

## Beyond Busan: Strengthening aid to improve education outcomes

**F**or millions around the world who are still denied the chance of quality education, the 4th High Level Forum on Aid Effectiveness in Busan, South Korea offers hope but also real challenges.<sup>i</sup> Not only is the financial crisis jeopardizing aid levels, but the latest evidence shows that the global movement for more effective aid is making disappointing headway.<sup>ii</sup>

Some encouraging progress in education shows that the global aid effectiveness movement can achieve results. When properly implemented, the principles established in 2005 lead to more children in school and a narrowing of equity gaps. Improving education in turn has a catalytic effect on other development outcomes.

Many developing countries have made significant progress in increasing their spending on education and strengthening their sector planning. They are rightly calling on donors to show the same kind of commitment.<sup>iii</sup> And national governments and donors need to work together urgently to focus on reaching those most in need.

The aid effectiveness agenda grew out of the realization that the increased aid galvanized by the Millennium Development Goals was not always being well spent, as many different approaches and requirements imposed huge costs on developing countries.

The global economic climate has changed considerably since the development goals were set and the aid effectiveness agenda was established:

- While overall aid has increased, the financial crisis in rich countries means that the upward trend may not be maintained.
- In an era of austerity at home, aid donors are increasingly expected to show how their own contributions are having an impact.

- Changes are occurring in the development financing landscape, as the BRIC countries (Brazil, Russia, India and China) and philanthropic foundations are playing a more visible role, raising new challenges for the effectiveness of spending.
- With the realization that the MDGs and the EFA goals are unlikely to be met, attention is shifting to post-2015 priorities.

Given these changes, the aid effectiveness principles established in Paris in 2005 and reinforced by the 2008 Accra Agenda for Action – promoting national ownership, aligning donors' priorities with national plans, coordinating donors' efforts, focusing on results and mutual donor-recipient accountability for outcomes – remain more important than ever, particularly in education. Planning for education requires predictable finance. The costs of paying teachers, meeting per pupil costs and providing textbooks stretch over many years. Similarly, coordinating the large number of aid agencies that support national strategies can reduce the burden on already overstretched education planners.

This Policy Paper outlines some of the broad trends in aid over the past decade, identifying how these have affected education, to underline the idea at the heart of the aid effectiveness agenda: for aid to reach those most in need, it must contribute to and strengthen governments' own efforts to improve people's lives.

### Keep a focus on increasing aid to reach the marginalized

The starting point is to identify trends in education aid. Despite the EFA agenda and MDG focus on basic education, there has not been a significant shift towards aid to education, or to basic education specifically. Aid to education has increased in line with aid to other sectors over the past decade. Basic education continues to receive



a similar share of these increased resources. With 67 million children still out of school and many disadvantaged young people in schools of poor quality, it is vital to strengthen further the focus on ensuring that aid reaches marginalized populations and closes inequality gaps.

*The share of aid to education has not increased over the last decade. One success of the MDGs is that donors have increased funding to key areas, although they are still a long way from meeting their targets. Despite a perception that education and other social sectors have benefited disproportionately from aid increases, education's share has remained static over the past decade, at around 12% of aid that can be allocated to sectors (Figure 1).<sup>iv</sup>*

The MDGs have focused attention on basic education, with the aim of ensuring that all children have a solid foundation for learning. Yet this has not been accompanied by an increase in the share of education aid going to basic education, which has remained around 40% over the last decade (Figure 2).

The increase in aid to basic education in absolute terms has contributed to remarkable results, notably a reduction in out-of-school numbers from more than 105 million in 1999 to 67 million

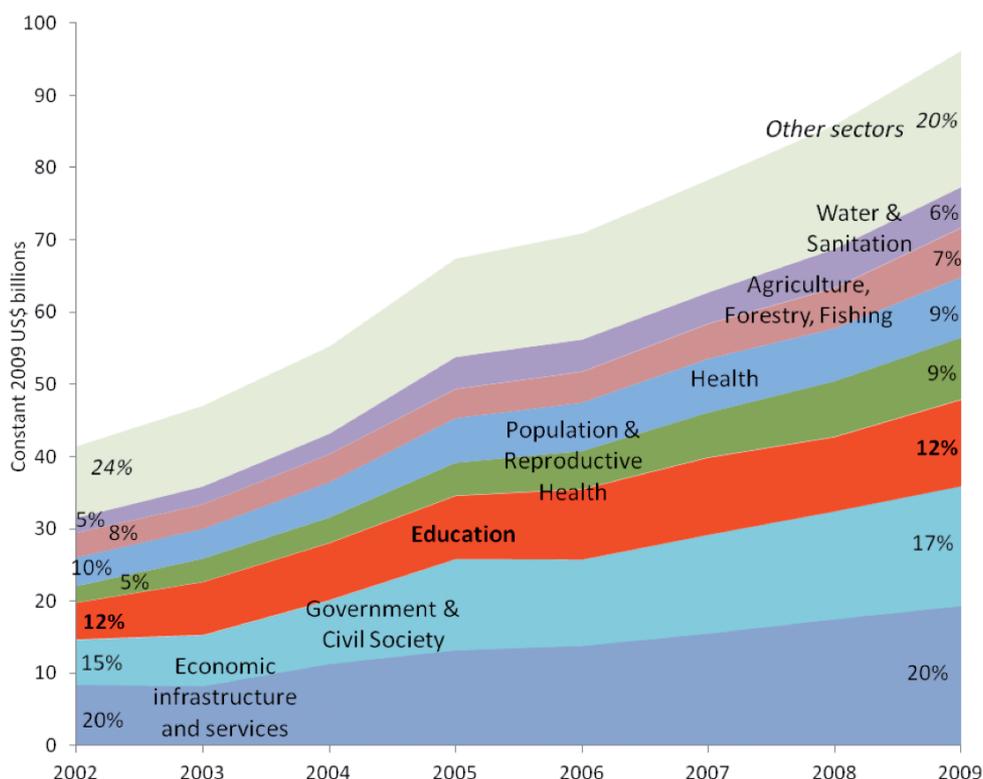
in 2009. In recent years, secondary education has benefited from an increased share of aid. The redistribution towards secondary education is a welcome shift as more young people are now completing a primary education and able to progress to secondary school.

Despite positive trends, however, aid to basic education remains far too low to ensure that all children are able to go to school. Of the US\$5.6 billion in aid to basic education, only around US\$3 billion went to the poorest countries. The Education for All *Global Monitoring Report* estimates that these countries need US\$16 billion a year to achieve the EFA goals by 2015, leaving a deficit of about US\$13 billion.

To make matters worse, some key donors are under pressure to reduce their aid to education, just as evidence is showing that progress towards getting more children into school has slowed in recent years.<sup>vi</sup> With the number of school-aged children set to increase in coming years, there could actually be more children out of school in 2015 than now, the 2011 Education for All *Global Monitoring Report* has shown. There are also serious concerns about the quality of education, affecting children from disadvantaged backgrounds in particular.

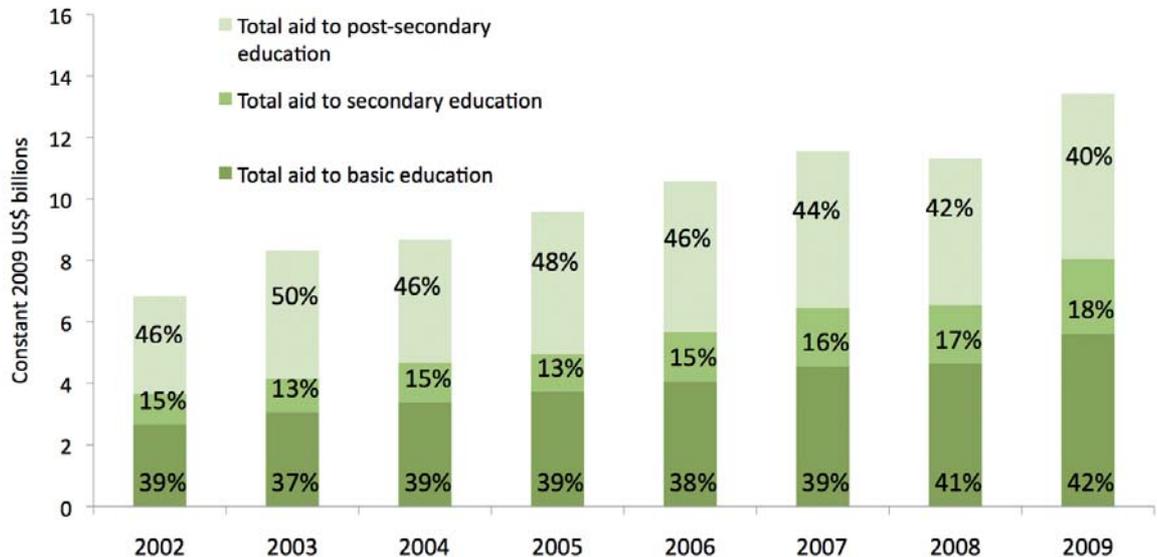
**Figure 1: Education's share of aid has remained static over the past decade**

*Total aid disbursements allocated to selected sectors, 2002-2009<sup>v</sup>*



**Figure 2: The share of aid to basic education has not increased significantly over the past decade**

*Total aid to education per level, disbursements, 2002-2009<sup>vii</sup>*



A large amount of aid to higher education is not spent in developing countries. Post-secondary education continues to receive a large share of education aid. Yet only a limited amount of this aid is used to strengthen the capacity of higher education systems in developing countries. In 2009, 39% (US\$2.1 billion) of total aid to post-secondary education was “imputed student costs”, meaning that the estimated costs of teaching students from developing countries in tertiary institutions in donor countries are counted as aid. France and Germany account for the vast majority of these costs.

The remainder of aid to higher education is essentially a black hole, as the OECD Development Assistance Committee (OECD-DAC) reporting system does not require donors to separate what is spent in donor countries and what is spent in developing countries. Notably, donors do not report on scholarships in any systematic or transparent way. Based on EFA *Global Monitoring Report* estimates, around 62% of Japan’s reported aid to post-secondary education in 2008-2009 was in the form of scholarships for foreign students studying in Japan. This was also the case for at least 18% of the United Kingdom’s aid to post-secondary education and 29% for Australia’s. The effectiveness of such spending can be questioned. To illustrate, paying the scholarship for one student studying in a donor country is estimated to be equivalent to around 50 times the cost of one post-secondary student in Kenya.<sup>viii</sup> This is not to say that such scholarship programmes do not have their benefits, but they need to be put in

perspective. Programmes that actually support post-secondary education in developing countries appear to be few and far between. More broadly, the lack of transparency in reporting aid to this level of education seriously undermines the effectiveness and accountability of aid donors.

*New sources of development financing may not benefit education significantly.* Attention is increasingly focusing on the potential of development financing from the BRIC countries and from private philanthropy. While both could expand the pool of resources available, little information is available on the extent and type of support that is provided to education in poor countries.

From the information that is available, it appears that infrastructure development and technical assistance feature significantly in the priorities of BRIC countries. To take one example, estimates of India’s development finance support to other developing countries suggest around US\$950 million was committed annually in 2008-2010. Just 2% of this was allocated to education, compared with 25% for energy projects and 15% for transport infrastructure projects.<sup>ix</sup> India’s commitment of around US\$15 million to education development finance is less than half the amount provided by Luxembourg, the smallest DAC donor to education. To the extent that “emerging donors” fund education projects, their support also seems to be directed at higher education rather than basic schooling.

Private philanthropy and corporate contributions appear to be highly fragmented and poorly evaluated, and to favour the health sector rather than education. One estimate found that private U.S. foundations gave only around 4% of their grants to developing countries to education, compared with 55% to health.<sup>x</sup> More information is needed on what type of education private philanthropists would be willing to support. In his report to the G20, Bill Gates stated that private schools “have the potential to pay back the original capital invested – and sometimes provide market rates of return.”<sup>xi</sup> The evidence base for this is at best extremely thin, and at worst the research available shows that promoting greater reliance on private schools for the poor can lead to further widening of social inequalities, as we found in the 2009 EFA *Global Monitoring Report*.

New sources of funding for education and other development outcomes are certainly welcome, but experience to date indicates that there will be even greater need to stick to aid effectiveness principles to encourage the most beneficial use of these resources.

### Education has lessons to offer ...

Experience from the education sector shows what can be achieved when the aid effectiveness principles are adhered to. In situations where donors have aligned with national plans, positive outcomes for education are visible. Yet far more needs to be done particularly in the light of the changing aid landscape.

*Education has been at the forefront of aid effectiveness reforms.* The Education for All movement has encouraged country-led education planning. As national planning processes have been strengthened, donors have also increasingly reported through government systems, rather than parallel systems. There are several cases where donors aligning with national plans in education have produced impressive results:<sup>xii</sup>

- Education progress in Ethiopia has been facilitated by sustained government effort to use national planning processes to reduce poverty and expand public education equitably. This has been backed by substantial increases in national education expenditure and aid to the sector. From 2000 to 2007, the education budget increased substantially, from 3.9% of GNP to 5.5%. Key measures included abolishing school fees, building more schools in rural areas, and hiring and training thousands of new teachers. The number of primary school-age children out of school declined from 6.5 million in 1999 to

2.2 million in 2009 and the gender gap in primary education has narrowed substantially. Despite the massive increase in the number of students, learning outcomes have not been noticeably adversely affected, although much more still needs to be done to improve educational quality.

- In the United Republic of Tanzania, the Primary Education Development Programme supported measures such as the abolition of school fees in 2001, capitation grants for primary schools and a major classroom construction programme. Government and donor coordination through a pooled fund and subsequently through general budgetary support has strengthened planning and ensured increased spending on education (from 2% of GNP in 1999 to 6.8% in 2008). These developments have contributed to one of the most dramatic declines in the numbers of primary-school age children out of school in the 21st century, from 3.2 million in 1999 to just 268,000 in 2009.
- With the adoption of Nicaragua’s National Education Plan in 2001, several instruments were introduced for managing aid, with emphasis on using strengthened national procedures for financial planning, reporting, auditing and procurement. The introduction of a pooled fund provided predictable finance, which could be used flexibly to pay for non-salary activities agreed in the Education Ministry’s annual plan. This has helped to avoid fragmentation in the implementation of education programmes, although more needs to be done to address wide inequalities in educational attainment across different parts of the country.

*Some post-conflict countries have benefited from the adoption of aid effectiveness principles.* Remarkable results have also been found in some fragile, post-conflict settings. While not all post-conflict countries have been as fortunate, the evidence shows what can be achieved where aid donors work together to pool risks to support education and pursue broader aid effectiveness principles. The outcomes for education are moreover important for promoting the confidence of citizens in new governments:

- In post-genocide Rwanda, donors supported the fragile peace by moving rapidly from humanitarian aid towards general budget support. The share of aid allocated through the country’s general budget increased from 4% in 2000 to 26% in 2004. This increase, combined with long-term commitments by several donors, enabled the development of education sector

strategies backed by secure budget provisions. Rwanda is now close to achieving universal primary enrolment.

- In Sierra Leone, major donors made long-term commitments to reconstruction, with aid increasing by 70% between 2001-2002 and 2003-2004. Much of this was provided through direct budget support, and included measures to strengthen public financial management systems. Education was at the centre of the reconstruction process, with a strong focus on equity. Budget support was used to finance subsidies to schools following fee abolition, and to provide textbooks. As a result, enrolment in primary school increased rapidly from a very low base.
- Cambodia's move towards a sector-wide framework after 2000 led to improved planning and coordination, helping shift donor support away from project-based aid towards supporting national capacity development. Greater planning capacity has been reflected in accelerated progress in education. Entry into the last grade of primary school increased from just 40% in 1999 to 79% in 2008.

### ... but reaching the marginalized requires a much bigger effort

The lessons from these countries show that aid working through and with government plans can contribute to unprecedented improvements in access and equity. But as with other sectors, even where mechanisms are in place at the country level, not all aid donors are supporting the processes, which can undermine the efforts of national governments and aid donors who are aligning with country-led plans. Far more needs to be done to ensure progress is sustained, and is extended to the most hard-to-reach populations, while ensuring expansion is not at the expense of educational quality.

*The Global Partnership for Education is a potentially effective aid mechanism.* The Global Partnership for Education (GPE, formerly the Education for All Fast Track Initiative) is the only global pooled fund mechanism for aid to education. Aid effectiveness principles are at the heart of the GPE objectives. Country governments that are supported by the GPE develop their own national education plans, and in-country donors support the plan's activities. The GPE has the potential to greatly increase country ownership, enhance predictability of aid and promote donor alignment with national plans.

Despite this potential, only a small share of aid to basic education has been disbursed through the GPE's mechanisms. Only around one-quarter of aid to basic education to the 33 developing countries whose national plans had been endorsed by 2010 was channeled through the GPE between 2004 and 2009. Compared with total aid to basic education in *all* countries, the GPE's share is just 6%. The US\$1.5 billion for the period 2011 to 2014 pledged at the GPE replenishment meeting in November 2011 is unlikely to change this picture significantly.

One reason for donors' reluctance to channel more of their funds through the GPE has been recognition that the governance of the partnership needed reform. Changes that have occurred since the 2010 external evaluation and recommendations in the 2010 EFA *Global Monitoring Report* have moved the GPE in the right direction including ensuring more developing country voice in decision-making. However, more needs to be done to ensure funds can be disbursed in a timely fashion, avoiding unnecessary institutional impediments.<sup>xiii</sup>

*Avoid donor proliferation, but not at the expense of sectors and countries that need aid.* The Paris principle of harmonizing aid to avoid proliferation and duplication of donor efforts has the potential to make aid more coherent with national priorities, and avoid imposing undue transaction costs on governments. Recent experience shows, however, that if donors do not coordinate at international *and* country level, specialization can leave countries most in need of international support high and dry.

Adopting the argument of "division of labour" between donors, the Netherlands, Canada and the United Kingdom are all drastically reducing their partner countries. For both Burkina Faso and Nicaragua, however, this has meant five donors pulling out of education at the same time, representing around half and a third of aid to basic education, respectively.<sup>xiv</sup> Both countries still face significant challenges in reaching universal primary education, and are at the bottom of the league in their respective regions in terms of education attainment.

Donors are also reviewing aid strategies to concentrate on sectors that serve their interests best and in which they believe they will have the most impact. As a consequence, some are either reducing the importance of education within their aid programmes, or pulling out of education entirely. The Netherlands, one of the top three donors to basic education in the past decade, has excluded education from its four new priority areas.<sup>xv</sup>

Avoiding proliferation and fragmentation can play an important role in supporting aid effectiveness and becomes even more critical with the emergence of new donors and private philanthropists, but it has to be driven by the interests of countries most in need of external support, not by the interests of donors.

*'Managing for results' needs to focus on outcomes that benefit the marginalized.* The Paris principle of "managing for results" has been given a fresh impetus in the light of the financial crisis that has hit rich countries. Taxpayers are demanding to see where aid money is going and whether it is achieving its stated aims. Donors are increasingly turning to "results-based" aid and seeking ways to link their funding to specific outcomes that can be identified as showing value for money.

The emphasis on identifying results is understandable and welcome, provided it does not lead to perverse outcomes. It is extremely difficult to attribute increases in numbers of children in school, or improvements in learning attainment, to any one donor. Provided national governments, aid donors (old and new) and private philanthropists adhere to aid effectiveness principles and take mutual responsibility, they can also take mutual credit for the outcomes, as experience in countries such as Ethiopia, Cambodia, Nicaragua and Sierra Leone shows.

There is, however, a danger that recent trends towards results-based aid could shift attention

towards quick wins and easily measurable results, at the expense of the longer-term gains that predictable aid can achieve. As a wealth of experience shows, sustained investment in education can have a catalytic effect on broader development outcomes, including economic growth, improved food security and gender empowerment. Focusing on quick wins is likely to undermine efforts to achieve these kinds of results. It will also mean that the hard-to-reach, who require targeted measures that are likely to be more costly and complicated, will get neglected.

### **The message for Busan and beyond: Let's keep our eyes on the prize**

Donors need to show a renewed impetus towards fulfilling the aid effectiveness principles set out in 2005, together with a greater focus on outcomes that matter for the marginalized. The advent of new donors and private philanthropy makes it even more crucial to ensure all sources of development financing align with national priorities. If all these actors show the same commitment as national governments have begun to show, there is still hope that progress can be achieved towards making the MDGs and EFA a reality. In the first half of the past decade, millions more children were able to enrol in school. Focusing on countries and populations that continue to face severe disadvantages in education will ensure that similarly impressive results can be achieved in strengthening access and learning for those who are hardest to reach. ▣

## Notes

<sup>i</sup> Unless otherwise stated, all evidence from this Policy Paper is drawn from the 2010 EFA Global Monitoring Report, *Reaching the Marginalized*, and the 2011 EFA GMR, *The hidden crisis: Armed conflict and education*. All ODA data comes from the latest available figures from the OECD-DAC's Creditor Reporting System (CRS) database, with calculations from the GMR team.

<sup>ii</sup> OECD, 2011. *Aid Effectiveness 2005-10: Progress in implementing the Paris declaration*. Paris, OECD Publishing.

<sup>iii</sup> Africa Development Bank, African Union and NEPAD *The Tunis Consensus: Targeting Effective Development. From Aid Effectiveness to Development Effectiveness* Tunis, 4-5 November 2010.

<sup>iv</sup> The share of aid to other sectors has also remained more or less static, with the exception of increases for reproductive health (mainly due to attention that has been given by global funds to HIV and AIDS), and government and civil society, as aid donors have become increasingly concerned with strengthening governance in recipient countries.

<sup>v</sup> Data on aid disbursements are only available since 2002, but they are less volatile and a more reliable measure of aid actually spent than commitments. Considering the time-lag between pledges, commitments and disbursements, 2002 is a reasonable baseline to measure MDG progress.

<sup>vi</sup> UNESCO, 2011. Trends in aid to education. Despite increases, *aid is still vastly insufficient and fragile*. EFA Global Monitoring Report Policy Paper No. 1. Paris, UNESCO.

<sup>vii</sup> Total aid to basic education includes 10% of general budget support and 50% of education, level unspecified. Total aid to secondary and post-secondary education each include 5% of general budget support and 25% of education, level unspecified.

<sup>viii</sup> Scholarships and imputed student costs are reported differently by different donors, and not always included under aid to education, which makes comparisons difficult. But in the case of the United Kingdom for example, Chevening and Commonwealth Scholarships are included in aid to education figures even though they are usually disbursed by the Foreign Office and not DFID.

<sup>ix</sup> Michael G. Findley, Darren Hawkins, Robert L. Hicks, Daniel L. Nielson, Bradley C. Parks, Ryan M. Powers, J. Timmons Roberts, Michael J. Tierney, and Sven Wilson. 2011 *"AidData: Tracking Development Finance"*. These figures, from the AidData database, are estimates and incomplete. They should be used with caution since they may not all correspond to the definition of ODA, and therefore cannot be directly compared with aid as reported by members of the OECD-DAC.

<sup>x</sup> Centre for Global Prosperity. 2011. *Index of Global Philanthropy and Remittances 2011*. Washington, D.C., Hudson Institute.

<sup>xi</sup> Gates, B. *Innovation with Impact. Financing 21st Century Development*. A report by Bill Gates to G20 leaders, Cannes Summit, November 2011.

<sup>xii</sup> See 2010 and 2011 EFA *Global Monitoring Reports* and Engel, J. 2011. *Ethiopia's progress in education: A rapid and equitable expansion of access*. London, ODI publications.

<sup>xiii</sup> See 2010 EFA *Global Monitoring Report* and Cambridge Education, Mokoro and Oxford Policy Management (2010) *Mid-Term Evaluation of the EFA Fast Track Initiative*. Final Synthesis Report.

<sup>xiv</sup> EFA FTI and Brookings Institution. 2011. *Prospects for bilateral aid to basic education put students at risk*. Washington, D.C., Education for All Fast Track Initiative and Brookings Institution.

<sup>xv</sup> Netherlands MoFA. 2011. *Letter to the House of Representatives presenting the spearheads of development cooperation policy* The Hague, Netherlands, Ministry of Foreign Affairs.

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