The Evolving Allocative Efficiency of Education Aid: A Reflection on Changes in Aid Priorities to enhance Aid Effectiveness

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1. **Overview**

1. Discusses changes in aid priorities and aid modalities during second half of 2000-2015 period to enhance effectiveness of education aid in promoting sustainable reach of the five global 2015 EFA goals.

2. The changes are needed in response to major changes in aid context since 2000 including:
   
   i. Growing role of knowledge in development
   ii. Rapid progress towards Universal Primary Education (UPE)
   iii. Increased public education funding
   iv. Change in global aid architecture, and
   v. Decline in aid community’s capacity to provide technical aid

3. Focus on countries in Sub-Saharan Africa (SSA)
2. Four potential areas for improved effectiveness

i. More **holistic approach** to aid effectiveness: How can aid enhance impact of *total* public education spending (in 2006, aid was 13% of total public education spending in SSA) **throughout the education system**?

ii. More attention to **comparative advantage** of aid in funding certain high impact inputs that may not be funded by domestic resources

iii. Continue to improve **technical efficiency** of aid delivery through closer donor cooperation and harmonization and increased aid ownership --> follow-up on Paris Declaration and “Accra Agenda for Action” (AAA)

iv. Much more attention to **allocative efficiency**, i.e., on allocating aid to purposes and countries where it can have most impact on outcomes

Presentation touches on points (i) – (iii), but focuses on point (iv)
3. Changes in Aid Context:
   (i) Growing role of knowledge in development

(a) **Change**: Capacity to harness, adapt and apply knowledge in national context increasingly important to growth and poverty reduction

(b) **Implications for aid priorities**: Past experience in present-day high and middle-income countries suggests that strategic use of aid can play important role in policy development, in building technical skills and R&D capacity, and in acquiring and adapting foreign technology

(c) **Implications for aid modalities**: Country assistance strategies must give more attention to how education aid can help education sector play more effectively its role in knowledge creation and diffusion
3. **Changes in Aid Context:**
   (ii) Rapid progress towards UPE

(a) **Change**: Faster primary enrollment growth after Dakar than Jomtien:
   - **1990-1996**: 12% growth in SSA (15% in South and West Asia)
   - **2000-2006**: 36% growth in SSA (20% in South and West Asia)

As a result:
   - Between 2000 and 2006: Gross Enrollment Ratio grew from 78% to 95% in SSA and from 90% to 108% in South and West Asia
   - **In SSA**: More than 90% of children enter Grade 1, but only 2/3 reach final grade of cycle and only 50% master basic skills when leaving
3. Changes in Aid Context:

(ii) Rapid progress towards UPE (cont.)

(b) Implications for aid priorities:
- **Within “on track countries”:** Less focus on access; more on quality and equity
- **Among EFA goals:** Less single-minded focus on UPE; more for other EFA goals
- **Among levels of education:** Financially and socially sustainable EFA requires more focus on post-primary opportunities and skills to sustain economic growth
- **Among countries:** More aid for “off-track”/“fragile” countries

(c) Implications for aid modalities. Need more attention to:
- **Allocative efficiency of aid.** Easier to implement if aid budgets continue to grow
- **Strengthening technical capacity for supporting policy and program development**
- **Strategy, financing and implementation mechanism for “fragile states”**. AAA says donors will “address issues of countries that receive insufficient aid”. **HOW?**
3. **Changes in Aid Context:**
   
   (iii) Sharp increase in public education funding in SSA

(a) **Change:** Increased domestic and international priority for education:

(i) **Public domestic education funding:** 9.3% annually growth 1999-2006 (1.1% annually 1980-1999).

   Growth explained by:

   - **GNP growth:** 5.2% annually 1999-2006 (2.3% annually 1980-1999)
   - **Increased share of GNP for education:** 3.6% in 1999; 4.7% in 2006

(ii) **Aid disbursements:** 15.8% annually growth 1999-2006. But irregularly: Annual growth 2003-2006 only 4.0%.

(iii) **Increased aid dependency:** Share of aid in total public education funding: 13% in 2006 (less than 9% in 1999)
3. Changes in Aid Context:

(iii) sharp increase in public education funding in SSA (cont.)

(b) Implications for aid priorities. Need:

- More holistic view of aid use: More focus on how the 13% of aid can improve impact of the 87% of domestic funding throughout ed. system

- Higher aid priority to “off-track” countries including “fragile states”

- Higher priority for technical aid (TA): Rapid growth in domestic funding makes TA comparatively more scarce than financial aid. (TA = analytical work, policy advice, knowledge-exchange, south-south cooperation, etc)

(c) Implications for aid modalities:

- More focus on addressing sustainability and aid dependency risks. For same level of aid, risks can be lowered by using aid for different purposes

- Less performance-based, more need-based aid for “fragile states”
3. Changes in Aid Context:

(iv) Changes in global aid architecture

(a) Change:

- **Enhanced technical efficiency**: More cooperation and harmonization among donors, including lead donor at country level. But AAA notes slow progress towards Paris Declaration commitments for 2010.

- **Innovative follow-up to Dakar**: High-Level EFA Meetings (HLM); GMR; FTI, including Catalytic Fund (CF) and Education Program Development Fund (EPDF); active role of NGOs/CSOs and inter-agency networks.

- **Move towards multi-sectoral approaches and budget support**: Education sector more integrated and less in a silo than before.

- **More decentralization of agency staff** to country offices.
3. Changes in Aid Context:
   (iv) Changes in global aid architecture (cont.)

(b) Implications for aid priorities:
- Combine work to improve **technical efficiency** of aid delivery with more attention to **allocating aid to high-impact tasks**
- More attention to concrete follow-up to address GMR findings

(c) Implications for aid modalities:
- AAA: Donors to delegate more authority to country offices. **Need ensure that “lead donors” have education expertise required**
- Role of HLM and FTI still evolving, especially of two FTI Funds
3. Changes in Aid Context:
   (v) Decline in aid community’s capacity to provide TA

(a) Change:
   i. Switch towards budget support (BS) has tended to:
      ➢ Reduce technical expertise in bilateral and multilateral agencies (e.g., World Bank education staff declined from 228 in 1999 to 168 in 2008 or by 26%)
      ➢ Shift responsibility for education to generalists and macro economists
      ➢ Reduce aid funding for TA (when BS not complemented with targeted TA)

   ii. Capacity of “global public education good” agencies remains too weak to:
      ➢ Play effective leadership role including in high-quality TA and policy advice
      ➢ Coordinate and assure quality and synergy of (very fragmented) TA

      (e.g. UNESCO’s annual education budget is $54 million (17% of total), of which $16.5m for operational activities. EPDF allocated $25m for such activities in 2008)

   iii. 2008 GMR: “...extraordinary limited attention paid to strengthen national capacity”.


3. Changes in Aid Context:
(v) Decline in aid community’s capacity to provide TA (cont.)

(b) Implications for aid priorities:
- Higher priority to funding and effective delivery of “global public education good”
- Strengthen capacity of agencies to accompany financial aid with high-quality TA

(c) Implications for aid modalities:
- In addition to its primary role of supporting program development at country level, stronger role for EPDF in promoting “global public education good”
- Based on existing knowledge, develop more effective funding and implementation capacity-building modalities focusing on mobilizing, strengthening and utilizing existing capacity
- When education aid provided through budget support: Develop complementary, targeted instrument to finance technical support
4. Action plan to increase allocative efficiency of aid

**International level:**
1. Enhance capacity of global agencies to deliver *high-quality “global public education goods”*
2. Strengthen international capacity and mechanisms to provide *effective technical support*, especially to low-income countries
3. Translate the parts of the AAA of particular relevance to education into actions, including implementations and funding mechanisms
4. Develop strategy, implementation and funding modality for *“fragile states”*

**At country level:**
1. In new aid programs: *review aid allocation to ensure aid is used where it has the highest impact* on total education funding throughout ed. system
2. Give more attention to allocating aid for tasks that *enhances aid sustainability and limits risk of harmful aid dependency*