Alliance, the FTI has not facilitated private-sector engagement in global initiatives.

The final lesson relates to international advocacy. The FTI partnership has not met one of its central objectives: galvanizing political support for resource mobilization. Although the FTI has become a fixed feature on the agendas of the G8 and the annual IMF and World Bank meetings, little has been achieved. Once again, this is in stark contrast to the Global Fund and, to a lesser extent, the GAVI Alliance. To some degree, it is a chicken-and-egg problem: campaigners have trouble advocating successfully for an initiative that is not delivering.

Although health initiatives can offer lessons for education, they also face real challenges. Donor delivery on pledges made at Global Fund replenishment conferences has been erratic, leading to concern over a potential US$4 billion financing gap for 2008–2010. Moreover, evaluations have highlighted concerns over capacity problems, weak civil society involvement and under-representation of groups advocating for people living with disease.

In some countries, vertical initiatives in health – notably the Global Fund – have skewed financing towards the diseases donors have targeted, causing distortions in weak and underfunded health systems. The EU Court of Auditors has expressed concern over parallel distortions in aid priorities, warning that a bias towards specific diseases has diminished aid effectiveness and the strengthening of health systems. The GAVI Alliance has been criticized for skewing health delivery towards immunization rather than wider development of primary health care. Its programmes have also been criticized for generating perverse incentives. Recent evaluations have documented evidence of government agencies over-reporting numbers of children vaccinated to secure increased performance-based finance from the GAVI Alliance. Any scaled-up global plan for education would have to guard against such outcomes, principally by strengthening national delivery and reporting systems.

TOWARDS A REFORMED GLOBAL INITIATIVE FOR EDUCATION

Not only has the Fast Track Initiative failed to produce results on the ground, it has also failed to act as a focal point for international efforts to mobilize more resources for education. Many commentators argue that it strains credulity to suppose that financial support for the FTI can be scaled up to meet the challenge of accelerating progress towards the 2015 goals.

Against this backdrop it is easy to see why there has been growing interest in alternatives to the FTI. Developments in the United States have attracted particular attention. During his election campaign, President Barack Obama indicated a broad intent to support a US$2 billion Global Fund for Education. Secretary of State Hillary Clinton restated that commitment during her confirmation hearing. Other Obama administration figures have articulated a broad vision for a new global fund that would build on the FTI's strengths while addressing its weaknesses. The prospect of the Obama administration playing a global leadership role in education is cause for optimism. The danger is that proposals for a new global fund will divert attention and political energy from the more immediate challenge of reforming the FTI.

The FTI is at a watershed. Business as usual is no longer an option. However, a reformed initiative could give renewed impetus to progress towards the Dakar goals. It could also help facilitate the development and enhance the effectiveness of any global fund initiative to emerge from the United States, just as the Global Fund and the GAVI Alliance have facilitated American engagement in global health funds. There are seven key ingredients for successful reform:

- **Go back to first principles: identify and close financing gaps**. The FTI's core principle is that there should be a unified process through which (i) low-income countries develop plans for achieving ambitious EFA goals, and (ii) donors back those plans through increased aid and coordinated support. Failure to deliver does not detract from the continued relevance of those objectives. Developing countries need to work out viable cost estimates for universal primary completion and wider education goals, taking into account the additional cost of reaching marginalized groups. Donors need to mobilize the additional resources needed – around US$16 billion annually in this Report's estimate – over a five to ten year planning horizon. That is the meaning of the Dakar Framework pledge to ensure that no countries seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources.
- **Establish the FTI as an independent foundation with a strong independent secretariat and reform governance arrangements to strengthen the voice of developing countries**. Applying lessons from the models developed by global funds for health, the FTI should be legally reconstituted as an independent foundation, staffed by a strengthened independent secretariat and supported by technical review and capacity
- building bodies. 'Firewalling' a reformed FTI within the World Bank is a distinctly second-best option because it would leave many governance problems intact, including donor dominance. Developing countries should have representation equal to that of donors at all levels and in all areas, from setting strategic priorities to decision-making over financing.

- **Restructure planning and financing processes**. National plans should be subject to independent review – as happens under the Global Fund – with recommendations acting as a trigger for the board to authorize funding or technical support.
- **Establish a secure and predictable financing base and facilitate partnerships with the private sector to mobilize additional finance**. Donors should make available the US$1.2 billion requested for the eighteen months to 2010, contingent on the development of a reform strategy aimed at transforming the FTI. Subsequent replenishments should reflect financing-gap estimates developed from national planning. A new FTI should support publicprivate initiatives and invite philanthropic foundations to support EFA goals.
- **Address the needs of conflict-affected countries**. FTI reform provides an opportunity to address needs specific to conflict-affected countries and other fragile states. The principle of a single unified process should apply to all, with assistance geared towards the real circumstances of individual countries. The creation of a US$1 billion Education Reconstruction Fund within a reformed FTI multilateral framework could help facilitate short-term recovery while donors and governments work towards long-term planning goals.
- **Build capacity at the national level**. The FTI needs to be far more responsive to the capacity-building needs of developing countries. A unified process for the Catalytic Fund and the EPDF should go together with an increased institutional and financial commitment to capacity-building.
- **High level political leadership**. Reform blueprints can help define possible routes to the creation of a Fast Track Initiative that is fit for the purpose of driving an ambitious Education for All agenda. But results ultimately depend on political leadership – an ingredient that has been lacking to date. The High-Level Group created to monitor progress on the Dakar Framework for Action has not provided effective leadership, and serious questions remain over its current practices and relevance to the challenges ahead. Successive G8 summits have reported on the FTI in a formulaic fashion, without substantively addressing the initiative's weakness or the underlying reasons for weak donor support. Combined leadership from the United States and the European Union in the context of the 2010 Millennium Development Goal summit and the G20 summit could play a decisive role in charting a new course.

CONCLUSION

- Reforms outlined in this section could change that picture. Global health initiatives have demonstrated that multilateral arrangements that deliver results can create a virtuous circle, mobilizing resources and strengthening political commitment nationally and internationally. The bigger challenge is for champions of education among developing country governments, donors and civil society to work together more effectively in articulating a credible and compelling agenda for change.

INNOVATIVE FINANCING: THE CASE OF PUBLIC PRIVATE PARTNERSHIPS IN EDUCATION

Paper prepared for the Education Policy Forum "Challenges of Financing Basic Education: Revisiting solutions involving the private sector"
9-10 September 2010

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INTRODUCTION

If current trends persist, the world is likely to miss the Education for All (EFA) goals by 2015, including universal primary education Millennium Development Goal (MDG) 2 and gender equality in education (MDG3). The 2010 Education for All Global Monitoring Report (GMR)[1], argues that the financial crisis could create a lost generation of children whose life chances will have been irreparably damaged by a failure to protect their rights to education. The GMR estimates that donors will have to bridge a financing gap of USD16 billion a year to meet the goal of universal primary education by 2015.

The international community is considering approaches to augment education spending. Innovative sources of financing represent a novel approach that could help close the financing gap in education. The GMR advises to ensure that the interests of the world's 72 million out-of-school children are not crowded out of innovative financing.

Education aid agencies and campaigners, however, are still in the process of searching how to respond to innovative financing models. In 2009 during the 35th General Conference the Director-General of UNESCO requested to establish an Advisory Panel of Experts on Debt Swaps and Innovative Approaches to Education Financing to examine how to advance knowledge on debt swaps and innovative financing to benefit education.

1. Education For All Global Monitoring Report, 2010, "Reaching the Marginalized", UNESCO

The French government has taken a lead on the topic of innovative financing for development. It convened in 2006, a multi-agency "Leading Group" which has grown rapidly and currently comprises 55 member countries and 4 observer countries, international organizations and representative of civil society and private sector organizations[1]. Success in other field coupled with financing shortfalls has led to considerable interest in innovative finance in education.

In early 2010, the Leading Group on Innovative Financing for Development established the Task Force on Innovative Financing for Education to explore possible innovative financing schemes dedicated to the education sector and to outline key innovative financing mechanisms to generate massive aid flows for education and to present a report at the MDG Summit in September. The Marketplace on Innovative Financial Solutions for Development (Paris, March 2010) generated some ideas on how innovative financing approaches from other sectors could be applied in the education sector.[2]

The 2002 Monterrey and 2008 Doha conferences on Financing for Development and 2008 Accra High Level Forum on Aid Effectiveness called for the mobilization of new partners. The EFA High Level Group meeting (Addis Ababa, February 2010) called for exploring innovative approaches to education financing to promote South-South and North-South-South cooperation, mobilize the engagement of new partners and to support recent initiatives on innovative financing for education.

In the area of innovative financing for education, there is a need to strengthen the knowledge base by conducting cutting-edge research and technical analysis. The increased knowledge would assist in applying innovative financing solutions for development and South-South and North-South-South cooperation initiatives in the education sector. A clear understanding of initiatives such as Public-Private Partnerships is necessary.

Innovative financing modalities includes Public Private Partnerships and this papers argues that PPPs can play a role in education. It tries to take stock of what is known on Public Private Partnerships in education before discussing the way forward. Innovative financing improves education and the paper concludes by suggesting a case of Public Private Partnership for education system management and monitoring.

I. PUBLIC PRIVATE PARTNERSHIP IN EDUCATION

Effective education can best be achieved when government collaborates with a range of other actors – private sector, civil society, independent experts, communities, and families.

1. Leading Group on Innovating Financing for Development
2. UNESCO Meeting Concept Note, Advisory Panel on Debt Swaps and Innovative Approaches to Education Financing

Public Private Partnerships entail the pooling of resources, competencies, and capacities from the public and private sector to achieve outcomes that add value beyond what either party could achieve acting alone. The approach builds on the idea that different sectors in society – public, private, civil society- have different yet potentially complementary core competencies and resources that, if appropriately joined, produce a positive sum to advance public and private goods.[1]

Defining partnerships in education

The term is generally considered as problematic in terms of definitions, especially considering the mixed composition of private sector. There is no overarching definition for Public Private Partnerships.

Definition of partnerships differs in terms of scope nature and formality of arrangements. The term Public Private Partnership (PPP) is a generic word used to designate a broad range of relationships between the public and the private sectors. The commission on UK PPPs talks about "risk sharing relationship based upon an agreed aspiration between the public and private sectors to bring about a desired public policy outcome".

The Canadian council for PPPs uses it in the sense of "cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards".

Global partnerships

UNESCO / World Economic Forum publication on "New Partnerships for EFA: Building on Experience"[2] defines PPPs as "the pooling and managing of resources ...mobilization of competencies and commitments by public, business and civil society partners to contribute to expansion and quality of education ...founded on the principles of international rights, ethical principles and organizational agreements underlying educational development and management; on consultation with other stakeholders; and on shared decision-making, risk, benefit and accountability.

There exists a spectrum of possibilities for providing private support such as Public-Private Partnerships (PPPs), multi-stakeholder partnerships (MSPEs), funds, loans and bonds. PPPs can be defined as "a model of development cooperation in which actors from the private sector (private corporations, corporate foundations, groups or associations of

1. Ingram George, Wils Annabatette, Carrol Bidemi and Townsend Felicity : The Untapped opportunity : How Public Private Partnerships can advance Education For All, Academy for Educational Development, 2006
2. Draxler A., "New Partnerships for EFA: Building on Experience", UNESCO-IIEP, World Economic Forum, 2007

business) and the public sector (Ministry, local authorities) pool together complementary expertise and resources to achieve development goals".[1]

Multi-Stakeholder Partnerships for Education: What are MSPEs?

With a branding "Corporate Social Responsibility," businesses take into account economic, environmental and social issues when establishing partnerships. PPPs at the country level can take the form of a "Trialogue" between governments, the private sector and civil society (e.g. World Bank "Business Partners for Development" initiative). MSPEs differ from PPPs in their explicit focus on a broader coalition of partners and stakeholders than merely the public and the private sectors. The goal of these partnerships is to provide a creative solution to a complex public service concern that requires a multi-sectoral approach.

Multi-Stakeholder Partnerships for Education (MSPEs) are initiatives that pool and manage resources and mobilise competencies and commitments from governments, the private sector, civil society organisations and others to contribute to the expansion and enhanced quality of education. The use of the terminology MSPEs rather than PPPs (Public-Private Partnerships) is deliberate to indicate that their success is dependent on a broader coalition of partners and stakeholders than merely the public (governments) and the private (companies) sectors.

Within this kind of partnerships, private firms usually commit themselves to invest in education-related activities, thus linking their image to that of their public partners and the broader education cause. Some international organizations and specialized agencies are already engaged in bilateral philanthropic partnerships for education with some multinational companies from diverse industry sectors, for instance the Information and Communication Technologies (Microsoft with UNESCO and UNDP, Cisco Inc. with UNICEF).

Whereas the PPPs are generally understood as joint government (including intergovernmental organizations) and for-profit or commercial initiatives, this newer term of MSPEs has been introduced to cover partnerships that bring together a wide range of public, private and civil society stakeholders.[2] The World Economic Forum (WEF) promotes this broader concept, which involves business and / or not for profit civil society organizations working in partnership with government agencies and official development agencies.

1. Genevois I. 2008. "Can and should public private partnerships play a role in education?..UNESCO International Institute for Educational Planning, Paris.

2. Draxler A., "New Partnerships for EFA: Building on Experience", UNESCO-IIEP, World Economic Forum, 2007

What do we understand by Public Private Partnership in Education

Partnerships between public authorities and private entities in providing education existed in some countries long before the term PPP became widespread. They reflected each country's history and political processes. However, the last three decades marked the rise of a different type of PPP – an alternative strategy put forward to address the challenges confronting education systems. This alternative, which started in industrialised countries, is being promoted in developing countries by aid agencies as well as international institutions . It has important implications for the role of the state vis-à-vis the private sector as a provider of public services, including education systems. Although the participation of the private sector in education has a long history, the concept of PPPs today is more related to the ideological wave of the last three decades.[1]

Public Private Partnership plays a role in education

Public Private Partnership can complement and enhance the role of the government in the provision of education. The task that each player can provide includes financial provision, pedagogical development, human resources development, service delivery, infrastructure, facilities management, among others. For these reasons, it is critical to investigate which are the appropriate roles of each stakeholder in the provision of education in the context of specific markets and locations.

The private sector is becoming an essential partner in promoting education. A large number and variety of Public Private Partnership initiatives are being carried out in many different countries. Over the past few years, the number of UNESCO's partners from the private sector has increased to several hundreds, ranging from multinational companies to small and medium sized enterprises, philanthropic trusts and foundations, economic and business associations and individuals.

Lessons learned at global and at country level

Partnerships in education focus on advocacy, developing norms and standards, sharing and coordinating resources and expertise, and harnessing markets for development. At the global and country level, lessons can be learned from a number of initiatives strengthening cooperation with private sector on diverse education issues. Partnerships for Education (PfE) was launched in 2007 as a joint initiative of UNESCO and the World Economic Forum. It is committed to enhancing understanding about the role of MSPEs and building global capacity for their effective implementation through sharing knowledge and best practices. A key financing partnership in the education sector is the EFA-Fast Track Initiative (FTI) which involves civil society and private sector. FTI is cooperating with the Global Education Alliance

1. Education International, 2009, "Public-Private Partnerships in Education", Education International

and private sector partners working with Information, and Communication Technologies (ICTs) to socialize and propagate the model of MSPEs.[1]

Over the past ten years, Public Private Partnerships (PPPs) have increasingly come into the spotlight as a promising complementary tool for achieving development goals. Since then, studies have generated generic insights concerning partnership types, what they can add to international development and under what conditions they can flourish.

Yet, we still lack a sound knowledge base on education partnerships. A study on Public Private Partnerships in Education carried out by the International Institute for Educational Planning (IIEP) and the Global Public Policy Institute (GPPi) in 2009 generated an overview of existing partnerships in education with respect to identifying what kinds of partners they involve, areas in which partnerships are active, and what goals they pursue.

II. WHAT DO WE KNOW ABOUT PUBLIC PRIVATE PARTNERSHIP IN EDUCATION?

Today it is widely acknowledged that the private sector is becoming an essential partner and plays an important role in delivery of basic education in many developing countries. Despite governments remaining the major source of financing.

At the same time, convergence of interest between the public and private sectors is increasingly encouraged. In 1999, UN Secretary General Kofi Annan suggested to create a Global Compact between the United Nations and the business sector. Ban Ki-moon, Secretary of the United Nations said "The UN needs business innovation, but business needs also the United Nations".[2]

Actors engaged in MSPE's

UNESCO's relations with the private sector encompasses cooperation with business corporations, small and medium enterprises, philanthropic foundations, professional and economic associations as well as other organizations of the business community, individuals, communities, parents and families. Public Private Partnerships are expected to play an increasingly important role in the Education for All drive, creating an alternative source of funding for the achievement of EFA goals and making more technical assistance available.

1. UNESCO Meeting Concept Note for Advisory Panel on Debt Swaps and Innovative Approaches to Education Financing
2. Ban, K.-M. 2007. Address to the UNA-USA Business Council for the United Nations and the Association for a better New York, 10 January 2007, United Nations.

IIEP/UNESCO has explicitly set the objective of assisting governments to establish PPPs in the education sector in order to achieve Education For All.

Key partners in Public Private Partnerships in Education

The IIEP/GPPi study in 2009 showed that the key partners in PPPs in education are governments and multilateral organizations on the public side and businesses as well as the "non-for-profit" sector, including non-for-profit organizations, NGOs and charities, on the private side. For the private sector the key reasons for engaging in PPPs were building local capacity including job-relevant competence, enhancing the reputation through association with a good cause and promoting the interests of the company.

The study focused exclusively on PPPs in the field of education. A PPP was defined as any initiative where public and private participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits.

Public actors addressed in the survey were grouped into four categories: governments, multilateral organizations, bilateral organizations, and public education institutions. Private actors addressed in the survey were grouped into five categories: businesses, "non-for-profits" (including non-for-profit organizations, NGOs and charities), faith-based organizations, foundations and private education establishments.

The majority of the public actors respondents were national governments and multilateral organizations. The private actors addressed through the survey where companies belonging to the Global Compact, the non-for-profit sector (including NGOs and charities), faith-based organizations, foundations and public schooling institutions. The majority of the respondents that were engaged in at least one PPP in education were for profit businesses and from the non-for-profit sector.

Findings of the IIEP / GPPi survey

The key partners involved on the public side where mainly governments (76% involvement) and multilateral organizations (61% involvement). On the private side partners in the non-for-profit sector and businesses were most prevalent with 60% and 47% involvement respectively. Foundations, faith-based organizations and bilateral organizations seem less present in PPPs in education. Only 33% of respondents reported involvement of bilateral organizations.

The survey participants from the private sector were asked for their motivation to engage in PPPs in education. Building local capacity and job relevant competence were judged as the most important reasons followed by enhancing reputation through association with a good cause and promoting the interests of the company.

The public actors constituted almost 75% of the respondents that are engaged in at least one PPP in education. The majority of these were national governments (60%) and multilateral organizations (28%). Hardly any bilateral organizations and public education institutions responded and indicated an involvement in PPPs in education.

Reasons for private actors to engage in Public Private Partnerships

Other important aspects included benefiting from public sector expertise. Respondents were ambivalent about getting public sector funding for social projects and support for investment decisions. While some regarded them as important drivers, others judged them as non-relevant to their decision for engaging in PPPs.

Averting binding regulations through participation in PPPs and creating a level playing field for competitors through voluntary compliance with standards was judged by the majority of the respondents as not important for their decision to engage in PPPs.

Levels of education and kind of support provided by PPPs in education

IIEP's research generated on an overview of the existing partnership activities in the area of education. It identified what kinds of partners are involved in PPPs, the level of schooling they target, the kind of support they provide and the specific subject matters they focus on.

The IIEP / GPPi study provided a first step to build a sound knowledge base on education partnerships. In order to gain further insight a second phase to this study is recommended. It would consist of creating a database of the partnerships identified by the respondents. Based on this effort key success indicators should be developed to determine the contribution partnerships in education can have and should include a detailed analysis of the key success factors.

III. HELPING GOVENRMENTS TO ESTABLISH PULIC PRIVATE PARTNERSHIPS

Education is generally perceived as the prerogative of the government. Lack of financial and managerial capacity often impede the governments' ability to meet their obligations in regard to their national education systems. Governments can use partnerships to make up for deficiencies in state education programs. The case of a Public Private Partnership for education system management and monitoring will be presented as one matter of example.

Why consider partnering with the ITC companies?

IIEP's mission is to assist UNESCO Member States by strengthening their capacities to plan and manage their education systems in order to help them to achieve their goals in a sustainable manner. As a specialist institute focused on planning, IIEP is well placed to judge the value and risks of planning.

States and governments don't have the income or human resources to provide education. A Public Private Partnership can play a role in strengthening national capacity in planning and monitoring by reinforcing the pillar of information systems. Information is key in planning and monitoring education systems. The lack of reliable data and information reduce the capacity of Ministries to design a credible plan and to organize the educational system. It helps to monitor and evaluate the education system and to elaborate appropriate strategies to improve education. From this point of view, information systems could be considered as a central gateway to managing the education system without which it could be quite problematic. This has not escaped the vigilance of the African Union who consider the issue of information systems an absolute priority.

There are a minimum of three main reasons for Public Private Partnerships. First, the failure of the state schools to provide adequate schooling has driven the governments to seek alternative providers. Second there is a growing commercial interest in the education sector with an increase in new providers who are changing the terrain of the education sector. And third, this area of intervention has a great share of new technology which could then interest many private companies.

The view of the public sector

Many countries seek to improve their data basis as they lack reliable data and information. Their technical tools in place are often obsolete and therefore data entry and data processing are inefficient. Member States lack computer networks to support the organizations structure and data collection and their systems are inefficient in the organisational structure. In many countries the decentralised administrators are weak including the central level.

Effective education can best be achieved when government collaborates with a range of other actors by pooling resources and competencies. A Public Private Partnership between the government and an ITC company would allow the government education authorities to focus on core functions such as policy and planning.

Governments benefit from public private partnerships by gaining access to corporate expertise and experience in management, strategic planning, innovative problem solving, labour market expertise, skills development, efficient delivery of goods and services, product development, and logistical support.

The view of the private sector

Private companies do not enter into a Public Private Partnership out of development motives and are subject to competition. Partnering with a government would promote the interest of the ITC company and would allow to invest in local and relevant competency development. It would enhance their reputation through association with a good cause and the business entity could get public sector support for investment decisions.

There are benefits from engaging in enhancing skills of workers, developing brand reputation and strengthening community relations. Even if their core business does not directly relate to the education sector, many companies find that their core competencies can add significant value.

Public Private Partnerships to deliver information systems in education could clearly help to improve the education system. PPPs could help to develop a generic tool for common core information used by the ministries of education. In this sense partnering with an ITC company could help to address a priority issue of many countries which would then help to improve the education system itself.

CONCLUSION

Despite the huge progress made in primary enrolments, massive financing gaps remain for basic education. The latest EFA GMR puts the global gap at $ 16 billion a year. In addition, it is unlikely that developing countries will be able to afford to provide universal access to basic education. Having said that, it becomes clear that the quality issue in basic education is accompanied by a financing issue for education as a whole. The international community is considering approaches to augment education spending and in this context Public Private Partnerships are an untapped opportunity. An intervention framework for effective and efficient partnerships are the national education plans which are establishes by the government. The technical and institutional capacity development for planning, management and monitoring are entirely part of the priorities of these national plans and IIEP/UNESCO has explicitly set the objective of assisting governments to establish PPPs in the education sector in order to achieve Education For All.

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THE LEADING GROUP ON INNOVATIVE FINANCING FOR DEVELOPMENT[1]

THE MISSIONS OF THE LEADING GROUP

Since its inception in 2006, much progress has been made in terms of concrete achievements and international mobilization. Following the initial Paris Conference in February 2006, the Leading Group, led by a rotating six-month presidency, met in Brasilia, Oslo, Seoul, Dakar and Conakry.

Over the course of the past few years, the Leading Group has become an important platform for discussion, sharing information and promoting innovative financing mechanisms.

The Leading Group's initial mission was defined at the Paris Conference in 2006:

- Contribute to the emergence and circulation of projects for innovative development financing mechanisms;
- Promote the idea of solidarity levies among our partners and international forums;
- Develop the international air-ticket solidarity levy which is being implemented by a first group of countries with a view to extending it to other countries according to their possibilities;
- Review methods of using revenues generated by the international air-ticket solidarity levy for coordinated and long-term action in the health and development sectors.

1. www.leadinggroup.org/rubrique20.html

Much remains to be done. The latest strides in development led the Leading Group to broaden its discussion to cover other fields, such as climate change, education and tax avoidance.

At the Doha Conference in December 2009, the Leading Group called for a change in scale in implementing innovative financing mechanisms for development.

MEMBERS OF THE LEADING GROUP

The Leading Group consists of 55 member countries and 4 observer countries, international organisations (including World Bank, UNICEF...) and representatives of the civil society.

LIST OF THE MEMBERS COUNTRIES OF THE LEADING GROUP

Algeria, Bangladesh, Burkina Faso, Belgium, Benin, Burundi, Brazil, Cambodia, Cameroun, Cap Verde, Chile, Cyprus, Congo, Cote d'Ivoire, South Korea, Djibouti, Ethiopia, Finland, France, Gabon, Germany, Guatemala, Guinea, Guinea-Bissau, Haiti, India, Italy, Japan, Jordan, Lebanon, Liberia, Luxembourg, Madagascar, Mali, Morocco, Mauritius, Mauritania, Mexico, Mozambique, Namibia, Nicaragua, Niger, Nigeria, Norway, Poland, Central African Republic, United Kingdom, Saudi Arabia, Senegal, Sao Tome and Principe, Sierra Leone, South Africa, Spain, Togo, Uruguay.

OBSERVER COUNTRIES

Austria, China, Egypt, Romania

LIST OF INTERNATIONAL ORGANISATIONS

European commission, UN, UNAIDS, UNICEF, UNPF (United Nations Population Fund), UNPD, WFP, WHO, IFAD (International Fund for Agricultural Development), World Bank, The African Development Bank, Inter-American Development Bank, Asian Development Bank, FAO, IMF, The Global Fund, OECD

NON-GOVERNMENTAL ORGANISATIONS (NON-EXHAUSTIVE LIST)

ABONG, Acción, Coordination Sud, CONGAD, CONCORD

ACF – Action contre la faim, Act Up Paris, AIDES, Altermonde, Attac, Care, Citizens' Coalition for Economic Justice (CCEJ), CCFD, Mani Tese, Development Initiatives, Forum de la Jeunesse Issue des Migrations (FOJIM), Halifax-initiative, Kulima, The North-South Institute, Results Japan, Stamp out Poverty, Synergies Africaines, Tax Justice Network, Ubuntu, World Economy, Ecology & Development

WHAT IS INNOVATIVE FINANCING?

The concept of development and, more specifically, Official Development Assistance (ODA) are relatively recent. They were invented in the United States immediately after the Second World War and later were taken up by many other countries. Since the 1970s, debates about measuring this assistance have hinged on rich countries' adherence to the goal of spending 0.7% of their Gross National Income on development. Keeping this promise has been deferred again and again by the majority of donors, who cannot find the resources to meet this goal. It was in this context that innovative development financing mechanisms emerged at the beginning of the twenty-first century. These new sources of development financing are closely linked to global public goods, and complement conventional official development assistance (ODA). But must importantly, they are stable and predictable. They stem from the criticism levelled at a world where trade is growing as rapidly as inequality is. These financing mechanisms were also conceived from the outset as a way to correct the negative effects of globalisation. They use various mechanisms, ranging from government taxes to public-private partnerships, and focus on several areas of public action, such as health and the environment. They have gradually carved out a role for themselves on the international stage. Today, the notion of innovative development financing mechanisms designates resources that are provided in addition to Official Development Assistance (ODA) and are more predictable. These dual characteristics of additionality and predictability have been enshrined in the policy declarations made in 2004, 2005, 2006 and 2008, as well as in the reports on this subject (Report by the General Secretary of the United Nations, Quadripartite Report, Landau Report in France). The Leading Group has undertaken work to map the various innovative development financing mechanisms, even though it will be difficult to compile a complete list.

AN INNOVATIVE TOOL FOR DEVELOPMENT

Following the Monterrey conference of March 2002, the international community undertook to increase the resources devoted to development, and official development aid (ODA) in particular, with the aim of reaching a figure of 0.7% of GNI by 2015, and to develop innovative sources of finance in order to achieve the Millennium Development Goals (MDG). Since that time, substantial progress has been made and many countries have rallied to the concept of innovative financing on the basis of various mechanisms, ranging from international taxation (such as the levy on air tickets) to public-private partnerships, and Europe is calling for a change of scale in this domain following the pilot phase under way since Monterrey. Already, innovative financing mechanisms have raised nearly two billion dollars in additional, stable and predictable finance, and they have helped vaccinate over 100 million children a year and guarantee the provision of paediatric treatment for AIDS to 100,000 children a year.

MECHANISMS TO SERVE MORE EFFECTIVELY REGULATED GLOBALISATION

Given the urgent need to combat poverty, these mechanisms are a central focus of the debate on a more effectively regulated form of globalisation providing for greater solidarity: their twin characteristics – they are additional to official development aid and the resources are predictable over time – mean that they are particularly well suited to financing global public goods such as health or the climate, which require stable financing, a pooling of resources and rectification of globalisation's flaws (solvency of demand in the absence of any sickness insurance in many countries of the South, inequality of bargaining strength between countries and pharmaceutical firms, the costs – social and environmental – imposed on the rest of the world by certain transnational economic activities without the latter paying the price for this in fiscal form). Innovative sources of financing can thus provide a solution to the inadequacies of traditional official development aid, which is often fragmentary and volatile. They also form a concept around which countries with highly diverse levels of development on all continents can rally, transcending the usual ideological barriers between the countries of the North and those of the G77.

ENHANCED INTERNATIONAL MOBILISATION

Much progress has been made in terms of both practical accomplishments and international mobilisation. Innovative sources of financing for development have been given recognition at the highest level in a number of multiparty declarations (most recently in the United Nations high-level declaration of September 2008, and the Dakar and Conakry Declarations of 2008). The Pilot Group on Innovative Financial Mechanisms, set up in 2006, now includes 55 member countries and 4 countries with observer status , all at various levels of development, the main international organisations (notably, the World Bank, the World Health Organisation, UNICEF and UNDF), and NGOs.

AN EXTENSIVE PALETTE OF INSTRUMENTS

The action undertaken by the Pilot Group has made it possible to identify several families of initiative: solidarity levies on globalised activities, implemented at national level but within a framework of international coordination, pre-financing mechanisms based on financial markets, backed by public guarantees or support, financing underpinned by market mechanisms, facilitation by public authorities of voluntary private sector contributions (tax incentives, technical facilitation), and more generally, instruments that can generate extra resources over and above those from official aid and the market.

THE SECTION OF FORESIGHT BUREAU OF STRATEGIC PLANNING

Keeping an eye on tomorrow is one of the guiding principles of UNESCO, where the foresight function plays an essential part in identifying possible futures and exploring new paths for action in all its fields of competence. Serving as a laboratory of ideas, UNESCO is called to tackle today's challenges and prepare for those of tomorrow, as well. Anticipation and foresight are interdisciplinary activities aiming at enriching the international public debates.

The Foresight Programme of UNESCO is implemented through a dedicated intersectoral platform. Its purpose is to sensitize UNESCO community at large about foreseeable evolutions and future trends in education, the natural sciences, the social and human sciences, culture and information and communication. The Foresight Programme aims at bringing to bear intellectual perspectives, contributions and support to the Organisation's reflection, programming and action. Moreover, it will support Member States in developing their own capacities and approaches in the field of foresight.

The themes addressed by the Section include: the global financial crisis and the responses to its consequences, the green society and the green economy, climate change and biodiversity, the New Humanism for the 21st Century, knowledge societies, knowledge acquisition and sharing, the future challenges of groups of countries such as the middle-income countries or the Small Island Developing States, gender equality, or innovative financing in education.

In order to foster the reflection on these key future-oriented issues in the domains of the Organization, the Foresight programme of UNESCO organizes a diversified range of events at UNESCO Headquarters in Paris and at locations in various regions of the world. These events are conceived as a contribution to global debates on some of the key challenges of our time:

- The **UNESCO Future Forum** series brings together leading scientists, intellectuals, artists and decision-makers from all parts of the world in a spirit of forward-looking interdisciplinary inquiry;

- The **UNESCO Future Lectures** cycle offers world renowned personalities to share their views with an audience including representatives of the Member States, the Secretariat, intellectual and scientific communities, the media and the public at large;
- The **UNESCO Future Seminars** gather high-level experts on select strategic and technical issues.

The results and recommendations of Foresight activities are disseminated through a dedicated UNESCO portal website and through networks and partners in the field of future-oriented thinking. The results of activities are also being published as brochures in a series still under development.

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Less than five years remain until the 2015 for the Millennium Development Goals (MDGs) and the UNESCO-led Education For All (EFA) goals. If current trends persist, the world is likely to miss the EFA goals by 2015, including universal primary education and gender equality in education. Without added efforts, an estimated 56 million children will remain out of school and 710 million adults without basic literacy skills in 2015.

Innovative sources of financing represent a novel approach that could help close the estimated US$16 billion financing gap in education and meet the goal of universal primary education by 2015. After the international community acknowledged, in the Monterrey Consensus on Financing for Development in 2002, "the value of exploring innovative sources of finance" to foster the realization of the international development objectives, including the MDGs, a number of pioneering initiatives have led to elaborating and implementing new and creative mechanisms for financing development, such as levies on airline tickets to help combat HIV/AIDS, tuberculosis and malaria through the drug purchase facility UNITAID.

To identify the potential of such innovative modalities for education, the Director-General of UNESCO invited a group of high-level experts from United Nations agencies, developing country government representatives, aid donors, the private sector, non-government organisations, and academia to explore possible options, review and assess their potential for concrete results, and chart possible approaches and strategies in this field.

The UNESCO Future Seminar on "Innovative Financing for Education" held on 14 September 2010 at UNESCO Headquarters thus addressed the theme "**Mobilizing resources for international development cooperation in education: what innovative mechanisms and partnerships?**"

"The international community must show more creativity if it wants to keep to its commitments, and identify new sources of funding."

Irina Bokova, Director-General of UNESCO

"Innovative financing is a major key to this century."

Philippe Douste-Blazy, United Nations Under Secretary-General
for Innovative Financing for Development and
Chairman of the Executive Board of UNITAID