Chairman Cleaver, Ranking Member Stivers, and Members of the Committee, thank you for the opportunity to testify on behalf of Oxfam. Oxfam is an international relief and development agency committed to fighting the injustice of poverty. We are part of a confederation of 19 Oxfam affiliates working in more than 90 countries around the globe.

My office is responsible for Oxfam's engagement and advocacy on the World Bank Group and I personally have followed the work of the institution for over a decade. I believe in the tremendous importance of this institution and believe whole-heartedly in its mandate and its twin goals of eliminating extreme poverty and boosting shared prosperity.

I also believe it is the role of civil society to raise flags when we see the World Bank Group making any programmatic choices or operating in a manner that could undermine its mandate or cause harm to vulnerable communities. To that end, I would like to speak about recent and concerning trends in the World Bank Group's education and financial sector portfolios.

I. WORLD BANK GROUP INVESTMENTS IN PROFIT-DRIVEN EDUCATION

We have been following the World Bank’s education programming as it is a major source of critical education financing for poor countries. One of the reasons we are such strong supporters of a robust replenishment for IDA19 is particularly because of the important and concessional support the International Development Association (IDA) provides to countries to bolster their public education systems, and indeed the bulk of the World Bank’s education work does just that.

However, we are distressed by a growing trend we are witnessing: Our research shows that the World Bank Group is increasingly supporting profit-driven, commercial schools and privatization of education more broadly, through its direct investments via the International Finance Corporation (IFC), as well as through public-private partnerships, and its policy advice to governments.

Concerns about the expansion of profit-oriented and low-fee private schooling

We are especially concerned about IFC's support for so-called 'Low Fee Private Schools' which refer to private schools that target lower income segments of the population, often with a profit orientation.

1. Fees mean the poorest lose out: The first big concern about the growth of low-fee and for-profit private education is about the expansion of a model that relies on families paying out-of-pocket school fees. When schools charge fees to parents, no matter how small, they are simply unaffordable for the poorest families. In Ghana, for example, Omega Schools is a major low-fee private school chain that targets poor communities and charges fees for one student that are equivalent to 40% of the income
of the poorest families’ household income. A poor, average-sized family in Pakistan would have to spend 127% of its income to send all its children to a low-fee private school. In other words, that family cannot educate all of their children using these schools. We know that in developing countries, a child from a poor family is already seven times less likely to finish secondary school than a child from a rich family and we are therefore deeply concerned about exacerbating such inequalities.

The claim is that these schools are filling a gap to provide an education for children who wouldn’t have it otherwise, but evidence suggests these schools are generally not reaching out-of-school children for a variety of reasons. Many out-of-school children live in rural areas, where these schools generally do not operate because it is not profitable for them (families are poor and spread far apart). The fees also mean that the most marginalized children are either shut out from these schools completely – or that families are forced to make sacrifices at the expense of other basic needs. Research on access and affordability in low-fee private schools has shown that households accessing these schools are unlikely to be the most disadvantaged or the poorest 20 percent, and that when they do enrol household poverty increases.

The World Bank has suggested that using public funding to subsidize such private schools through “public-private partnerships” or PPPs can alleviate some of these problems. However, PPPs are not a solution to equity concerns in the private sector. Studies have raised strong and consistent concerns about the impact of education PPPs on educational inequalities and socioeconomic segregation. One study found that in the majority of the 17 countries studied, PPP schools are reinforcing social disparities by disproportionately serving upper income students. Research on World Bank-supported PPPs utilizing low-fee private schools in Uganda and Pakistan also found that there were very few children with disabilities or previously out-of-school children enrolled in these schools.

2. Fees mean girls lose out: The situation for girls is even worse. Pulled out of school before their brothers, millions more of the world’s poorest girls will continue to have their life chances limited by an education that is far too brief. In a poor rural area of Pakistan, girls are three times less likely to attend school than poor boys. The widespread elimination of fees in primary schools in the 2000s meant that tens of millions of girls around the world were able to go to school for the first time, however the expansion of low-fee private education threatens to undermine this progress. A recent review of the academic evidence found that private schools are not equally accessed by boys and girls. To illustrate this, recent government data from India shows that, of children enrolled in private primary schools, 56% are boys, while only 44% are girls. School fees, even those considered low, restrict girls’ access to schooling as, faced with limited household funds, parents often make the difficult choice to send boys instead of girls.

3. Business interests prioritized over educational quality: There are serious concerns about education quality in for-profit and low-fee private schools. Studies show that low-fee private schools cut costs by relying on poorly qualified teachers who are paid very low salaries with often poor working conditions. The reliance on unqualified teachers flies in the face of the World Bank’s own evidence that the presence of a trained, qualified, and well-supported educator is one of the most important factors for achieving strong learning outcomes. The pressure to reduce costs may also lead to lower investments in school facilities, materials and other resources that promote learning.

Some prominent commercial chains rely on scripted, standardized lessons to compensate for the absence of well-trained teachers, and increase their scale in order to achieve commercial viability. One study described Omega Schools’ standardized approach as the “McDonaldization of education,” in which “every aspect in the production of learning and outcomes [is] based on the minimisation of cost.”
4. Resistance to government regulation: Another problem with commercial for-profit school chains has been a resistance to government regulation that seeks to ensure compliance with educational standards and legal frameworks. This undermines efforts to ensure education quality and uphold the rule of law in host countries. For example, Bridge International Academies, a for-profit school chain operating in Africa, was ordered by the Ugandan government to close its schools in the country in 2018 after its ongoing refusal to meet standards related to teacher certification and qualifications, curriculum, and school facilities. In Kenya, a formal complaint about the IFC’s investment in Bridge Academies was filed with the IFC Compliance Advisor Ombudsman in 2018 by the East African Centre for Human Rights on behalf of teachers and parents in Kenya. It raised concerns about violations of national and international law, labor rights violations, health and safety, and discrimination. Just this month, the CAO announced it is launching a full investigation of IFC’s compliance with its own performance standards in this investment. Legal and regulatory violations in commercial and low-fee schools have also been documented in the Philippines, India, and Ghana.

5. Negative impact on public education systems: Finally, investments in profit-oriented private education can negatively impact the wider public education systems. IFC’s $13.5m investment in Bridge Academies, for example, aimed to finance the chain’s expansion to three other countries and provide a “demonstration effect” for other school operators to enter the market. This relatively small investment therefore can catalyse dramatic changes in host country education systems. Little rigorous research has assessed the cumulative effects of large-scale private schooling on the long-term health of public-school systems. Even if the expansion of private schooling were to bring short-term benefits, it can undermine the political constituency for investment in quality public schooling in the longer term. The reliance of low-fee private schools on underqualified teachers hired on short-term contracts could lead to the creation of an untrained teacher workforce. Moreover, where such schools receive public funding, they displace efforts and funding to expand public education, leaving limited alternatives for those children who are left behind.

Private schools certainly have a place in education systems, and the commercial private sector has an important role to play in education, for example by providing goods and services that support quality improvements in public education. However, when it comes to public funding and especially development finance for education, we must ensure that all can benefit and that none are excluded. The lessons from around the world could not be clearer: pushing profit-driven and market-based alternatives to a public education system creates educational segregation, and exacerbate educational inequalities and thus wider social inequalities. It supports more advantaged students at the expense of those who most need support. This is a dangerous diversion from the essential task of building inclusive, high-quality public education that benefits all children.

Trends at the World Bank Group – increasing support for profit-oriented schooling

Despite these deep concerns about the expansion of fee-based and profit-driven private schooling, the World Bank Group has been increasing its support for these approaches:

The Bank has dramatically increased its direct support for private education companies in recent years through the IFC, which to the best of our knowledge, has an active portfolio of about $700 million in education investments. A recent study by RESULTS Educational Fund found that IFC investments in direct provision of primary and secondary education quadrupled between 2006 and 2015. It found that these investments increasingly target low- and lower-middle-income groups, and that they are increasingly in commercial school chains. This includes the IFC’s investment in Bridge International Academies, but also includes a number of other for-profit school operators in primary and secondary education.
Other indications point to a further scale-up of these investments. For example, in its newly proposed framework for tracking the impact of its education investments, IFC appears to be significantly shifting its priority and focus within the education sector to the direct provision of education, through investments in for-profit, fee-charging schools including at the basic education level (K-12). In this framework, a majority of the proposed outcome indicators appear to be targeted at the direct provision of education (for example, teacher-student ratios and enrolment numbers), and not to other commercial activities and ancillary services in the education sector such as textbooks and learning materials, ICT and educational software, construction, maintenance, etc.

Oxfam’s research finds that a growing number of World Bank public sector (IBRD/IDA) projects are supporting public-private partnerships (PPPs) that use public funding to support private education provision. We reviewed IBRD and IDA funding to governments for primary and secondary education over the last six years, covering 116 projects. We found that one-fifth (22 percent) of projects included an element of direct support for private provision of education across 14 countries. This type of support has been gradually increasing over the last decade. While often they are one part of a larger project that supports public education provision, a significant number include a market-oriented approach that seeks to expand the role of private education or support low-fee private schools. In Burkina Faso, for example, we found a project that includes support for the construction of new private secondary schools where the ownership and management is leased to private providers.

Oxfam’s analysis of the World Bank’s technical assistance and policy advice to governments finds that it is actively pushing countries to expand private education provision through PPPs and other reforms that reduce regulations and incentivize the growth of private education markets and for-profit schools. Case studies from Uganda and Pakistan highlight the instrumental role of World Bank advice and lending in supporting the expansion of private education provision.

Given the concerns about gender and economic exclusion in private schools, it is our opinion that these investments contradict and undermine the World Bank Group’s stated commitments to girls’ education and gender equality, its significant public sector funding for girls education, and the its twin goals to end extreme poverty and increase shared prosperity.

Meanwhile, others such as the European Parliament and the Global Partnership for Education (GPE), the biggest multilateral fund for education, have taken strong positions against directing their own aid funding to support commercial or for-profit education provision. The UN Human Rights Council, the African Commission on Human and Peoples’ Rights and various UN Treaty Bodies have recognized the obligation to progressively secure free, public – not commercialized – education in fulfilling the right to education. These positions uphold the principle that education is a right, not a market commodity. Investing in free and inclusive public education of good quality is the best way to ensure fulfilment of education for all.

In a unified and strong voice, last month over 170 civil society organizations from 63 countries, told the World Bank and its donors that it is time to recommit to public free, quality education for all and cease support to for-profit commercial schools.

**Recommendations**

While the challenges and problems of public delivery in many countries are real, neither education PPPs nor low-fee, for-profit schools are a shortcut to achieving quality education for all, or gender equality.

It is our position that the **World Bank Group should urgently redouble its focus on supporting countries to expand and improve the public and free provision of education both through financial**
and policy support. It should stop funding commercial schooling at the basic education level (K-12) through the IFC. It should also ensure that no funding through IDA’s Private Sector Window goes to support for-profit schools.

II. IFC INVESTMENTS IN FINANCIAL INTERMEDIARIES

Let me turn now to the financial sector, in light of our concern for ensuring positive development impact and no harm caused to communities in the course of development interventions.

As you are aware, the IFC lends money directly to private sector companies, but an increasing trend we are witnessing is that the IFC is also lending money to companies indirectly through the financial sector. In other words, it lends money to financial institutions such as commercial banks, private equity funds and others, which can then on-lend to companies. The idea is that the IFC can have a broader reach using these so-called financial intermediaries (FIs), particularly in markets or sectors they can’t reach as easily directly. The objective is to expand their financial reach through these financial intermediaries.  

As of 2018, Oxfam’s research finds that the IFC had 55% of its total portfolio invested in financial intermediaries – that was USD6.4 billion. And between 2015 and 2018, the IFC invested a total of USD24 billion in financial intermediaries. Of those financial intermediaries, private equity funds made up around 6-10% while the other 90% or so of that portfolio is made up primarily of commercial banks.

Our big concern has been whether IFC can have this financial reach without compromising its development mandate – with transparency and environmental and social standards being applied. The current situation is not a promising one: there is a huge lack of information about where the money ends up once the IFC gives it to these intermediaries. We have very limited information about what we would call financial intermediary sub-projects and hence the real impact that follows, be it good or bad.

Lack of transparency:

After much pressure from civil society and repeated follow up, the IFC is now disclosing on its website sub-project information for funds, i.e. that 6-10% I mentioned. However, the information is still not adequate and it is difficult to find.

For the commercial banks the situation on disclosure is even worse – we would say non-existent so far. Once the IFC lends to commercial banks, which remember make up 90% of their FI portfolio, if you or I wanted to find out where that money ends up - what high risk projects they might be financing - we would not be able to. All we would know, is that the money went to Bank X, and that the overall objective of that loan or equity investment was either for general purposes, and/or in some cases targeting specific sectors like the housing or energy sector, for example.

With this context, there is no way to assess the development impact of such loans. Critically, we can’t make sure this money is not doing harm to the environment or to communities.

Along with small and medium enterprises, microfinance loans, and other seemingly harmless loans, this money can also - and we have ample proof that it is - end up in environmentally and socially high-risk projects in sectors ranging from agribusiness, to energy, infrastructure, extractives, and others.

The IFC’s independent accountability mechanism, the Compliance Advisor Ombudsman (CAO) has said: “IFC has, through its banking investments, an unanalyzed, and unquantified exposure to projects with
potential significant adverse environmental and social impacts. Without disclosure of information related to these projects this exposure is also effectively secret and thus divorced from systems that are designed to make sure that IFC and its clients are accountable to project affected people for delivery on their environmental and social commitments.”

**Lack of transparency means unmitigated risks to communities:**

Proof that there are some hugely problematic investments is the 17 and growing number of CAO cases related to IFC’s financial intermediary investments. Each one of those is linked to a high-risk project where communities believe environmental or social harm has been done. Half of those cases are projects linked to IFC’s commercial banking clients while the other half relate to private equity funds.

**Examples:**

- Banco Ficohsa, a large Central American bank with main operation in Honduras. IFC invested equity in Ficohsa including debt to support trade finance, housing and SME loans. However, Ficohsa also had significant investments in Dinant Corporation, a palm oil company found to be involved in land rights violations, evictions, human rights violations and even killings.

- Nedbank, one of the leading South African banking groups where IFC has given a subordinated Tier II qualifying loan. Nedbank has investments in AngloGold Ashanti, and one of AngloGold Ashanti’s subsidiaries in Guinea was found to be involved in forced displacement and land rights violations of communities while acquiring the land for a massive open-pit oxide gold mining operation.

- Rizal Commercial Banking Corporation (RCBC) –where IFC has made two equity investments (2010 and 2012) in addition to providing two general commercial banking loans in 2013 and 2015. The IFC states that its additionality is to lend credibility to the bank’s efforts and business, as well as support expansion of its lending to infrastructure projects. RCBC has significant investments in more than 20 coal related investment in the Philippines with significant concerns related to “climate change, inadequate compensation, health harms, loss of livelihoods, environmental and social management system.”

These and a multitude of other cases are documented extensively in several reports by Oxfam and several other civil society organizations.

However, to uncover this information, it was not easy. It took thousands upon thousands of dollars and years of work. We had to trace backwards from projects to financial institutions cross checking with the IFC’s website on which FIs it was investing in. **We believe that what we found is just the tip of the iceberg.** Given the magnitude of the investment – let me remind you: USD24 billion to financial intermediaries in just three years – this is highly concerning.

**Lack of transparency means lack of accountability:**

There is no way to measure development impact, or importantly, ensure that risks are managed properly and that communities who are harmed by such projects, can seek recourse from the IFC if and when harm is done. **Disclosure of investment information is a central tenet of accountability in development finance.**

When a community suffers harm as a result of a project, it is extremely difficult for them to know where they can turn to. Given the IFC’s money is invested in these projects, communities should have the right
to seek redress or support through the IFC and its accountability mechanism, the CAO. But that information is not available to communities. There is no way for them to know their rights; there is no way for them to know the IFC is involved or that its performance standards - which are a high standard in the private sector - should have been applied.

The need for this information is real and urgent for communities who are facing day to day fears, and suffering the impacts of projects with unmitigated risks, whether they are loss of livelihoods, forced evictions, ill health, human rights abuses, and in some cases murders without impunity as seen in the different cases. Ultimately, without communities knowing who is financing projects that impact them, there is no way to hold those actors accountable. We believe that transparency and access to information are at the core of good governance, informed participation in decision-making, and public accountability.50

Progress to date:

Because of all these concerns which have been raised through several means by civil society and impacted communities, since 2015, there has been some progress which I would like to note. IFC has discussed measures to51:

- Reduce exposure to high risk FI investments and apply greater selectivity of clients
- Better focus of environmental and social resources for due diligence, appraisal, supervision and capacity support for FI clients deemed higher risk
- And most recently as of October 2019, we have been told verbally that the IFC will begin an initiative for its commercial bank clients to voluntarily disclose sub-project information in a similar manner of IFC’s fund sub-project disclosure. I want to be clear that this is not mandatory, only voluntary for financial intermediary clients to agree to or not with no implications for IFC’s support one way or another as far as we know. The details of the initiative are not fully clear yet. Nor is this initiative in writing.

This is a welcome first step but it is just the first step and we have to be vigilant, and most important, be able to hold the IFC accountable to these commitments.

Recommendations:

We would like to see IFC developing a clear strategy and roadmap towards financial intermediary sub-project disclosure, which makes clear that the voluntary disclosure initiative is only a stepping stone towards a requirement for disclosure.

This involves IFC including as a condition of investment for Banks, a requirement for the Bank to disclose basic sub-project information for higher risk transactions, including their environmental and social management systems that are already required by IFC’s Performance Standards. In this way, the IFC would necessarily screen out financial intermediaries that are not willing to be transparent in the same way that the IFC screens out private sector companies that are not willing to adhere to its own disclosure of information policy.

The US has been the leading voice and champion for strong environmental and social standards, transparency, and accountability at the World Bank Group over the years and it should proudly take credit for many of the rigorous policies and mechanisms we see today. We now urge you to use your congressional oversight role to hold the IFC accountable to those standards and promote a clear path towards required disclosure in IFC’s financial intermediary portfolio.
Finally, as the Bank also discusses the private sector window through the International Development Association, we ask the committee to use its oversight capability to consider how to maximize the development effectiveness of this window, through transparency and accountability at all levels, and ensuring positive development impact. As such, we would propose banning the use of the private sector window for any for-profit schools as mentioned, and also ensuring maximum transparency in financial intermediary projects as well.

Thank you for your time and I am happy to take your questions.

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2 J. Walker et al (2016) Private Profit Public Loss: why the push for low-fee private schools is pushing quality education off-track: Global Campaign for Education


5 For example, a recent survey of 437 children in low-fee private schools in Ghana, for example, found that all but one of the children had previously been in a public school. Riep, C. (2014). Omega Schools Franchise in Ghana in Macpherson, I, Robertson, S and Walford, G (eds) (2014). Education, Privatisation and Social Justice: case studies from Africa, South Asia and South east Asia


7 See Day Ashley L. et al (2014) The role and impact of private schools in developing countries: a rigorous review of the evidence, DFID.


11 How can education systems become equitable by 2030? DFID think pieces – Learning and equity August 2015 Pauline Rose and Benjamin Alcott


26 Ibid.
As mentioned in various recent blogs and speeches by IFC and World Bank staff, including the following blog:


Baker, T. and W. Smith (2017) From Free to Fee: Are for-profit, fee charging private schools the solution for the world’s poor? RESULTS Educational Fund. https://www.results.org/wp-content/uploads/From_Free_to_Fee.pdf The report cites a total of $162.28 million invested in direct provision of K–12 (primary and secondary) education between 2011–2015 as compared to $38.9 million during the previous five years (2006–2010), an increase of more than four times.


Bous, K. M. and J. Farr (2019). World Bank technical support to countries on education is delivered through the Systems Approach for Better Education Results (SABER) program. This finding is based on our analysis of SABER “international best practice” recommendations and policy framework, as well as its country-specific reports.


This figure is taken from the IFC’s 2015 Annual Report and describes FY2015 figures. If one is to take the entire FI portfolio, including short term trade finance, Private Equity funds would make up 6 percent of the portfolio. If we are to look only at long-term investments, the figure would reach 10 percent.

41 CAO cases portal. http://www.cao-ombudsman.org/cases/

42 IFC’s project portal for Ficohsa Project ID 26394: https://disclosures.ifc.org/#/projectDetail/SPI/26394 Ficohsa Project ID 29257: https://disclosures.ifc.org/#/projectDetail/SPI/29257

43 CAO case Honduras / Ficohsa-01/ CAO Vice President Request http://www.cao-ombudsman.org/cases/case_detail.aspx?id=209

44 IFC’s project portal for Nedbank Tier II, Project ID 26014. https://disclosures.ifc.org/#/projectDetail/SPI/26014


48 Land and Power (2011) Oxfam: includes two FI cases in Uganda, further discussed in the case study: The New Forests Company and Its Uganda Plantations (2011). Risky Business (2012): Oxfam Highlights the risks with Financial Intermediaries (FIs) lending for communities, and the increasing trends of DFIs lending through FIs. The Suffering of Others (2015): Research and evidence linking IFC through commercial banks to damaging projects where thousands of people were displaced from their homes and lands and have their livelihoods devastated. Owning the Outcomes Oxfam with IDI (2016): Challenged the main assumptions and arguments that IFC put forward to avoid responsibility for these risks.
