Profiting from poverty, again
DFID’s support for privatising education and health
About Global Justice Now

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Cover image: Students participating in a protest rally in Chaman, Pakistan demanding the right for all children to be allowed the chance to attend school. © ppiimages/Demotix
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Since its foundation in 1970, Global Justice Now (then known as World Development Movement), campaigned for our rich country to more equally distribute its wealth around the world, the more so since so much of this wealth was accumulated from the plunder and impoverishment of others. Although never enough, and far outweighed by the ongoing extraction of wealth from the global South, the goal of spending at least 0.7% of our income to help the world’s poorer majority build better lives became a symbol of our aspiration for a more equal and just society.

It is therefore all the more important that as our Government is claiming international kudos for finally reaching this target, we scrutinise more closely than ever what this money is doing to improve the world.

This is one in a series of reports where we undertake such an examination. It shows that far from building a fairer world, increasing quantities of the aid budget are being used to support private provision of basic services which should actually be universal, free and public if they are to meet the needs and aspirations of the majority of people around the globe.

The introduction of universal education, the increasing length of compulsory education, the creation of comprehensive schools, the foundation of the NHS – these are some of the greatest social achievements we have ever made in this country, and we remain rightly proud of them. The aid budget could be used to help others to achieve these vital components of a decent society where every life counts.

This report shows how, instead, the aid budget is being used to increasingly set up private healthcare and private education across Africa and Asia. Some of these private services are being run by UK based businesses that have an inappropriately close relationship to those making decisions in the Department for International Development (DFID). Others are being run in conjunction with mega multinationals like Coca-Cola, which clearly perceives not only an opportunity to greenwash its brand, but a direct commercial advantage.

To label this sort of private healthcare and education ‘development’ should have little resonance with most supporters of aid. As we show in this report, DFID is providing £35 million to one health network which gives ‘support to government entities to facilitate public private partnership arrangements’ and another project to increase ‘the scale and scope of franchised health care’ in Nigeria, Kenya and Ghana.

Indeed, DFID often seems to behave more like a hedge fund, investing capital alongside banking partners like JP Morgan. One fund aims to ‘invest in enterprises which serve the poor as consumers, producers, suppliers or employees’. Another company that benefits from DFID money promises to create healthcare ‘owned, operated and managed by a nurse as a small business’.

So aid is being used as a tool to convince, cajole and compel the majority of the world to undertake policies which help big business, but which undermine public services emerging or thriving. DFID schemes also aim to help governments ‘improve the regulatory environment for private provision of education’ and support officials who ‘lack the skills and experience to effectively negotiate and manage public private partnerships’ – surely a joke given the British government’s own record of negotiating PPP contracts.

These findings are shocking, and should convince anyone who supports the broad idea of aid to stop congratulating the government, and to start building support for a very different conception of aid. While those who have been concerned with protecting aid spending have battled a narrow minded and inward looking minority, aid itself has been turned into something quite different. There’s
no doubt that those who want to abolish or slash aid would take the public discussion backwards, and make genuinely redistributive policies even more difficult to enact. We have seen some of these politics on display as part of the 2015 General Election. But we also need to be honest. Unless we turn our minds to challenging the Westminster political consensus which currently exists around aid, we will end up with something which cannot be defended and is not worth defending. We will have won the most empty of victories.

Nick Dearden
Director, Global Justice Now
1. Introduction

British taxpayers’ money is increasingly being used to pave the way for private companies to access markets in basic services in developing countries. Britain’s overseas aid programme is being reconfigured to promote the privatisation of education and health in developing countries. The Department for International Development (DFID) has become the world’s leading donor in spearheading a push for profit making companies to manage and deliver schooling and health care in Africa and Asia. British taxpayers’ money is increasingly being used to pave the way for private companies to access new markets in basic services and thus to profit from the current gaps in the public provision of these services. This briefing exposes DFID’s strategy and warns of the dangers to the real need – which is to ensure better public education and health services that genuinely serve poor people.

DFID’s support for education and health in developing countries increasingly promotes private sector provision or management of these services and is focused on revising government legislation to enable this. Although DFID is continuing to fund some public health and education services, it is now shifting more of its funding and support to the private sector. Box 1 highlights DFID’s webpage on basic services – all of these initiatives supported by DFID promote an increasing role for the private sector.

DFID’s Private Sector Department Operational Plan states that ‘private enterprise is not just a generator of wealth but also a provider of critical basic services’. It adds that DFID’s work with the private sector is focused on ‘delivering better and more affordable basic services’ which will be achieved partly by ‘engaging private enterprise directly in shaping and implementing development programmes and policy’. The Private Sector Department is planning to spend £36 million promoting private health and education services during 2011-15. Although this is a fraction of DFID’s aid spending, its reach is much greater: it is ‘helping’ developing countries revise policies to facilitate the private provision of services and making such approaches, which are politically controversial, more acceptable.
Box 1: DFID and basic services

Department for International Development, The Rt Hon Justine Greening MP and HM Treasury, 6 June 2014

Helping developing countries to improve their provision of basic services

We work with developing country governments and other donors, and private sector providers to make health, education and basic services accessible, affordable, equitable, and of better quality for the poorest.

We work as part of a group of donors called the ‘Harnessing Non-State Actors for Better Health for the Poor’ (HANSHEP). This Group seeks to improve the performance of the private sector in delivering better healthcare to the poor.

Our work in education aims to improve learning outcomes and increase employability of the poorest in Low Income Countries. The Center for Education Innovations (CEI), is an online resource which profiles hundreds of innovative, non-state education models and approaches for the poor. CEI also aims to improve linkages between policymakers, researchers, providers and investors to increase the provision of quality education and skills training for the poor, women and girls.

We support the World Bank’s Systems Approach for Better Education Results (SABER) programme, which, among other things, is analysing private sector education and skills training provision in 60 countries / provinces / states in sub-Saharan Africa and South Asia. This work will study government policies and their implementation with a view to improving how developing countries can better leverage private sector expertise and resources to improve learning outcomes for poor people.

We also support initiatives to increase the provision of sustainable water, sanitation and hygiene services to poor people. For example the World Bank’s Water and Sanitation Programme promotes the involvement of domestic private service providers and financiers.

We fund Water and Sanitation for the Urban Poor (WSUP), a non-profit partnership between the private sector, NGOs and research organisations which helps to influence the design and delivery of large scale investment programmes that meet the water and sanitation needs of low income communities.
DFID’s Education Position Paper calls for ‘developing new partnerships across the public-private spectrum’ and commits DFID to promoting low cost private schools ‘in at least four countries’.

DFID is currently funding initiatives promoting private schooling in Pakistan, Nigeria, Kenya and Burma.

But DFID’s promotion of the private sector’s role in education goes much further.

DFID’s flagship education project, on which it is spending a massive £355 million during 2011-17, is the **Girl’s Education Challenge**, to which it has devolved management to the British multinational, Price Waterhouse Coopers. According to DFID, the Girl’s Education Challenge ‘will help up to a million of the world’s poorest girls improve their lives through education and to find better ways of getting girls in school and ensuring they receive a quality of education to transform their future’.

Key to the initiative is the promotion of non-state (private sector and NGO) provision of education and ‘strategic partnerships’ that provide match-funding to private sector partners. The Challenge’s project portfolio shows private sector involvement in education in the Democratic Republic of Congo, Ethiopia, Mozambique, Nepal and Uganda. These partnerships are all with NGOs, notably Save the Children.

Under the Girl’s Education Challenge, DFID has chosen to partner with the **Coca-Cola Company** which ‘have joined forces to bolster the educational and economic opportunities of more than 10,000 marginalised girls and young women in Nigeria’. The two will jointly invest nearly £7 million in an initiative known as ENGINE (Educating Nigerian Girls in New Enterprises) which will promote ‘the economic empowerment of 5 million female entrepreneurs across the global Coca-Cola value chain’.

Indeed, DFID has recently developed strong relations with Coca Cola in a strategy that is openly benefiting the company’s sales strategy in Africa.

One member of the four organisation consortium managing the Girl’s Education Challenge (that is led by Price Waterhouse Coopers) is **Nathan Associates**, a US and UK based private sector development consultancy directly funded by DFID. Nathan Associate’s London office specialises in privatisation, among other aspects of private sector development. The manager of Nathan Associate’s London’s involvement in the Girl’s Education Challenge, who ‘developed the value-for-money framework’ for the initiative, is a former DFID Nigeria official who focuses on public private partnerships.

Nathan Associate’s London designed the second generation Africa Enterprise Challenge Fund, a DFID funded initiative promoting private sector development in Africa managed by KPMG, some of whose beneficiaries are leading multinational agribusiness companies. The Managing Director of Nathan Associate’s London office, Sunil Sinha, wrote the chapter on Private Sector Development in DFID’s manual for economists and helped DFID develop its ‘making markets work for the poor’ approach in Africa, Asia, and Latin America.

DFID is also funding an education project in Kenya managed by **Adam Smith International**, a British pro-privatisation consultancy that is a leading recipient of DFID funds. The Kenya Essential Education Programme (KEEP) is a two year, £25 million programme that conducts ‘action research into low cost private schools for the poor’ and aims to enroll 50,000 more children into Kenyan private schools by 2015. DFID project documents note that of those 50,000, 75 per cent will be in ‘low cost’ schools, presumably meaning that the rest will be in higher cost schools.

A key partner of DFID is **Pearson**, which describes itself as the ‘world’s leading learning company’, with 40,000 employees in 80 countries, and which provides learning materials, places of learning, technologies, assessments and services to teachers, professionals and students. In 2013, it had sales of £5.2 billion and made a profit before tax of £382 million. Research by ActionAid on company use of tax havens has shown that Pearson’s group structure includes 90 subsidiaries in recognised tax havens.
Under the Girls Education Challenge, DFID is funding a project in Tanzania and Zimbabwe involving a partnership between Pearson and Camfed,27 a nonprofit NGO which provides funds for children to attend school. The project aims to enable 60,000 girls in Zimbabwe and Tanzania to enrol in secondary school and ‘harnesses Pearson’s wealth of expertise in providing innovative learning and training materials’.28 Pearson will train and certify 5,000 Camfed Learner Guides: young women who have graduated from secondary school with Camfed’s support.29

Pearson is also a member of the Funders Platform of the US based Centre for Education Innovations, a body established and funded by DFID (see further below). This Funders Platform ‘allows donors, foundations, companies and investors to share information on their non-state education policies and programmes in developing countries’.30

Pearson is seeking new markets in developing countries. The company’s Affordable Learning Fund has profiled 11 countries – including Ghana, India, Kenya, Nigeria, Pakistan, Tanzania and Uganda – where it states that ‘low cost private schools offer quality education solutions’.31 Launched with a $15 million investment in 2012, and chaired by Sir Michael Barber (see box 2),32 the Affordable Learning Fund ‘makes minority equity investments in for profit companies to meet a growing demand for affordable education services across the developing world’.33 The Fund invests in several private education providers around the world including Bridge International Academies and Omega Schools, both also being supported by DFID.34 Pearson’s investment in Omega, a privately held chain of affordable, for-profit schools based in Ghana, ‘is helping Omega expand from ten schools in greater Accra, serving about 6,000 students, to a full-service school chain serving tens of thousands of students throughout the country’.35

Other key recipients of DFID funding in education are the Center for Education Innovations and the World Bank’s Systems Approach for Better Education Results (SABER). Both openly promote private sector approaches to the delivery of basic services.

- The Center for Education Innovations (CEI), based in Washington, ‘is an online resource which profiles hundreds of innovative, non-state education models and approaches for the poor’.36 Launched in 2012 with DFID funding, the CEI is the sibling of the Center for Health Market Innovations (CHMI) (see section below) which promotes private sector involvement in the delivery of health services.37 The CEI, like the CHMI, is coordinated by the Results for Development Institute (R4D)38, a non-profit organisation also based in Washington which aims at ‘removing barriers impeding efficiency in global markets for essential commodities (for instance, in health and nutrition)’.39

- The World Bank’s Systems Approach for Better Education Results (SABER) ‘is analysing private sector education and skills training provision in 60 countries / provinces / states in sub-Saharan Africa and South Asia’ and is ‘recommending how developing countries can better leverage private sector expertise and resources to improve learning outcomes for poor people’. 40 DFID notes that SABER aims to ‘improve the regulatory environment for private provision of education’ in Africa and South Asia.41 Indeed, DFID is funding an Education Markets Analysis, under the auspices of SABER, to study low cost private schools.42 This study is being led by Harry Patrinos, the World Bank’s manager of education43 who espouses the view that governments do not need to be the main providers of education and that ‘private management of public institutions’ is an option in developing countries.44 SABER is part of the increasing push by the World Bank and the International Finance Corporation, its private sector arm, to promote private education in developing countries.45
Box 2: A cosy relationship: Pearson and DFID

DFID’s Chief Education Representative in Pakistan is Sir Michael Barber, a former Head of the Prime Minister’s Delivery Unit (2001-2005) and Chief Adviser to the Secretary of State for Education on School Standards (1997-2001). DFID is heavily promoting private schooling in Pakistan. But at the same time, Barber is Chief Education Advisor at educational giant Pearson. Barber’s biography at Pearson states that he ‘plays a particular role in Pearson’s strategy for education in the developing world’. With DFID in Pakistan, Barber is advising (in an unpaid capacity) on projects promoting an increasing role for private education providers.

However, Pakistan is one of 11 countries where Pearson has profiled the provision of private education (what it calls ‘affordable learning’), along with Ghana, India, Kenya, Nigeria, Pakistan, Tanzania and Uganda. Sir Michael Barber chairs the Pearson Affordable Learning Fund.

DFID’s flagship education project in Pakistan, launched in 2011, is the Punjab Road Map, to which DFID is providing £350 million between 2012/13 and 2017/18. The project aims among other things at expanding low cost private schooling, and is headed by Barber. In this project, Barber ‘works with the Chief Minister (of Punjab) to provide strategic advice and political momentum to the Roadmap’. Pearson Affordable Learning Fund references the Punjab Road Map as an example of the ‘affordable learning sector’ and states: ‘The impact of the Punjab Education Reform Roadmap and of the above programmes seems positive’.

DFID’s Education Fund for Sindh, to which DFID gives £5 million, provides vouchers to parents that they can spend in low cost private schools and ‘draw(s) on the energy and expertise of new partners, including from Sindh’s vibrant private sector, ensuring responsibility for delivery of education for all is shared broadly across the province’s society’. DFID has been quoted in the media as saying that Barber and his team in Pakistan are doing vital work in helping to ‘transform’ its education system.

In response to an enquiry by Global Justice Now, Pearson said it has agreed to 30 days unpaid leave for Barber to fulfil his role with DFID in Pakistan. It also stated that it has an explicit agreement with DFID to ensure that his role does not advantage Pearson, and that Pearson’s Affordable Learning Fund has no current investment in Pakistan and has made a point of not investing, to avoid a conflict of interest.
The impact fund

The British government has recently announced another mechanism to promote the role of the private sector in basic services, especially education. DFID’s Impact Fund, announced in 2012, is a 13 year project worth £75 million managed by CDC, DFID’s ‘principal mechanism for leveraging private sector investment’ in developing countries. According to the government:

‘Britain will help to foster a revolution in private investment into projects to improve the health, education and future chances of more than five million people across Africa and Asia…British aid will provide financial capital and specialist advice to transform health and education services…’.

The Impact Fund involves DFID investing “long term, “patient” capital in impact investment funds that invest in enterprises which serve the poor as consumers, producers, suppliers or employees”. Impact investments have been described as ‘investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return’.

The Impact Fund’s first investment is in the venture fund, Novastar which has recently invested in Bridge International Academies, a promoter of low cost private schools. DFID’s impact fund will explicitly help Novastar to develop this investment in Bridge. According to DFID, ‘Novastar seeks to develop fully commercial businesses that adapt and deploy innovative business models to profitably serve proven demand for basic goods and services’. Novastar was founded by Directors of Springhill Equity Partners which states on its website, referring to Bridge International Academies: ‘The “market” for such affordable high-quality education in low-income communities is immense’.

Bridge International Academies is directly supported by DFID and CDC. It is a ‘for-profit chain of nursery and primary schools delivering high-quality education for just USD 5 a month (on average) to families living on USD 2 a day or less per person. … The company manages every step in the process of delivering high-quality education, from how to build an academy to how to teach inside the classroom.’

Bridge states that: ‘Ten years from now we plan to be the global leader in providing education to families who live on $2 a day per person or less.’ Its goal is to operate in at least 12 countries across sub-Saharan Africa and India and have more than 10 million pupils by 2023. By 2013, Bridge was opening a new school in Kenya every 3-5 days.

Another investor in Bridge International Academies is the Omidyar Network (founded by eBay founder Pierre Omidyar) which is also a partner of DFID in the Impact Fund, providing capital and advice. Omidyar’s investment in Bridge ‘will support the company’s aggressive expansion in Kenya and beyond’.

DFID’s investment in Novastar is a joint one with JP Morgan. In announcing the DFID investment in April 2014, Secretary of State for international development, Justine Greening said that ‘our joint investment will ensure promising businesses get the support they need to create jobs and deliver much needed services like health and education’. At the same time, a JP Morgan Executive Vice President added that his firm was committed to ‘supporting market-driven solutions to some of the world’s most pressing social, economic and environmental challenges’.

Another DFID partner in the Impact Fund is the Global Impact Investing Network (GIIN), established in a 2007 meeting chaired by the Rockefeller Foundation by ‘a small group of investors to discuss the needs of the emergent impact investing industry’. Members of GIIN’s investors’ council include: Big Society Capital, JP Morgan, CDC, Prudential and other companies. GIIN is directly supported by DFID. The latter is providing a grant to GIIN’s Basic Services Programming Track which ‘aims to enhance the performance and impact of investments in BoP [base of pyramid] basic services.’ One aspect of this programme is to ‘map… the policy and/or regulatory environment in which basic services investments take place’. This is a further example of where DFID is funding schemes to change regulations in developing countries to pave the way for more private provision of basic services.
DFID’s approach to education is largely repeated in its approach to health. DFID’s Health Policy Position Paper states that it will sometimes support private sector health providers, will promote public private partnerships in health and ‘more effective engagement with private sector pharmaceutical companies’. It notes that ‘private providers can be much more sensitive to demand and sometimes offer better value for money than public providers’. It adds that there is ‘an increasingly pressing need’ for developing country governments to contract the private provision of services.

DFID’s principal vehicle for promoting the increasing role of the private sector in health is the programme called Harnessing non-state actors for better health for the poor (HANSHEP), of which DFID was chair in 2012. DFID is providing £35 million during 2010-18 to HANSHEP to promote a ‘Health PPP Facility’ which assists ‘governments in low income settings to introduce and improve strategic purchasing of healthcare services from non-state providers, under a range of public private partnership options’ and serves to ‘mobilize private investments into the healthcare sector’. The Facility gives ‘advisory support to government entities to facilitate public private partnership arrangements’. The Health PPP facility is managed by the International Finance Corporation, the World Bank’s private sector arm.

DFID also supports the African Health Markets for Equity partnership, another HANSHEP scheme which is a $60 million investment with the Gates Foundation. The aim of the project is ‘to improve the access of the poor to high-quality private care’. Operating in Nigeria, Kenya and Ghana, this five year programme will ‘increase the scale and scope of franchised health care’, expanding from family planning and sexual and reproductive health to also address malaria, acute respiratory infections, diarrhea, nutrition, maternal care, HIV and TB.

DFID also funds HANSHEP’s Health Enterprise Fund which supports ‘any enterprises that have developed low cost health care delivery approaches’ in Ethiopia, Kenya and Nigeria provided that these firms ‘have a sustainable, revenue-generating business model’. This Fund is implemented by the United States Agency for International Development (USAID).

Box 3: Harnessing non-state actors for better health for the poor (HANSHEP)

HANSHEP ‘is a group of development agencies and countries, established by its members in 2010, seeking to improve the performance of the non-state sector in delivering better healthcare.’ HANSHEP addresses ‘government and/or market failures that prevent non-state actors from fulfilling their potential in health systems.’

The HANSHEP website states: ‘Increasing private sector share of the health market, in either financing or provision, is not an objective for HANSHEP members.’ Yet this appears to be disingenuous given that the precise mission of HANSHEP is to introduce non-state healthcare to developing countries.

HANSHEP is managed by MDY Legal, a UK based ‘legal services’ company that focuses on the ‘participation of the private sector in the delivery of social and economic change’. HANSHEP’s programme manager at MDY has written to the European Commission warning of the dangers of ‘over-regulation’ in the health sector and suggesting that the Commission involve private actors in the design of regulatory reform and promote ‘self-regulation’.
DFID is also funding a HANSHEP programme entitled ‘Training & Capacity Building to Strengthen Private Sector Policy and PPPs’. This is based on the view that ‘developing country governments are increasingly looking to the private sector as a partner in contributing to improving the health of poor people’. But that ‘many public officials lack the skills and experience to effectively negotiate and manage public private partnerships’. Thus the project provides ‘quality-assured training courses and re-usable open source learning content on private health policy and operations’. The programme, implemented by the World Bank Institute, is being piloted while training 150 public officials from low and lower-middle income countries.93

HANSHEP is promoting various programmes supporting the increasing role of the private sector in health in developing countries.

• One is the Washington based Center for Health Market Innovations (CHMI), ‘a global network of partners that seeks to improve the functioning of health markets in developing countries’. The CHMI promotes initiatives ‘that make quality health care delivered by private organizations affordable and accessible to the world’s poor’.24 It addresses the ‘barriers that are hindering the uptake of effective health market approaches’ and supports ‘innovative delivery and financing programs that work to organize health markets, including private sector delivery models’. The programme is being implemented by the Results for Development (R4D) Institute, noted above.95 R4D, which promotes private sector involvement in basic services, is supported by a range of funders, including DFID and GlaxoSmithKline.96 Its Board members include Carla Hills, the former US Trade Secretary who currently serves on the international boards of JP Morgan Chase and Rolls Royce.97

• HANSHEP is also funding the Rwandan government to establish primary Health Posts that ‘follow a Public Private Partnership model and operate as a franchise, with each Health Post being owned, operated and managed by a nurse as a small business’.98

• In Nigeria, HANSHEP is promoting a project that seeks ‘to test how to create and coordinate a network of private health care providers to deliver social goods and services’. This will ‘help inform the creation of impactful private provider networks in health markets throughout the developing world’.99

One major recipient of DFID funding is the US based consultancy, GRM International, which received over $100 million in DFID contracts in 2012.100 GRM’s Futures Group has since the early 1980s ‘played a major role in private sector approaches to family planning, reproductive health, maternal and child health, and infectious diseases, such as HIV and AIDS around the world’. By promoting public private partnerships, supported by DFID, GRM has what it calls a ‘total market approach’ which mobilises the resources and competitiveness of the commercial sector as well as the social focus of the nonprofit sector, and the mandates of the public sector.101

In 2013, DFID awarded GRM a third contract worth £23 million to promote reproductive health services in Kenya aimed at ‘increasing family planning through the private sector’, in a project jointly implemented with Save the Children.102 DFID is also funding GRM’s Futures Group ‘to encourage non-public sector organisations to find innovative solutions to improving health services’ in Bangladesh, through the Bangladesh Health Innovation Challenge Fund.103

DFID is also spending £30 million on the Human Development Innovation Fund (HDIF) for Tanzania104 which is being implemented by GRM.105 The HDIF funds ‘innovative approaches’ to improving the quality, value for money and sustainability of basic services in the education, health and water and sanitation sectors in Tanzania. This involves ‘testing of new models of service delivery... and the establishment of new partnerships, with a focus on the private sector and public private partnerships’. Indeed, DFID notes that ‘the potential role of private not-for-profit and for-profit providers in direct service delivery and as a source of good practice for the government sector is not being realised’.106
4. Why privatising education and health is wrong

Publicly provided, universally accessible, high quality education and healthcare should form the cornerstone of a society working towards a better life for the majority. They allow society to become more equal, allow all individuals and communities to reach their potential, help build democratic structures and mitigate against discrimination and oppression.

Private education, on the other hand, turns these basic needs into commodities, controlled by the market. Access and quality depend upon the amount of money individuals have, which often depend in turn upon race, class and gender. Furthermore giving greater access and quality to the more privileged section of society exacerbates discrimination and oppression in the future.

There’s no doubt that many governments around the world lack funds to create publicly controlled, universally accessible education and healthcare. Others have been discouraged by their own interests or by an all-powerful ideology which has convinced or cajoled them into seeing private provision as the answer. This is where DFID should come in. DFID could provide funds and expertise to help governments, in conjunction with civil society groups, establish public services. Public services can be democratically accountable, by bringing in different parts of government, trade unions and ordinary people to the running of those services.

Instead DFID’s current approach is driven by an outdated ideology which flies in the face of its mandate of helping to end extreme poverty. DFID is playing a pioneering role among donors in making it more acceptable for developing countries to promote private provision of basic services. This is likely to increase inequalities and do nothing to increase access to good quality services.

This is borne out by our own experience. The UK has been the largest and longest running testing ground for health PPPs in the form of private finance initiatives (PFI). A House of Commons Treasury Committee report concluded that the cost of capital for PFI projects is double that for direct government borrowing, and that PFI projects perform more poorly in some areas than traditionally procured projects.

Private actors in this area understand that they are filling the gap where the public sector should be. Anthony Bugg-Levine, the Managing Director of the Rockefeller Foundation, which plays a leading role in ‘impact investing’, has stated:

‘In an ideal world, these basic services like clean water, education, and healthcare would be provided to all citizens by governments for free or at very affordable rates. .... But the reality today is that most poor people are buying basic services from the private sector, and they do so while incurring a huge penalty, in the prices they pay and the quality of services they receive. There is a real opportunity for impact investors who can deliver components of these services more efficiently and effectively, and this opportunity has tremendous social and environmental benefits as well.’

Instead of taking advantage of gaps in public provision of education and health, governments and donors should be filling them. In education, DFID’s focus on promoting low cost private schools is misplaced and dangerous. The biggest gains in education in recent years have occurred when governments eliminated school fees to deliver on the right to education. This has led to tens of millions of children enrolling in school for the first time. As ActionAid’s David Archer has noted, low cost private schools thrive in contexts such as illegal slum settlements in marginal urban areas, where governments fail to provide public schools because they do not recognise the settlements.

Even the private schools with the lowest fees will not help extend access to the 57 million children worldwide who are not at school. A recent survey in Ghana found that of 450 children enrolled in low cost private schools, 449 were previously enrolled in government schools – which will face a spiral of underinvestment as a result of pupils moving out of government schools and into low cost private schools.

Even DFID’s analysis suggests: ‘Evidence does suggest there are serious equity and choice barriers associated with the growth of low cost private schools’. DFID’s 2013 Education Position Paper
notes that ‘empirical findings remain inconclusive’ as to whether low cost private provision increases learning outcomes. Nicole Goldstein, an Education Advisor at DFID Ghana, has blogged that ‘the evidence base on low fee private schools is still weak, and there are more questions than answers’.111

DFID’s approach is especially serious in Pakistan. Pakistani education specialist Irfan Muzaffar notes that ‘supporting schools that would charge fees at the point of service runs counter to the constitutional promise made by the state, unless we could somehow universalise vouchers, which will be nigh impossible due to limited resources and a highly segmented market place….Shouldn’t these agencies instead ratchet up pressure on the government of Pakistan to reverse its current trend of public spending on private education?’113

However, as stated in a 2013 parliamentary enquiry into DFID’s work in Pakistan: ‘We were told that Pakistan spends so little on education because the people who make the expenditure decisions do not use the government education system and are not properly accountable to the people who do.’114

DFID’s support for private sector involvement in health, especially PPPs, is also based on thin evidence. DFID’s Business Case for its support to the HANSHEP Health PPP Facility notes that ‘the depth of current research (on governments contracting health services) remains limited, given the paucity of PPP models’. It also notes that few donors are currently supporting such approaches and that the International Finance Corporation is ‘the sole multilateral donor offering hands-on transaction support for health PPPs’.115 In fact, health PPPs can be high risk and costly, as documented in a recent Oxfam report on an IFC backed project in Lesotho, which used up half of the country’s health budget, diverting scarce resources away from those that need it most.116

DFID’s whole approach to education and health is increasingly about promoting the private, for profit provision of basic services. It has headed too far in the wrong direction for too long, and risks doing more harm than good in the world. We urgently need to change direction, so that aid promotes and supports public services, democratic engagement and the realisation of local control over society’s resources.

We recommend that the Department for International Development:

• Urgently audits potential conflicts of interest of its officials and representatives
• Halts all aid programmes which promote the for-profit provision of education and healthcare.
• Works with southern governments, trade unions and local NGOs to develop cutting edge thinking on how best to support public, democratically controlled, universally accessible healthcare and education
• Creates funds to support public healthcare and education throughout its programmes

We recommend that the new parliamentary International Development Committee:

• Holds an inquiry into conflicts of interest of DFID officials and representatives
• Establishes an investigation into the impacts of DFID’s private sector work on poverty, inequality and discrimination across DFID’s programmes

We recommend that UK based aid organisations:

• Stop supporting the provision of for-profit healthcare and education in their own operations
• Publically critique DFID’s strategy on for-profit provision and provide evidence and analysis supporting public sector provision of basic services
• Work together to build support for aid which stresses the need for redistributive economic policies, and democratic accountability to southern recipients of these funds, as opposed to a charitable vision which maintains donor control over resources
Profiting from Poverty, again: DFID’s support for privatising education and health

Section

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14 Indeed, this Business Call to Action project is helping Coca-Cola ‘significantly expand its network of locally owned, low-cost Micro Distribution Centres (MDCs) to enable jobs and opportunities in base of the pyramid markets across Africa.’ The project is regarded as a win-win by Business Call to Action and Coca-Cola, with their material noting that the project has created 3,000 MDCs which employ 13,500 people. (The Coca Cola Company: Enabling Jobs and Opportunity’, January 2010, http://www.businesscalltoaction.org/wp-content/files_mf/cocacolacasestudyforweb40.pdf)

15 Yet the project is also highly profitable for the company. It notes that: ‘TCCC’s [The Coca-Cola Company] business depends on sales and market penetration. The MDC business model provides a flexible, low-cost solution to distribution challenges that prevent market expansion. Today, the MDCs generate annual revenues of more than US$550 million. And with TCCC’s commitment to scaling up the MDC model across Africa, the company is on target to generate new revenues of at least US$320 million in local economies... retailers are now assured a consistent supply of Coca-Cola products on a regular basis.’ (‘The Coca Cola Company: Enabling Jobs and Opportunity’, January 2010, http://www.businesscalltoaction.org/wp-content/files_mf/cocacolacasestudyforweb40.pdf)


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20 See War on Want, The Hunger Games: How DFID support for agribusiness is fuelling poverty in Africa, December 2012


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