

EDUCATION TASK FORCE

Innovative financing for Education: Moving Forward



Innovative financing to fund development
Leading Group

International Expert Report

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EXECUTIVE SUMMARY

1. This report is the follow-up of the first report “2+3=8, innovating in Financing Education” published in September 2010 by the Task Force on Innovative Financing for Education, created by the leading group on Innovative Financing for Development in January 2010. This previous report presented a preliminary review of possible innovative financing mechanisms that could be dedicated to education.
2. This report is the result of the work of the Task Force assigned to highlight the urgent need to mobilize additional resources to overcome inequities in education and to deepen analytical studies on some mechanisms presented in the first report.
3. Its aim is to mobilize the international community, most especially political leaders on the necessity to implement one or more innovative financing mechanisms for education as a means of promoting innovation in education and thereby reducing the outstanding disparities.
4. Progress towards the achievement of the Millennium Development Goals for Education for all girls and boys have been observed since the World Education Forum in Dakar in 2000. However, if children enrol in primary school, many drop out before the completion of the primary schooling and too many students leave school without basic reading, writing and numeracy skills. Thus, the quality in education has become a significant challenge to the education sector.
5. However, despite great progress made in the access to education, 67 million children are still out-of-school in the developing world. There is an urgent need to reduce the inequities in education targeting the most disadvantaged children; primarily girls, children in conflict-affected countries, and children in rural areas.
6. According to these particular features, financing education implies financing for equity and for innovation in education. All stakeholders involved in financing education must work together, including national governments, donors, NGOs and the private sector.
7. The Task Force for innovative financing for education herein presents four mechanisms that are ready-to-go and have the best potential to raise a large volume of money.
8. The Education Venture Fund is a venture capital type fund that seeks to mobilise additional resources for education through a range of mechanisms in order to invest in initiatives that promote innovation in the education sector.
9. The Debt Conversion Development Bonds are a form of debt relief in which the creditor forgives debt on the condition that the debtor makes available some specified amount of local currency funding to be used for specific developmental purposes.
10. Diaspora Bonds are debt instruments issued by a country to raise financing from its overseas Diaspora.

11. The Travellers Savings Fund for Development is a financial instrument that increases participation/social investment as well as mitigating the risk associated with exposure to currency fluctuations by civil society, private foundations, NGOs and travellers at large.
12. The other mechanisms that have been studied are efficient at the national level and could raise awareness effectively but are less applicable in terms of volume of fundraising.
13. PPPs at the national level includes the collaboration of governments, donors and companies for the development of EMIS at school and ministerial levels.
14. Private fundraising exercises for Education incorporate one entity which finances education by gathering businesses on the basis of cause-related marketing practices.
15. Micro donations consist of the collection of very small amounts of financial transactions on a very large scale; an example of this is through payroll giving.
16. In order to materialize the proposals contained in the report, the Task Force suggests to the Leading Group the following recommendations:
 - 1) To support the cause of Education by maintaining the ODA in the beneficiaries countries at least at the same level;
 - 2) To support the cause of Education by raising the part of education in national budgets by 20% as recommended by the international community;
 - 3) To continue fighting inequities by targeting the most-marginalised out-of-school children in the national education policies and donors programs in order to achieve the Millennium Development and Education for All Goals by 2015;
 - 4) To choose one or more mechanisms presented in this report and to support its/their implementation through financial or political support;
 - 5) To continue the advocacy to ensure a share for education from the Financial Transaction Tax.
 - 6) To monitor the implementation of innovative financing for education and its effect on the most marginalised.
17. Finally, the Task Force calls on the Leading Group to update its objectives in accordance to the recent international commitments (UNGA, G20, ECOSOC...).

COMMITTEE MEMBERS

Experts

Desmond Bermingham, Results for Development, Washington D.C.

Nicholas Burnett, Results for Development, Washington D.C.

Susan Durston, UNICEF, New-York

Ilona Genevois, IIEP, Paris

Marja Karjalainen, European Commission, Brussels

Luc Lapointe, Voluntourism, Ottawa

Olav Seim, UNESCO, Paris

Khadim Sylla, IIEP, Paris

Aleesha Taylor, Open Society Foundation, New-York

Permanent secretariat of the Leading Group

Gustavo Gonzalez-Canali, Paris

Julia Napoli, Paris

Members of the Task Force

Brazil	Jordania	IIEP
Canada	Morocco	INEE
Chile	Senegal	Open Society Foundation
Ethiopia	South Africa	Results for Development
European Commission	South Korea	Save the Children
France	Spain	Solidarité Laïque
Germany	United Kingdom	UNESCO
Ireland	United States	UNICEF
Italy	Education International	World Bank
Japan	Global Partnership for Education	

INTRODUCTION

“Globalization is both an opportunity and a challenge. It is a process which must be shaped and managed so as to ensure equity and sustainability”

Dakar Framework of Action – World Education Forum – Dakar 2000

1. Innovative financing for development

➔ Innovative financing for development is a very popular concept used by numerous actors in various ways. Innovative financing for education needs to be clearly stated. The Task Force on Innovative Financing for education works in line with the definition agreed by the 63 members of the Leading Group which draws three main features explaining the particularity of these new ways to finance development. These financing mechanisms are innovative because of the nature of their resources, the way they are collected and the way they are used:

> They are more stable and predictable than ODA (Official Development Assistance). They are complementary and additional to ODA. Their mode of governance is innovative – they are not involving the traditional stakeholders of development namely south and north countries but they involve multilateral management, including partnerships with private entities (foundations, NGOs and multinational companies). They can all benefit from controlled globalization.

Furthermore to this definition, the Leading Group has identified five major categories to further characterise these mechanisms:

- market mechanisms (auctioning of resources with quotas with the use of a fraction of it for development, e.g. CO2 auctioning in Germany);
- guarantee mechanisms which influence the way resources are allocated over time (IFFIm – International finance Facility for Immunization) or create economic incentives (AMCs – Advanced Market Commitments);
- taxes based on globalized activities generally set up by a group of countries in a coordinated way and with a joint management (air-ticket solidarity levy, financial transactions tax...);
- citizen contribution from individuals, companies or consumers (RED initiative) with sometimes the participation of States in various ways (tax incentives, channelling of resources...);
- debt management mechanisms (debt-2-health...).

2. Innovative financing for education

➔ In 2010, the Education for All objectives, originally set up at the World Education Forum in Dakar in 2000, received a momentum notably through the “One goal” campaign in connection with the World Cup in South Africa and

the United Nations summit dedicated to the 10th anniversary of the Millennium Development Goals. The leading group has taken this opportunity to capitalize on this new dynamic through the creation of a Task Force dedicated to financing education through innovative mechanisms.

An international group has been gathered, representing various organisations, countries and civil society. Among them: Brazil, Chile, Ethiopia, France, Germany, Italy, Japan, Morocco, Senegal, South Africa, South Korea, Spain, the United Kingdom, the United States, the European Commission, the EFA Global Monitoring Report team, the Global Partnership for Education, the International Institute for Education Planning, UNICEF, UNESCO, the Open Society Foundation, Results for Development, Education International, the Global Campaign for Education, the International Network for Education in Emergencies, Solidarité Laïque, Voluntourism...

On the same year, a first report "2+3=8, Innovating in Financing Education" was published by the Task Force for Education in which awareness on the need for education financing was addressed and nine mechanisms to broaden the fundraising base were listed.

This report highlights the crucial role of education as the instrument for development with an emphasis on the existence of close ties between education and economic growth, health and environment. The achievement of the Millennium Development Goals related to education (MDG 2 and 3) will help lead to an achievement of the whole range of Millennium Development Goals.

The report also recalls that Education is a right for all enshrined in the international Convention of Children Rights in 1989 and the Universal Declaration of Human Rights established in 1948.

The Report was presented during the United Nations General Assembly in September 2010 during a side event organised by Japan, Belgium and France and opened by Queen Rania of Jordan and Bernard Kouchner, former French Minister of Foreign and European Affairs.

Following its release, the Group has worked within the reports recommendations and convene regular meetings to explore the best mechanisms for education on the basis of detailed

studies. The Task Force has consolidated its efforts to further deepen the analytical work on innovative financing to sustain international mobilization and awareness.

3. Innovative financing for education: Moving forward

➔ The need for innovative financing for education has been illustrated many times. Yet, further clarification is still needed on how to mobilize innovative financing for education and what concrete mechanisms are currently available.

Millennium Development Goals related to education concern universal access for basic education for all boys and girls. Within this definition, education can be considered as a global public good and therefore should be dealt with as such. Achieving universal access means reaching every boy and girl still out-of-school and placing a greater emphasis on fighting inequities to encourage them go to school. Undeniably, during severe economic crisis, it is crucial to ensure that resources mobilized by innovative financing will focus on equity by promoting underfunded areas in the sector and by targeting the most vulnerable groups.

In the first report of the Task Force, nine innovative mechanisms for financing education are presented. Some of them have been deepened by analytical studies during the past year. The Task Force has decided to put forward in this report four mechanisms which are most likely to efficiently raise money for education but which also are deemed ready to be implemented and best suited to overcoming inequalities in education. These tools are: the Education Venture Fund, the Debt Conversion Development Bonds, the Diaspora Bonds and a Travellers Savings Fund for Development.

Finally, the Task Force also wants to address the other mechanisms studied which track finance education while recognising that they must be further developed before successful implementation: the Public Private Partnerships at the national level, a private fundraising exercise for education and micro donations from individuals.

REPORT

1. Equity in Education: financing for the most disadvantaged people

1.1 67 million children still out-of-school

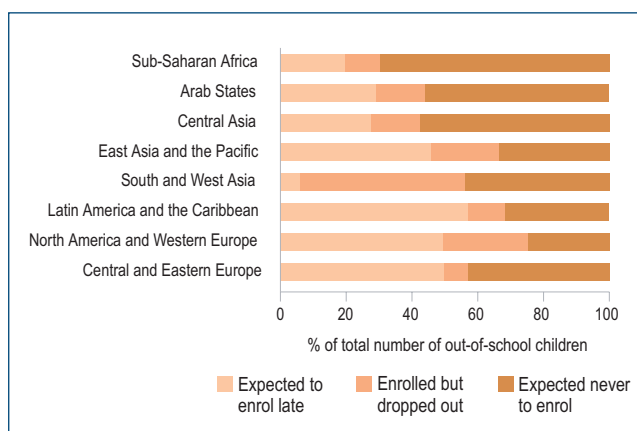
➔ Since 2000 and the World Forum for Education in Dakar, Senegal, remarkable progress has been achieved in education thanks to the strong commitments taken by the international community. In the Dakar Framework for Action, six objectives were established. Among them, was “ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to complete, free and compulsory primary education of good quality”.

Reflecting on the encouraging results of the Universal Primary Education enrolment, yet keeping in mind that this progress has not always led to improvement in learning outcomes, the education actors have increased their efforts for improving the quality of education arguably the greatest current challenge in the education sector. This is exemplified by the fact that many children with access to education are not able to read a simple text or comprehend basic mathematics. In the follow up of the Education for All Conference in Dakar, the focus has been placed on access, not addressing the quality of education. But today, it is widely agreed that it is not

enough to put children into school, not only should they learn relevant skills, but they should also be encouraged to stay longer in school to contribute to the economy and civic life of their country.

Since 1999, the number of children attending school has risen and the proportion of girls has increased. At this time, 105 million children were out-of-school, almost one decade later this number has dropped to 67 million yet, in recent years that rate of decline has slowed. If the trend remains the same, current projections predict that there will be 72 million out-of-school children in 2015. Moreover, more than half of the children still out-of-school are girls. Some of them are expected never to enrol school, as illustrated in the table below.

Distribution of out-of-school children, by school exposure and region, 2008



Source: UIS database

Despite the efforts acknowledged by the international community, universal primary education will not be achieved by 2015. More than half of the world's primary age out-of-school children live in only 15 countries. The tasks to be taken are clear; How to reach universal primary education? How to reach the 67 million out-of-school children? How to know who they are? They are the most disadvantaged children in the world, they are girls, they are living in rural areas, they are living with a handicap, and they are the survivors of conflict-affected or post-crisis countries.

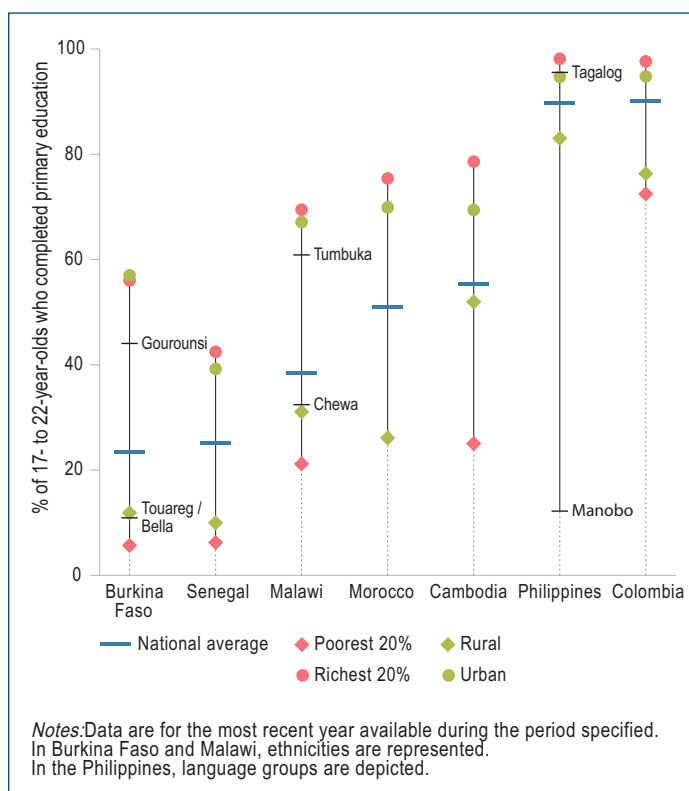
Inequities stand at all levels: between countries, within countries, between groups, between schools, between genders... They are derived from economic and social inequities; they can also be the result of political choices such as inequities in budget allocations. They are due to several factors among which are; wealth, gender, ethnicity, religion, health situation (HIV and AIDS), exposure to child labor, conflict-affected countries, post crisis countries...

Disparities in education – wealth, gender and conflict-affected countries

- **Disparities between richest and poorest quintile of students is huge in developing countries.** As an example, only the richest have access to Early Childhood Education and Care (ECCE) which is mostly comprised of private paying services located in urban areas. Pre-primary education targets children from age 3 up to the official primary school entry age. In 2008, 148 million children were participating to an ECCE program, which represents 31% more than in 1999. However, almost half of the children worldwide are excluded from these programs as illustrated by a global gross enrolment ratio (GER) of 44%¹.
- **In sub-Saharan Africa, two-thirds of out-of-school girls are expected to never enrol compared with only half of the boys in the same situation.** In sub-Saharan Africa, only 46% of the girls will complete primary school. In 47 African countries, less than half of the girls enrolled in primary school will have a chance to attend secondary education.

- **More than half of the out-of-school children are living in conflict-affected countries where the barriers to education overlap and there are intersecting inequities.** The schools are destroyed or used as military/rebels camps and the majority of aid in emergency areas is dedicated to food support and health care where education receives only 2% of all funding (fig. 2007). In conflict-affected countries, in terms of inequities, the most disadvantaged are the poorest girls living in rural areas.

Percentage of population aged 17 to 22 that has completed primary school, by wealth, location, ethnicity and language group, selected countries, 2003-2006



Source: UNESCO et al. (2010)

Targeting particular groups can make a difference and have an effect on girls' enrolment and retention in school and on enrolment of children orphaned by HIV/AIDS. A lot of studies have been carried out demonstrating the benefit of

1- Source EFA GMR – UNESCO – 2011

interventions to improve the results towards universal primary education. As an example, focusing on achieving parity in education would mean 3.6 million more girls in primary school.

“Today’s excluded children become tomorrow’s marginalized youth” (EFA, UNESCO 2000) Many unreached children enter adolescence lacking the basic skills necessary to be integrated in society and the economy of their countries.

1.2 Financing for equity and innovation in education

➔ At this stage, reaching the marginalised children is more difficult and more expensive as most of them suffer from multiple disparities and are not targeted by public policies and development programs because they are not identified in the population data.

The case for education has been already made, and filling the financial gap is doable. Now the question is; how can innovative financing address what is needed for education i.e. how can equity in education be financed and how can innovation be included?

It is necessary to tackle all the factors which hinder children going to school and also barriers to remaining in school. This has to be carried out carefully while avoiding simply developing all programs on average figures but rather to target them to the huge number of out-of-school children still remaining. The question is crucial at both the national and global level, within a country where disparities are observed in various areas but also between countries. Education needs to be a national issue adapting solutions for each country with regards to their specific context.

Innovative financing for education must also bring innovation in education. The challenge is not only raising money but also improving educational systems, innovating in the way of implementing quality education for all.

Financing education must be innovative and flexible while monitoring the funding to make sure that they will be equally disbursed and targeted to the most vulnerable population.

In emergency contexts, which represent 36 million out-of-school children, financing education should enable quick delivery of educational services to children where they are needed.

Communication is also a crucial issue in finding financing for education. It is essential to decide on a strong message for clear advocacy that could lead to political support. The aim is to emphasize financial effort on reducing inequities and innovating in education mobilizing all the actors including the private sector.

Indeed, developing innovation in the education sector can lead to collaboration between public and private sectors. While the traditional donors could work to meet the Millennium Development Goals, the private sector could cover less considered sectors such as Early Childhood Education and Care or Lifelong Learning. Both sectors could also collaborate to create innovation in education by using ICT and producing digital educational resources to make educational systems more effective.

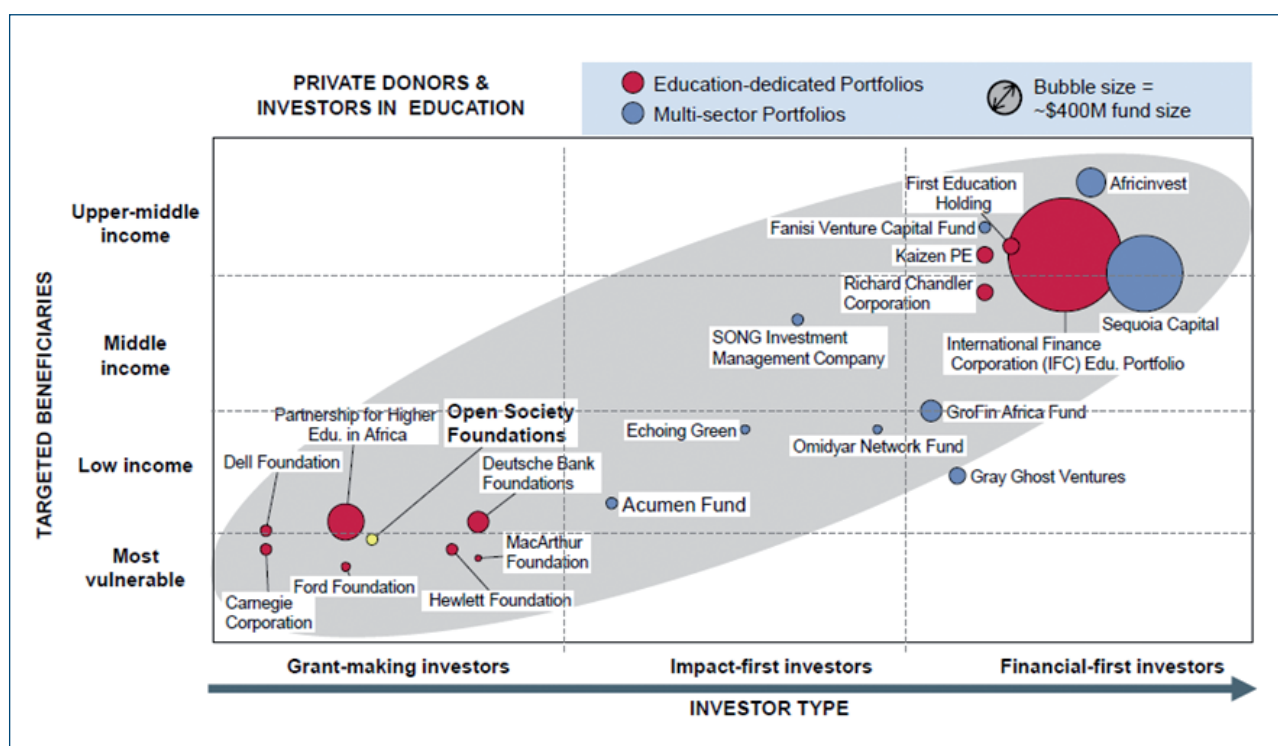
2. “Ready-to-go” financing mechanisms for education

➔ Criteria used by the Task Force to consider possible mechanisms were their readiness and the potential volume of money they were rapidly able to leverage. Detailed studies are available for each following mechanism. The presentation here highlights the best mechanism(s) to be implemented for raising funds for Education.

2.1 The Education Venture Fund

➔ The world has made tremendous progress in increasing access to education, particularly in developing countries. However, the demands for higher quality education are outstripping the capacity of existing institutions, largely in the public sector, to realise them. These institutions are hobbled by a lack of resources,

Lack of Impact Investment Funds Dedicated to Education



Source: Industry analysis conducted by Dalberg – 2011

stale teaching methods, and incentives that reinforce the status quo. In addition, the sheer resource requirements of simultaneously meeting rapidly growing demand for secondary and tertiary education on top of still unmet needs at the basic level mean that cheaper and more effective educational models are necessary.

The Education Venture Fund is a venture capital fund that would seek to mobilise additional resources for education through a range of mechanisms (bond issues, private giving, leveraged investments, voluntary levies etc) in order to invest in initiatives that promote innovation in the education sector.

The Ed Venture Fund addresses these gaps through an approach that stimulates and scales up innovations, leveraging both philanthropic and investment capital. It will focus on both formal and informal delivery models that are underserved by mainstream efforts. The Fund has three objectives:

- To provide access to capital for innovative projects that have the potential to generate

revenue streams while delivering a high social impact in the education sector;

- To mobilize finance and promote innovation in the education sector; and
- To develop standards and models for the industry.

As currently envisaged, the Ed Venture Fund will be a \$55.0 million Fund. The Fund's capital will consist of a grant window of \$20.0 million and an investment window of \$35.0 million. The grant window will be used to invest small amounts in about 30 start ups and promising innovations that have the potential to deliver high social impact as well as generate positive returns for investors over the medium to long term.

The investment window will be used for both proven projects and follow on investments that will be made based on the grantee's actual performance under the grant window. The Fund conservatively estimates that about 30% - 40% of grantees will be able to meet the investment follow-on threshold.

The Fund will provide hands-on technical assistance to its grantees early in the process. As needed, the assistance will be in form of accounting, legal, business development, human resources and other support services.

An initial feasibility study has been completed and a draft private placement memorandum has been prepared. Initial approaches to potential investors have been made and discussions are ongoing to secure start up financing to launch the Fund in 2012.

An initial assessment of potential innovative projects has been conducted and a business plan with financial projections has been prepared. A search for a Chief Investment Officer is underway. Further work to develop the pipeline of projects will be carried out over the next few months.

The target date for the first closing of the Fund is 2012 with a second closing planned for 2013.

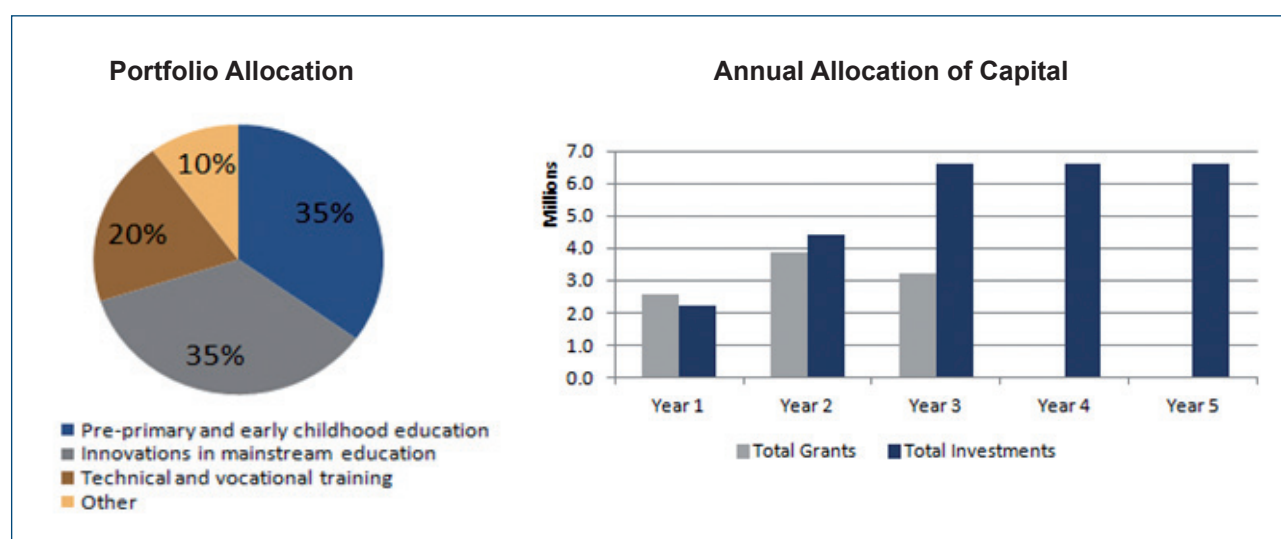
The Fund will give priority attention to the needs of disadvantaged children and youth. In particular, the Fund will target those areas of the education sector that are underserved by traditional

donors and government agencies supporting education. These areas are likely to include innovative projects in early childhood and youth training and interventions to raise the quality of mainstream education for the poor.

The process of closing the Fund and then launching its operations will generate a lot of visibility for the needs and opportunities in the education sector in developing countries. We are explicitly including a communications element in the Fund's budget.

More generally, the Fund will increase the credibility and visibility of education in developing countries by providing a new opportunity for social impact investors and private philanthropists to support the sector in a way that links innovative financing to innovation in education. The lack of a culture of innovation has been identified as a key factor deterring funders, public and private, from supporting education at the same volume as they have supported health.

Funds Allocations: investments in under-served sectors in education



2.2 The Debt Conversion Development Bonds (DCDB)

➔ Debt swaps, also referred to as debt conversions, are a form of debt relief in which the creditor forgives debt on the condition that the debtor makes available some specified amount of local currency funding to be used for specific developmental purposes.

The swap of debt in exchange for various debtor commitments has been actively practiced since the late 1980s. Debt swaps have been seen not only as a means for reducing the indebtedness of developing countries, but also as a way to provide additional funding for developmental programs in these countries. When done correctly, debt swaps create additional “fiscal space” for recipient government. This means that the funds the recipient government would have been required to use to meet debt service payments can now be used for other purposes. The latter approach has led to a recent surge in debt swap initiatives in a wide range of sectors.

The current proposal is to leverage the benefits of the additional “fiscal space” created by debt conversions by means of Debt Conversion

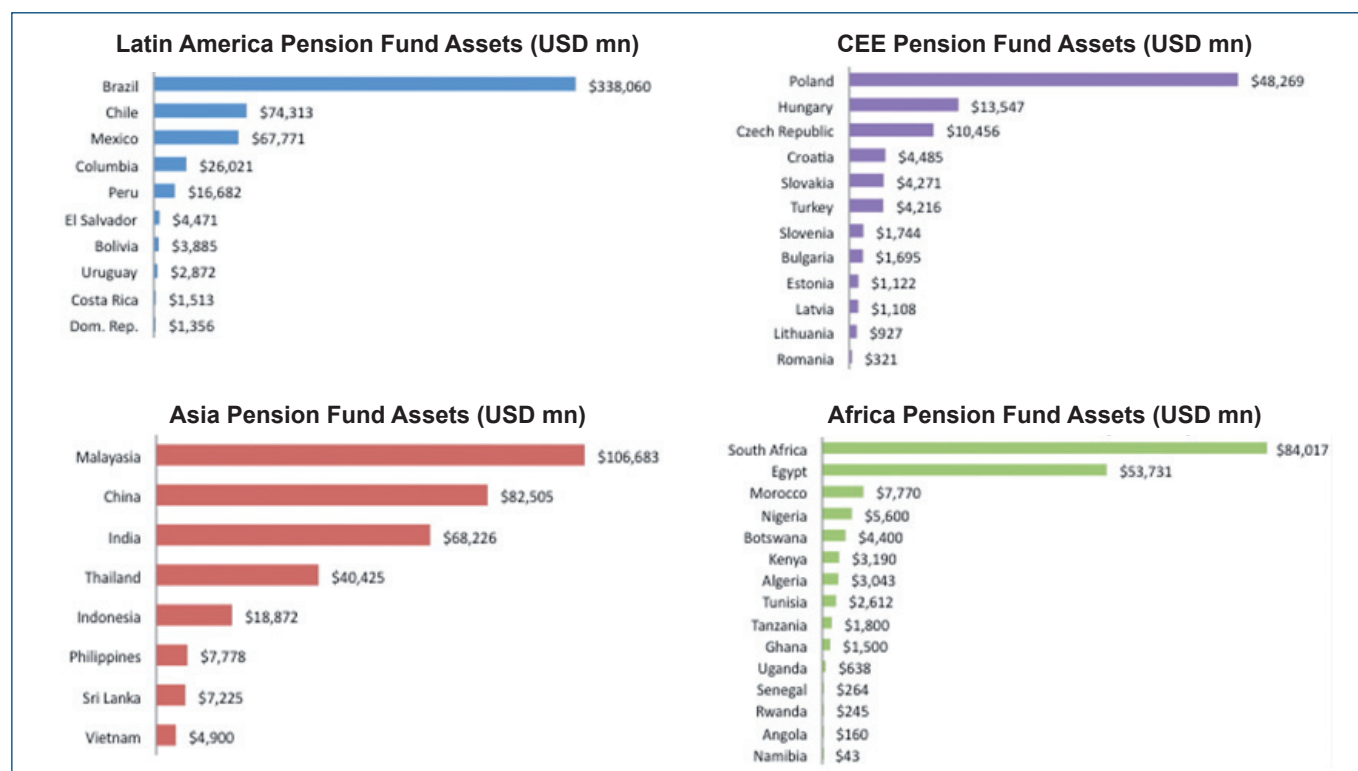
Development Bonds (DCDBs), local currency government bonds used for developmental purposes and repaid from the future fiscal savings achieved through debt conversions.

DCDBs would thus provide a means for the benefits of the debt conversions to be “front loaded”, making it possible to use the long term future stream of modest fiscal savings to support large scale capital expenditures today.

Another important benefit of DCDBs is that they would help to channel funds from the country’s own institutional investors (pension funds, insurance companies and mutual funds) into development projects.

In most developing countries, even low income countries, local institutional investors are accumulating funds rapidly. It is estimated that institutional investors in developing countries are already holding over \$3 trillion, and the amount is growing rapidly due to the young age of their clients. In many countries there are insufficient long term assets available for these funds to be productively invested. DCDBs would provide a welcome new class of investment assets and help strengthen the local capital markets.

Pension fund assets in developing countries



Source: AMF/UNESCO 2011

In countries that have achieved well functioning capital markets, these markets have served as the one of the major sources of funding for capital expenditures needed for providing public goods such as universal primary education.

A specific report has already been prepared that explains in detail the concept of DCDBs, how they could be put into operation, the rationale for their use, and the possible impediments that may be faced in implementing them.

The next stage is to develop and test the idea of DCDBs with a pilot in at least one country. The Open Society Fund and UNESCO are in the process of organizing this effort, with Affinity MacroFinance providing their services as consultants.

- The first step is to identify at least one low-income country which has the capability to issue domestic bonds and is prepared to effectively utilize the funds obtained from issuing DCDBs.
- The next step is to identify outstanding debts of the recipient country that might be used for debt conversions.
- The final step will be to contact the appropriate creditors and see if they are willing to offer debt conversions in order to support the issuance of DCDBs.

Actual issuance of DCDB effort would be largely the responsibility and at the expense of the creditors and recipient country and could be carried out without the need for any significant new administrative or financial structures.

When creditors commit to forgiving debt in order for a country to issue DCDBs they are in a good position to establish guidelines on how the funds the recipient government will raise are to be used. Thus it will be up to the creditors to take into consideration how best to overcome inequities in education. It could be an opportunity to raise a discussion between the creditors and the debtors to find out the best way of using the money.

For example, educating refugee children poses special issues as host countries are often reluctant to bear the cost of their education. As refugees are often viewed as temporary residents,

their hosts have good reason to see no long term benefits for their own citizenry in providing assistance, especially when the potential payoffs are only very long-term.

DCDBs may offer a way to motivate governments with large refugee populations to provide more funding themselves. Donors could offer debt swaps on the condition that the recipient government uses some of the proceeds from issuing domestic bonds on education spending for refugee children, for example building schools and buying books. There are several incentives for the recipient government to comply with such a request. Instead of being criticized for providing inadequate assistance to refugees, the host country government will then be seen as their benefactors.

The debt forgiveness would represent a real financial aid flow to the country and the spending resulting from issuing bonds would benefit the citizens of the host country by creating jobs for them. Plus the issuance of the bonds would strengthen the local capital markets and provide good quality, long term assets for the country's institutional investors.

Once DCDBs have been tested and proven feasible, UNESCO, joined by other interested parties, could proceed to mobilize a multi-creditor, multi-country effort to use DCDBs as a means to obtain a substantial increase in funding for development, and specifically for funding investments in education needed to meet the Millennium Development Goals by the year 2015.

2.3 Diaspora Bonds

➔ A diaspora bond is a debt instrument issued by a country – or potentially a private corporation – to raise financing from its overseas diaspora. They offer governments a flexible mechanism for raising large scale funding to support national budgets and fill financing gaps in development programs. For example, Israel annually since 1951 and India on three occasions since 1991 have resorted to issuing diaspora bonds, raising nearly US\$44 billion to date. The Government of Israel has offered a flexible menu of diaspora bonds to keep the Jewish diaspora engaged. The Indian authorities, in contrast, have used this instrument for

the balance of payments support and to raise financing during times when they had difficulty in accessing international capital markets.

While India and Israel have been at the forefront in issuing diaspora bonds, many other nations also have large diaspora communities in the world and could benefit by issuing such bonds. Given the success of diaspora bonds in raising large scale funding and the interest of the global education partnership in innovative approaches to financing, diaspora bonds could be an important and innovative source of financing for development.

The presence of large numbers of highly skilled and well off diaspora from many developing countries in high-income destinations should allow them to consider the issuance of diaspora bonds. But persuading diaspora investors to

purchase such bonds for funding education may require building several credit enhancements and/or investor protections in the bond structures, especially if investors lack faith in the developing country governments' ability to spend wisely and earn an adequate return on investment. When investors harbour concerns about a country's ability to service debt in a timely fashion, appropriate credit enhancements may be required. Such enhancements could come in the form of securitization of existing or future flow assets. They could also incorporate partial (or total) guarantees from a reputable donor agency that the bond holders will receive coupon payments and principal repayments on time.

Investor concerns about governance could be addressed by including conditions on how educational investments are managed as well as by

Potential for Diaspora Bonds Issuance

Low-income	Diaspora stock (mil.)	Diaspora savings est, 2009 (\$ bil.)	Savings as % of domestic saving
Bangladesh	5,4	4,6	29,90%
Haiti	1	3,7	-
Afghanistan	2,4	2,6	-
Ghana	0,8	2	85,40%
Ethiopia	0,6	1,9	157,10%
Kenya	0,5	1,8	78,10%
Somalia	0,8	1,8	-
Zimbabwe	1,3	1,6	-
Korea, D.R.	0,3	1,4	-
Cambodia	0,4	1,3	73,40%
Lao PDR	0,4	1,3	-
Congo, D.R.	0,9	1,1	59,20%
Nepal	1	1	98,90%
Myanmar	0,5	0,8	-
Uganda	0,8	0,6	31,90%
Kyrgyz Republic	0,6	0,6	-
Liberia	0,4	0,6	-
Mozambique	1,2	0,6	264,60%
Tajikistan	0,8	0,5	-
Tanzania	0,3	0,5	-

Source: World Bank 2011

providing incentives for countries to produce the desired results. The extent of necessary credit enhancements and investor protections would depend upon the degree of concerns harboured by potential diaspora investors. Thus, a country with poor governance record (particularly in post conflict and fragile states) may need many more protections than a country with better governance track record.

Preliminary World Bank estimates, based on bilateral migrant stocks for 2010 and conservative assumptions about migrant incomes and saving rates, suggest that annual diaspora savings of developing countries could be in the range of US\$400 billion in 2009. Latin America and the Caribbean generate the largest amount of savings, estimated at US\$116 billion, followed by East Asia and Pacific at US\$83.9 billion, Europe and Central Asia at US\$72.9 billion, South Asia at US\$53.2 billion, and Sub-Saharan Africa US\$30.4 billion. The savings of Diasporas from low-income countries amounted to US\$34.4 billion, with Bangladesh, Haiti, Afghanistan and Ghana each generating estimated savings of US\$2 billion or more in 2009.

Issuing a diaspora bond is a relatively straightforward process, particularly given the history and track record of the instrument. The next steps should focus on identifying a viable national context and the education initiative that the bond will serve. Securing a partial guarantee from a multilateral or bilateral donor or development organization would greatly enhance the attractiveness of such a bond to diaspora investors.

Projects financed through (diaspora) bonds require an AA earnings stream to service the bonds. In the education sector, the earning streams are most often generated through private schools or the imposition of user fees for various services. But this could raise equity questions. While initiatives that attempt to direct services towards marginalized populations would meet the equity test, they are unlikely to generate enough earnings.

Diaspora bonds have been utilized for decades. They are becoming an increasingly popular instrument in the current global economy, with the World Bank as a major proponent. Since the use of diaspora bonds for balance of payments

and national infrastructure projects has been well-documented, advocacy may need to focus on the instrument's potential to generate significant financing for social sectors. Advocacy to provide appropriate credit enhancements and/or investor protections would also go a long way towards making diaspora bonds for education feasible.

2.4 Travellers Savings Fund for Development (TSFD)

➔ Tourism is an invisible export. This means that if tourists spend their money abroad it brings the same benefit to that economy as if they purchased goods in their home country. By the same token, when we travel abroad we spend our money in another country and this equates to buying imported goods of that country in our country.

The fluctuation in currency rates can affect tourism in other ways such as purchasing power or financial impact for projects and activities.

Tour operators will find that the fees they have agreed with hoteliers and transporters in other countries will increase or decrease in line with currency movements. Fuel prices are similarly affected. These problems can be mitigated by tourism businesses or NGOs if they 'hedge', that is, agree a price at a fixed rate of exchange for hotels or fuel in advance. **This would be done through their banks or the proposed Travellers Savings Fund for Development.**

NGOs, Foundations, and travellers have limited capacity to mitigate the risk of currency fluctuations. As evidenced in recent years, the value of the world currencies is unpredictable over time. The profitability of companies operating abroad has a major impact from the fluctuations of currencies and many of these companies use financial instruments to mitigate the risk. For the majority of NGOs, fluctuations of currencies impact on their purchasing power abroad and project sustainability is often jeopardized. However, the impact our dollar has on NGO's 'profitability' can be reduced by what is referred to as foreign exchange risk management.

The proposed Travellers Savings Fund for Development (TSFD) is an instrument (financial mechanism) that increases participation/social investment as well as mitigates the risk associated with exposure to currency fluctuations by civil society, private foundations, NGOs, and travellers at large.

The following table demonstrates the potential that the fund can generate over a five year period. As explained in this document, all of the partners have a system in place for the delivery of aid to rural areas as well as reach the most needed.

Using the latest data from the Global Centre for Philanthropy, the following projections offer a good glimpse at the potential that fostering and leveraging the human and financial activities of voluntourists/travellers and donors can offer to the world of development. By simply engaging countries in the discussion and impact, it would result in an estimated increase in social investment from approximately US\$2 billion to US\$24 billion by 2015. Mitigating the risk associated with currency fluctuations could generate another US\$12 billion by affectively managing the efficiency of financial aid to developing economies. Voluntourism, volunteering and civic participation at the international level have been on the increase for the past five years. Once a segment of the travel industry reserved for faith-based organizations and backpackers, this movement has now spilled over to high-end hoteliers, travel booking sites, and self-made foreign-aid partakers.

Voluntourism, blending voluntary service and travel, has seen notable adoption among travellers and the industry alike since the turn of the

millennium. Clearly, the travel industry, through voluntourism, is embarking on a new role, one with which it is not wholly familiar. This is not a reinvention, however; it represents a realization. In this new role, the travel industry's social impact can indeed be measured in the customary, quantitative manner; nevertheless, the qualitative measurement of such 'intangibles' as goodwill or a deepening of the relationship between traveller and destination, poses a vast opportunity, one that has never been truly explored. It is this very exploration, into a realm of inspiration no less, which may prove to be the most exciting adventure for the travel industry thus far.

Certainly, any entity can adopt its own measurement guidelines and 'accounting' formulas for social impact. Some have already done so in annual reports on corporate social responsibility and philanthropy. However, most of these reports speak specifically to the financial outlay or in-kind support of philanthropic efforts or NGOs, or they may speak of the direct contributions of employees. With the introduction of travellers into this already-existing mix (an estimated 10 million-plus voluntourists worldwide in 2010), not only do we have a new set of quantitative data to consistently measure and track, but we have an opportunity to share unique testimonials, photos, and videos demonstrating the net positive social benefit that can be generated through travel.

Projects will vary from destination to destination and from one actor to another.

Currently the only obstacles that stand in the way of leveraging this collective purchasing & philanthropic power are recognition of its potential,

	PDA 2015 (000)s	PDA 2014 (000)s	PDA 2013 (000)s	PDA 2012 (000)s	Potential Gain By 2015 (000)s
1% Growth	\$54,631,711	\$54,090,803	\$53,555,250	\$53,025,000	\$2,131,711
5% Growth	\$63,814,018	\$60,775,313	\$57,881,250	\$55,125,000	\$11,314,018
10% Growth	\$76,868,250	\$69,877,500	\$63,525,000	\$57,750,000	\$24,368,250
.005 FX Volatility	\$3,277,903	\$3,245,903	\$3,213,315	\$3,181,500	\$12,918,166

Source: Global Centre for Philanthropy – projection of the potential of tourism – 2011

when harnessed effectively, by the various stakeholder groups, and education of the respective participants of how their monies can be utilized more efficiently to further support their endeavours.

The proposed TSFD would provide a major element: educating travellers/voluntourists on how they can be more accountable in their actions, particularly when it involves leveraging their travel expenditures for greater benefits to host communities and destinations. Emphasizing that no additional expenditure is necessary, unlike purchasing carbon offsets or higher tourist visa fees, the likelihood of a shift in consumer habit, particularly if it equates to benefits for local communities, will be sufficiently enticing for these travellers who are intent on 'making a difference.'

Today's travellers are seeking a personal encounter with the destination, its people and environment. Passivity is giving way to a requisite of active engagement; only then can a traveller begin to approach satisfaction. And today's destinations – residents and the environment – are demanding a travel industry that is engaged, supportive, and approaching sustainability with an enthusiasm that is equal to that of their own.

Voluntourism is not a public relations campaign for the travel industry; rather, it is a public awareness-raising campaign designed to emphasize the consumer's role in the advancement of the well-being of destinations. The long-term health and sustainability of destinations across the globe is enhanced by travel that unites social beneficence and net, economic benefit. The travel industry is best-suited to play the role of delivery system and enable travellers to contribute, as effectively and efficiently as possible, to projects aligned with goals and objectives set forth by communities on behalf of residents and/or the environment.

Thus, as it relates to equity and education, voluntourism plays a potentially important role. It provides travellers with a more realistic depiction of the destination – the socio-environmental realities of the destination and its residents.

From social impact investment to personal or corporate philanthropy (human and financial), the world of international aid has changed dramatically over the past decade. As clearly demonstrated by the Centre for Global Prosperity,

even during the financial crisis and economic slowdown, participatory aid has shown to be recession proof. Engaging citizens in development through social investment and direct participation increases sustainability and fosters the democratic process.

NGOs and public intellectuals who over the past period have helped to create the public assumption that development and poverty reduction are fundamentally about resource transfers from rich people to poor people have a particular obligation to help build a new consensus about the fundamental role of institutions and leadership in successful development. That the most promising kind of external contribution to development, which outsiders can make, is skill- and knowledge-intensive engagement with the collective-action problems at the heart of countries' political systems is a hard message to get across.

3. Other tracks to finance education

➔ Although few mechanisms have been chosen to be supported at the global level, the Task Force has worked on other possibilities to finance education in an innovative way. These mechanisms are very promising at the national level and could be extended at the global level.

3.1 The Public Private Partnerships

➔ In the last two decades, a number of countries in the world have registered remarkable progress in school enrollment. However in some regions, this objective still seems to be out of reach. Concerns regarding the quality of education have also been raised.

These two challenges have triggered mobilization in concerned countries as well as at the international level. Reforms that elicit the need to improve the offer and quality of education and that are essential for an efficient use of resources assume a precise knowledge of the education system, particularly its dysfunctions and their explicit reasons. This method of analysis and diagnosis is

only possible provided that exact, pertinent and accessible information is available on time.

The difficulty with information in education systems' management is that it is vital for the information to be accurate, as this will be the indispensable element in the strategic planning and management of education. Information intervenes transversally and continuously in:

- the formulation of an educative vision;
- the elaboration of operational plans of action;
- the implementation of programs and projects;
- the monitoring and evaluation;
- Competent and efficient day-to-day management in the educative system.

The information emerges from these considerations as one of the crucial factors of a successful education system. Experts and professionals of EMIS unanimously agree that the available data in many countries is insufficient and of deplorable quality, whether it be for the internal management of education systems or to feed the international statistics. This situation weighs heavily on the credibility of the decisions taken at all the levels of management.

On the basis of this assessment of Education Management Information Systems within countries, problems could be identified more effectively and solutions found more easily for them by working on new dynamics involving new stakeholders and leading to Public private (PPP) partnership.

Although traditional support received by the ministries of education in the field of information systems led to changes in some areas, it remained generally insufficient and sometimes ineffective. One of the main reasons for this inefficiency is the nature of the contributions made, which are usually financial, and the insufficient deployment of key stakeholders. Whether in bilateral or multilateral frameworks, the terms of the partnership do not directly involve partners who have the expertise.

A partnership based on the exchange of expertise and know-how is more sustainable in nature and more likely to generate deep changes. More

specifically, regarding the management of information in education, we can establish deep similarities between education systems and the private sector, which, like education, manages information at the local level, has regional and/or sub regional subsidiaries, and is headed by a general management which is the central entity (headquarters), the equivalent of ministerial departments.

Education can benefit from the positive performances of the private sector and the technological innovations that made its success. PPP is all the more necessary in that it could reinvigorate the public sector of education, currently faced with numerous structural, financial and managerial constraints, exacerbated by the uncertainties arising from the radical transformation of the global environment which forces us to question ourselves on what is the purpose of education.

In this example, the PPP will concern the development of EMIS at school and ministerial levels. The project is made up of two components and integrates the four principles mentioned above. The first component concerns information management within schools and the second component focuses on school administrations.

Organizational issues will be addressed through the interconnection of different management entities such as schools, decentralized administrations and the ministry. The opportunities offered by regular computer networks and those coming from innovations in the mobile phone sector of the fourth generation (Advanced LTE) will be explored both to optimize the connections and to integrate remote areas. In addition, communication between computer software and databases will be systematically prioritized in anticipation of the integration of the data warehouse mode.

The information system will cover school statistics, personnel management, examinations, etc.

In the pilot phase, ten countries will be selected. The choice of countries will be determined, among other criteria, by the similarities of the education systems. Initially this may involve a sample of African countries.

The technological approach to be adopted includes the intelligence logic, designated by the

term "business intelligence", which takes into account the diversity of information sources with a view to decision making.

The potential partners identified by UNESCO-IIEP could be the following: Microsoft, Intel, IBM...

3.2 Private Fundraising exercises

➔ Education is an area that has attracted the attention of larger corporations and multinationals as sponsors. Corporate Social Responsibility (CSR) strategies and related charity portfolios of multinationals underpin these investments. Many multinationals are keen to identify themselves as supporters and partners to education and perceive that branding themselves is an added-value in the competitive market place.

Most sponsorship of education by business relates to local, regional and national initiatives of companies. These initiatives can be seen in the countries of origin of businesses, as well as in other countries in which they operate. The rationale behind investments and the underlying motivations of corporate contributions to education is more obvious and understandable in the national context in the countries where the companies are working. A rationale for businesses donating at a global level to education is still to be explored and developed.

For example, in the field of health, corporations donate to the Global Fund to fight Aids, Tuberculosis and Malaria (GFATM) on the basis of cause-related marketing practices through the RED initiative initiated by the singer Bono. In such initiatives, additional resources are mobilised via consumers who buy branded products and at the same time this serves business interests. A number of successful partnerships between UNICEF and multinationals are built on a similar basis.

Cause-related marketing, as a key aspect of the model, can imply various forms of joint, shared or separate actions financed by one or more partners. It is a promising instrument to raise the awareness of citizens about education. It exposes and ensures, at the same time, interests of public partners and those of businesses.

A reservation might be the basic risk of transferability. Product RED started as a business benefiting from the existence of a credible GFATM. It may not be possible for public stakeholders to motivate many other businesses to follow the same pattern.

Neither a RED-type construct for education nor the uniform branding of "education" exists. A credible legal construct is of crucial importance. And after having identified potential partners, it is necessary to have a political support to launch the project.

Creating a legal structure, a basic independent initial support structure with administrative capacity is the first step. Indeed, adequate initial financing is critical. A centralised support structure is suggested to ensure consistency in such a broad situation, as is an independent administrative structure. A solution with clear "funding" principles is preferable from the point of view of businesses. Corporations are more likely to donate more readily to a fund that assigns them clear roles than to one seeking their donation for a looser form of partnering.

It is recommended that a basic set of rules and guidelines is developed. Business partners of an MSPE should engage in a longer-term formalised commitment of at least three to five years, to ensure the predictability of funds to be raised. Guidelines should help to steer their actions to raise the awareness of citizens and decision-makers on the cause of education.

Three options are recommended for a global private fundraising for education. The options can serve as basic models for further investigation and decision-making to bring forward a feasible Public Private Partnership (PPP) for education. Criteria for estimating revenue raising potential should draw on examples of existing global PPP ventures.

- **Option 1 is based on the RED-type model:** This option is business-driven and based on successful cause-related marketing of businesses. It generates additional revenues for educational development with low transaction costs. It raises awareness for the cause of education through branded products and event-based performances with celebrity support. (about USD50 Million)

- **Option 2 suggests a Business Fund for Education:** This option aims to motivate interested multinationals to adjust their charity portfolios and CSR strategies for the benefit of a global “Business Fund for Education”. Driven by businesses, in this model, public partners would have an advisory role, bearing only their own operational costs. (USD80-120 Million)

- **Option 3 suggests the creation of a New (Multi Stakeholders Partnership) MSP-Fund for Education:** The creation of a “New MSP-Fund for Education” would see businesses and public stakeholders partnering with CSOs. The model has a more ambitious scope and adjusts to some extent on the one hand, the scale of expectations of businesses regarding their revenue raising potential and on the other the challenges of the scheme. The New MSP-Fund for Education would function independently from any international institution and would rely on its independent legal status. (USD150-250 Million)

Potential Channel to receive the financing:

The Global Partnership for Education (GPE) could be seen as the preferred channel to receive the additional finances generated through the new mechanism.

The need for identifying partners: Insight gained from the experiences of multinationals sponsoring education suggests, that there is a great and real potential to be gained for an education initiative by the participation of businesses both the larger corporations as well as smaller-scale multinationals.

The first potential for partnerships with education could be of businesses whose products or processes are more closely related to “education”. An example of a business area that was explored was pen-producers. There exist some 40 companies producing pens, most of them are multinationals, although few of these are visibly engaged in global or regional partnerships with education, and a larger number of them however are engaged in sponsoring causes worldwide, including education. Faber Castell is an example of a pen-producer sponsoring education.

When calculating numbers of possible partners for education from businesses whose products or services are involved in education such as; stationery, toys, publishing, newspapers and

magazines, laptop bags, backpacks, writing devices/ instruments, as well as ICT (Information and Communication Technologies) and computer companies, a tally of several hundred is obtained.

The issue is how to recruit some of these many different possible business partners for a global PPP for education, not the sector from which these business partners come.

Finding a political support to convince potential partners and to put the first funding.

The role of political leaders, lead donors and other business leaders, is decisive in motivating a good number of multinationals to join PPP options. Convincing political leaders to create policies that support real change requires a clear vision for PPPs from the outset.

The major design components of the mechanism to be agreed, would serve as a basis for negotiation, the launch and early operation of any new initiative, in order to meet the CSR and Corporate Citizenship (CC) interests of multinationals.

Any strategy to be set up for an innovative financing mechanism requires an initial financial and resource investment for its launch and implementation. It requires solid commitments from public partners to prepare the ground for partnering with businesses on a global scale.

Multinationals should not be considered as mere sponsors but as genuine partners. Business partners should be associated right from the start in the set up of an innovative mechanism. Feasible options to be recommended for the set up of a new financing mechanism should enable the creative potential of businesses to generate additional funds and to raise awareness of education.

3.3 Micro donations from individuals: the example of payroll giving

➡ Within the spectrum of innovative financing stands a potential tool known as the micro-donation. This mechanism exists in various forms and consists in collecting very small amounts of financial transaction on a very large scale.

The study carried out on micro-donation has analysed the example of payroll giving in the French context. The idea is to determine a monthly round-down debit on workers net salary (€5 on average). The employer usually matches up the donation. In the public sector, matching up donation is more difficult to be implemented as there is no tax deduction for the employer.

Payroll giving is a good example of *embedded giving* techniques; i.e. a fundraising mechanism that ‘goes with the grain’ of people’s lives and is integrated in their day to day activities.

For the donor, it could be a tax-efficient and easy way to give money to a cause. For Education organisations it would provide sustainable and predictable revenues.

The readiness is advanced as there are already best practices abroad; furthermore, there are only a few payroll Editors in the French market and the “payroll giving” market is emerging. In the public sector, a national payroll operator was even created in order to mutualise resources to process payroll. It could be an opportunity to launch a campaign for payroll giving for education within the public sector as a pilot project and extend it if it is successful. As an example, the pilot could be started in collaboration with the ministry of Education representing 1 million employees working in education in France.

Projection of potential amount which could be raised per year

Targeted Population	Participation	Year Estimation
10 000	10%	120 000 €
30 000	10%	360 000 €
100 000	10%	1 200 000 €
1 000 000	10%	12 000 000 €

Source: CERPHI-Microdon, 2011

The pilot is implementable following three identified steps:

- Identifying the scope (3 months): Analysis of National Payroll Operator’s roadmap

Identification of a pilot entity and align targeted population with eligible entities (Divisions/subdivisions/regions/departments).

- Building the program (6 to 12 months): Development of the functional and technical solution; Definition of the communication & fundraising strategy; Validation of legal, fiscal & accounting issues; Process identification and stakeholder validation; Definition of the allocation Policy of the funds Development of a methodology to roll-out the solution in eligible entities.
- Roll-out (2 to 4 months per entity): Technical set-ups/settings; Communication Employees mobilised.

It is crucial to target the right population which could be more interested to support education projects. The study has highlighted three potential profiles:

- Upper middle class: wealthier and more educated than the average population;
- The younger population: interested in education more than other causes. (Only 9% of donors are >65 years old);
- Education oriented workers: a significant part are working in education or in the social sector.

The allocation of funds is widely open in terms of beneficiaries and disbursement of funds. The status of the entity that will collect the fund and raise the cause needs to be carefully chosen to ensure a successful fundraising. It must be well-known or with a clear scope if newly created, and must have a strong communication strategy.

A payroll giving scheme focusing on education necessitates identifying champions to raise the cause and to ensure the endorsement of the government be widely implemented.

Once implemented, the mechanism will target a wide range of people and will therefore offer the beneficiaries a greater visibility and the opportunity to transmit key education messages.

Innovation in solving cash flow issues – an example from UNICEF

Before UNICEF may enter into any initiative or program to help children, it is required to have it fully funded. This means, for example, that prior to its Supply Division entering into a contract to procure books or vaccines, UNICEF is required to have funds in hand. This requirement can result in gaps between when UNICEF may place an order or initiate a program and having the funds allowing it to proceed. In the private sector these gaps are normally bridged through a financing arrangement. UNICEF, however, is not allowed to borrow any monies in anticipation of donor receipts.

To address these gaps, and working with its US Fund, a new vehicle, the Revolving Guarantee Bridge Fund (“RGBF”), has been set up. Its purpose is to help UNICEF to accelerate its efforts to help and save children. This innovative vehicle is owned and managed by UNICEF’s US Fund; it is funded through a combination of grants and program related investments or below market-rate loans. Through a grants mechanism, the RGBF provides UNICEF with a flexible mechanism to reduce or eliminate gaps between the moment a critical need for essential supplies is identified and the moment when funding is available to purchase and distribute those materials. UNICEF through its Supply Division annually procures roughly USD 2 billion worth of supplies and equipment. Being able to accelerate its orders and deliveries through the use of the RGBF should allow UNICEF to not only to be faster in its response to needs, but at the same time lower the cost of purchases and reduce shipping costs.

The RGBF should enable UNICEF to speed up its ability to deliver goods to improve and save children’s lives.

NEXT STEPS

➔ The first step of the Task Force for education has made the case for education and demonstrated why the sector needs additional financing. After one year of studies, which have led to enhanced investigation of innovative financing mechanisms, some of them appear ready-to-go and now need a strong political support to be implemented in pilot countries or with willing stakeholders.

In this framework, the Task Force suggests the following recommendations to the political leaders of the Leading Group:

- 1) To support the cause of education by maintaining the ODA in the beneficiaries countries at least at the same level;
- 2) To support the cause of education by raising the part of education in national budgets to 20% as recommended by the international community;
- 3) To continue fighting inequities by targeting the most-marginalised children still out-of-school in the national education policies and the donors programs in order to achieve the Millennium Development Goals, and Education for All Goals by 2015;
- 4) To choose one or more mechanisms presented in this report and to support its/their implementation by giving financing or political support;
- 5) To continue the advocacy to ensure a share for education from the Financial Transaction Tax;

6) To monitor the implementation of innovative financing for education and its effect on the most marginalised.

Furthermore, the Task Force calls on the Leading group for the following issues:

- To define how it could facilitate the regulation of the mechanisms by accompanying the implementation with a strong advocacy.
- To update the objectives of the Task Force for innovative financing for education in accordance to the recent international commitments (UNGA, G20, ECOSOC...).

APPENDIX

Terms of Reference of the Task Force on Innovative Financing for Education

1. The Education for All Imperative

➔ The world's children who are old enough this year to go to school for the first time belong to the "Class of 2015" which, according to the Millennium Development Goals (MDGs) should become in that year the first generation in history to enjoy universal education. This objective is, once again, put off to some uncertain time in the future.

Resigning ourselves to this is neither acceptable, nor viable, as guaranteeing access to education for all children is the foundation for economic growth and social progress. Moreover, at the start of this Millennium, education is involved in the long-term solutions of all global stakes.

2010 is a special year for Education as it is celebrating both the 10th anniversary of the Dakar Plan of action and of the Millennium Goal for Development (MDG). If the MDG 2 and 3 focus on universal access to basic education, it can be alleged that Education is also a condition of the realization of all the MDG's. Indeed, access to health, decent work, equality, and sustainable development can hardly be reached without education.

Yet the achievement of MDG 2: Achieve universal primary education is within reach of the international community: this is the principal lesson from the efforts undertaken by the countries themselves with the support of donors, following the worrying drop in the enrolment ratio of the poorer populations which was observed in many countries during the 1980s.

75 million school-aged children, among them 55% are girls, are today still denied access to school in the world, half of whom in Africa. Yet there would have been many more had it not been for a new surge in efforts to organize and finance education for all. This mobilization has made it possible to go from a "flowing" situation, from a dubious race between population growth and economic growth to a situation involving a far too large "stock" of out-of-school children (which has stopped increasing). This goes to show that the goal of universal primary education, though it may not be achieved by 2015, remains within reach of renewed mobilization by countries, as well as by the international aid community.

The MDG of universal primary education hence requires a response from innovative financing, for a number of reasons:

- i) In the majority of the least developed countries, mobilization of public resources for basic education has already reached a ceiling (estimated at 2% of GDP);
- ii) At donor level, official development assistance for basic education is fluctuating

significantly.² It is also sustaining competition from other sectors such as health and climate change adaptation;

- iii) Financing requirements concern mostly recurrent expenditures (notably teachers' wages) calling for predictable and stable aid flows;
- iv) With a view to gradually and fully bearing the cost of education at national level, international financing constitutes immediate investment in basic education, with a major subsequent impact on growth.

2. Innovative Financing for Education

➔ In the current context of economic crisis and uncertainty as to official development assistance, innovative financing has become established as a set of mechanisms that generate new resources with a view to achieving the MDGs. Already referred to in the 2002 Monterrey Declaration, innovative financing represents stable and predictable flows that are complementary to traditional ODA and rely on four types of mechanisms, i.e. assessed contributions (levies), voluntary contributions, loan guarantees and market mechanisms. In the space of three years, innovative financing has made it possible to raise more than US\$2.5 billion in additional financing for development, directed for the most part towards the health sector. The United Nations (Doha Conference) and the European Union have set themselves a "change of scale" objective for innovative financing.

The Leading Group on Innovative Financing for Development, which today groups 59 States from the North and the South as well as international organizations and NGOs (www.groupepilote.org) emphasized during its sixth plenary session in May 2009 in Paris the necessity of diversifying sectors to which these funds are to be allocated and specifically mentions the education sector.

Achieving universal primary education (MDG 2) is a huge gain; not only for the children who may benefit from it, girls especially, but also for society as a whole (economic and social advantages) and helps destroy the vicious circle of poverty.

The goal of universal primary education requires a constant and sustained budgetary effort failing which the fragile equilibrium of education systems and the learning pathways of students may be put in jeopardy. In a context of cutbacks in traditional budgetary resources, innovative mechanisms for development financing offer assets of predictability and stability; they also help pool and coordinate resources from States and private actors such as foundations and enterprises in the framework of new partnerships, strengthen the leverage effect of traditional aid on private-sector funding (example of guarantee funds / guaranteed bond system) and promote countercyclical instruments.

3. Creation of the Task Force on innovative financing for Education

➔ To that end, innovative financing alone appears likely to prompt developing countries to recruit teachers on a mass scale as required for achieving MDG 2. To counter excessive reliance on traditional ODA, the prospect of sustainable external financing free from political and economic vagaries in the North may help convince governments in the South to go ahead.

Following on from the Sixth Plenary Session of the Leading Group on Innovative Financing for Development, **France proposes setting up an international Task Force on this issue**, aimed at proposing innovative financing for achieving the Education for All goal in 2015. Such financing is:

- to ensure financial resources that are sufficiently large to be commensurate with the financial requirements of all countries implementing courageous and credible action plans;

2- To address an external aid requirement for basic education estimated at US\$11 billion per annum (UNESCO EFA Global Monitoring Report 2009), the maximum amount was paid out in 2006 (US\$5.5 billion, source: OECD DAC). This amount dropped to US\$4.3 billion in 2007. The consolidated figures are not yet available for subsequent years, but UNESCO considers that that level could drop by a further one billion as regards recent years, owing to the financial crisis. In a more targeted way, in September 2009, the Fast Track Initiative (FTI), the principal international partnership for financing MDG 2, announced a US\$1.2 billion financing plan deficit to meet the financing requests validated by the FTI or those it may validate by the end of 2010.

- to be stable, sustainable and complementary to traditional budgetary support;
- to rely on the expertise successfully developed by a number of State actors from civil society;
- to contribute harmoniously to the construction of the framework for global governance of aid in this sector, particularly through the Fast Track Initiative Partnership.

The Task Force focusing on education problems is to be set up within the Leading Group on Innovative Financing for Development. It will bring together on a voluntary basis States, International Organizations, Civil Society Representatives, NGOs, Foundations and Economic Actors.

The Task Force will be tasked in particular with:

- i) studying all mechanisms likely to collect stable, sustainable resources complementary to ODA for financing MDG 2;
- ii) identifying countries and the nature of expenditures which could benefit from these resources.
- iii) controlling the quality and the efficiency of delivering in order to ensure maximum impact at the local level.

Two important and connected issues should also be addressed:

- should the Task Force concentrate on basic education or cover the all sector, and especially vocational training and secondary school?
- what could be the implication of the private sector in the financing and how?

In this perspective, the group will discuss the interfacing with the Fast Track Initiative which is an essential reference for thinking out mechanisms for governance of the funds generated in this way.

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