[Post-MDGs, SDGs and Post-EFA for the Final Countdown](https://norrag.wordpress.com/2013/09/23/education-skills-and-the-post-2015-window-synching-post-mdgs-sdgs-and-post-efa-for-the-final-countdown/)

[Let ‘Children are Enjoying Learning’ be the Paramount Post-2015 Educational Goal →](https://norrag.wordpress.com/2013/10/07/let-children-are-enjoying-learning-be-the-paramount-post-2015-educational-goal/)

[**The Future of Innovative Financing for Education in Fragility**](https://norrag.wordpress.com/2013/09/30/the-future-of-innovative-financing-for-education-in-fragility/)

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<https://norrag.wordpress.com/2013/09/30/the-future-of-innovative-financing-for-education-in-fragility/>

By Christine Smith Ellison, University of Ulster.

There are two crucial questions regarding the future of innovative financing in education and fragility which must be addressed: Are we focusing on the wrong countries? Are we focusing on the wrong sector? First a word of context.

The shock to the global economic system over the past five years and the related budgetary retrenchment by government and international actors has pushed the need for innovative and sustainable development financing in the education sector into ever sharper focus. A small selection of recent reports and initiatives highlights how this realisation is currently reflected in the various conversations feeding into the framing of the Post 2015 agenda.  For example, the fifth target proposed by the [Education for All Global Monitoring Report team](http://unesdoc.unesco.org/images/0022/002200/220033E.pdf) aims to ‘maximize’ the wide variety of sources and stakeholders, including ‘government revenue, aid and private sector funding’, that make up the education finance landscape.  Save the Children’s (2013) report on [learning and equity in education post 2015](http://www.savethechildren.org.uk/sites/default/files/images/Ending_the_hidden_exclusion_full_report.pdf) devotes great attention to the innovative form of publicly-funded, privately-run schools. The recent report of the [Post-2015 High Level Panel](http://www.post2015hlp.org/the-report/) included the target to ‘encourage stable, long-term private foreign investment’ as well as restating the need for developed countries to meet the target of 0.7% of gross national product as official development assistance (p.31).  It also states, ‘sponsors of sustainable projects are searching for capital, but new channels and innovative financial instruments are needed to link the two’ (p.12).  The education and fragility agenda has made important progress in highlighting the serious underfunding of the sector (e.g. see [Save the Children](http://www.savethechildren.org.uk/resources/online-library/last-in-line-last-in-school-how-donors-are-failing-children-in-conflict-affected-fragile-states)).  Despite the fact that 42% of the world’s out-of-school children of primary school age (a total of 28 million children) are located in conflict affected contexts, education accounts for just 1.4% of humanitarian aid provided to these states ([EFA- GMR](http://unesdoc.unesco.org/images/0022/002216/221668E.pdf)).

**What are the implications of some of these proposed mechanisms for the education of children caught up in conflict and fragility?**

In terms of securing a significant amount of money, [Daniel Bond’s proposal](https://norrag.wordpress.com/2013/04/08/the-future-of-education-financing-a-role-for-debt-conversion-development-bonds/) to harness the $6 trillion held by institutional investors in developing countries is hugely appealing.  Even more so as thanks to the young populations of the countries these funds are increasing by around 15% a year. Bond proposes use of these funds through Debt Conversion Development Bonds. Another option would be for governments to issue a local currency bond which institutional investors could purchase, thereby mobilising these funds for the development of their own country’s education sector. The main challenge is the need to prove a financial return to investment in education in order to justify issuing the bond.  In practice, this usually means arguing that education will lead to increased employment and therefore increased tax revenue.

In the case of fragility, however, this assertion does not always hold true.  Firstly, the examples of weak linkages between the education sector and the labour market are all too common.  This leads to little impact in terms of increased employment and can even lead to creation of grievances when individuals feel the returns do not match up to their expectations.  Issuing a bond to finance education in this context might further compound these grievances by creating future debt.  Secondly, where markets are well aligned, is there a well established tax system capable of the necessary collection rates? Strict accountability and transparent reporting mechanisms would also be required to build trust and civic ownership of these initiatives.

Another significant financial lever is the $50 billion currently available in the field of impact investing.  Following criticism of both the financial sector in the wake of the financial crisis and the short term and unsustainable nature of philanthropy, this field is set to grow to an estimated $500 billion in the next decade.  As the [High Level Panel Report states](http://www.post2015hlp.org/the-report/), ‘Social impact investors show that there can be a “third way” for sustainable development – a hybrid between a fully for-profit private sector and a pure grant or charity aid programmes’ (p.11).  In the context of a complete deterioration of government it may make sense for a private investor to fill the gap in educational services, at least in terms of provision.  Where there is a functioning form of state education it also makes financial sense to invest in higher education where the returns are quicker to materialise.  This may free up space for the government to focus on basic education.  To date investors in this field have been split at the two extremes (Dalberg 2012), but there is potential for impact investors to catalyze models and approaches that target high impact and financial sustainability simultaneously.  However, careful thought needs to be given to the construction of the relationships given the challenges to equality and the development of the social contract.

Within the context outlined above, I would argue that there are two crucial questions regarding the future of innovative financing in education and fragility which must be addressed

**Are we focusing on the wrong countries?**

Many efforts have been made in the innovative financing debates to identify mechanisms and opportunities for reaching the poorest and most marginalised populations.  However, given the importance of equality and the social contract for this section of society, particularly in the case of conflict-affected or fragile states, innovative finance is arguably more suited to middle income situations.  This would free up aid finance to be concentrated in the countries with the highest levels of need.

**Are we focusing on the wrong sector?**

Basic education is of fundamental importance but innovative financing is arguably more suited to the higher education sector.  Business can play an important role in strengthening the link between higher education and employment opportunities.  It also presents quicker and clearer financial returns.  Again, this would free up aid to be redirected to basic education.

Furthermore, the focus on basic education has led to a failure to look for opportunities to improve education through investment in sectors other than education.  This type of finance might, for example, be more effectively used to build infrastructure to help deliver teachers to remote rural areas and in the long term reduce rural/urban inequalities.

In line with [Nick Burnett’s recent NORRAG blog](https://norrag.wordpress.com/2013/08/08/innovative-financing-in-education-is-it-over-before-it-began-no-we-just-need-to-pivot-our-thinking/), I would argue that the future of innovative financing needs to involves a shift away from trying to simply raise new funds. Rather, a better option may be to focus such funds on more profitable sub-sectors so that official development assistance and domestic spending can be targeted to where the results may not be so easily demonstrated.  Addressing each of these questions will therefore be central to the development of an innovative education financing model which meets the needs of government, international actors and agencies, and most importantly, children and young people in fragile and conflict affected states.

**Unpublished reference**

Dalberg (2012) Impact Investing in Education: An overview of the current landscape.

**Further reading**

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