

# Will Money Solve Africa's Development Problems?

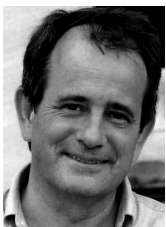
## Yes.

But only if the money comes as investment. Africa doesn't need aid from governments and international agencies. Over the last 40 years, aid to developing countries has reached \$2.6 trillion, 25% of which has gone to sub-Saharan Africa. It has notably failed to eliminate poverty. Philanthropy should have only a limited role — for disaster relief — and helping policy makers promote good governance, the rule of law, and property rights. What Africa needs in order to overcome its problems is the same as that of any other region or country: flourishing enterprises that provide employment and create wealth.

This is true even in my field — education. Less than 60% of the adult population of sub-Saharan Africa can read and write with understanding. And for every 100 men, only 76 women are literate.

Like a raging bonfire, adult illiteracy is fuelled by lack of schooling, or poor quality schooling. An estimated 40 million primary-school-age children in sub-Saharan Africa are not in school and in half of the countries less than 60% finish the full course of schooling. But staying the course isn't such a great idea either. The United Nations recently reported that, "Most poor children who attend primary school in the developing world learn shockingly little."

A common response to these problems is to call for billions more in aid for public education. The poor must "be patient," the development experts opine, because public education needs first to be reformed to rid it of corruption and inefficiencies.



But there is another way of solving this problem and it is being illuminated by, of all people, some of the poorest parents on earth. These parents are abandoning public schools en masse to send their children to budget private schools that charge low fees of a few dollars per month, affordable even

to families living on poverty-line wages. In the shantytowns of Lagos, Nigeria, for instance, or the poor rural areas surrounding Accra, Ghana, or in Africa's largest slum, Kibera,

Kenya, the majority of schoolchildren — up to 75% — are enrolled in private schools.

Recent research has shown these budget private schools are superior to government schools because teachers were much more likely to be teaching when researchers checked in on classrooms unannounced, facilities were often better equipped with drinking water and toilets, and academic achievement was much higher, even after controlling for background variables. All of this was accomplished for a fraction of the per-pupil teacher cost.

The existence of this burgeoning private sector reveals ways in which big money — actually, even small money — could help solve Africa's problems if channelled as investment rather than aid. The key is to follow the lead of the poor parents. They do not want public schools, where teachers do not turn up or, if they do, do not teach. They want private schools, where teachers are accountable to them through the school principal.

This entrepreneurial breakthrough in private education has opened up a creative new frontier for investors interested in helping improve the quality of African education. Orient Global has created its \$100 million Education Fund which is investing in private education opportunities in developing countries, including the research and development for a low cost chain of schools; Opportunity International has just announced its Microschools of Opportunity program to disburse loans of a few thousand dollars or less, at commercial interest rates, to help school entrepreneurs build latrines, refurbish classrooms, or buy land. In the past, aid agencies have literally thrown billions trying to get schools to improve their curriculum or teaching. These interventions are not sustainable and fade away as soon as the donor-funded experts move on. You will often find the supplied computers and videos in the government head teachers' homes, not the school.

However, private schools are operating in intensively competitive markets. They are hungry for innovation if it can be shown

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to improve standards and increase market share. Investors can back research and development to find out what works to improve educational outcomes, then partner with entrepreneurs to ensure successful methods are brought to market. The problems of sustainability and scalability that so bedevil aid intervention are solved.

Investors can go even further. Buying into trusted brands enables the poor to overcome information asymmetries that exist in any market. Why not in education, too? Already small embryonic brands are emerging. Some educational entrepreneurs have four or five schools, and are eager to extend further. Investors could assist expansion-minded proprietors in accessing loan capital, or create a specialized education investment fund to provide equity to limited liability companies to run chains of budget private schools. Or investors could engage in a joint venture with local educational entrepreneurs to set up a chain themselves. Many of the private schools already offer free scholarships to some of the neediest children, helping solve the problem of educating the poorest of the poor. Recent research has found 5–10% of places provided free of charge in private schools, so other schools could channel some of their surplus in the same way.

Education is often held up as a key area where Africa needs big money from governments and international agencies to solve its problems. That's not what the experience of the poor in Africa seems to be telling us. It's time we listened to them.

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*Professor James Tooley is president, The Education Fund, Orient Global.*

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