EDUCATION RESOURCE MOBILIZATION AND USE IN DEVELOPING COUNTRIES:
Scope for Efficiency Gains through more Strategic Use of Education Aid

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# Table of Contents

Abstract ........................................................................................................................................ iv

Introduction: Setting the Scene ................................................................................................ 1

1. Drivers for Change in Education Priorities and Policies ............................................... 4
   (i) Shift in focus from access to quality, equity and retention ............................................. 4
   (ii) Neglected EFA goals ...................................................................................................... 5
   (iii) Children affected by conflict ..................................................................................... 7
   (iv) The “youth bulge” ......................................................................................................... 7
   (v) Higher priority to teachers ............................................................................................ 7
   (vi) Pressure on post-primary education .......................................................................... 8
   (vii) Unemployment and skills miss-match ...................................................................... 9
   (viii) An increasingly diversified system ......................................................................... 9
   (ix) Growing role of knowledge and innovation in development .................................. 10
   (x) Unprecedented societal change ................................................................................. 11
   (xi) The imperative of economic growth to education financing ................................... 11

2. Systemic Weaknesses Constraining Countries’ Ability to Respond ............................ 13
   (i) Building institutions for leadership, accountability and innovation ........................... 13
   (ii) New areas of capacity development (CD) ................................................................. 14
   (iii) New audiences ......................................................................................................... 14
   (iv) New ways for aid to support CD .............................................................................. 15

3. Systemic Weaknesses in the Global Education Aid Architecture ............................... 17
   3.1 Education aid commitment, delivery and predictability ............................................. 18
      (i) Low share of education in total ODA ................................................................. 18
      (ii) Low aid predictability ......................................................................................... 18
      (iii) Unequal distribution of aid among countries .................................................... 20
   3.2 Effectiveness of the global education aid architecture .............................................. 21
      (iv) Declining share of DAC-funded ODA in total external funding ....................... 21
      (v) Declining technical capacity of aid agencies .................................................... 23
      (vi) Inadequate supply of “Global Public Goods” (GPGs) in education .................. 24
      (vii) Harnessing the comparative advantage of different agencies ........................... 26
   3.3 Strategic use of education aid in aid recipient countries ........................................... 27
      (viii) Using aid where it has comparative advantage .............................................. 28
      (ix) Mitigate harmful effects of high aid dependency .......................................... 29
      (x) Mitigate harmful impacts of high aid dependency on domestic resource mobilization 31

4. A Three-Step Strategy to Enhance the Effectiveness of Education Aid ..................... 32
   Step 1: Strengthening the global leadership capacity of the education aid community .... 33
   Step 2: Enhancing the capacity of the global education aid architecture ....................... 34
   Step 3: Providing target funding to priority areas at the country level ........................... 35

Concluding Remarks ............................................................................................................. 36
Abstract

This paper discusses options for enhancing the allocative efficiency of education aid by using the aid more strategically to increase its impact on national and global education outcomes. Since the agreement in year 2000 on the Education for All goals for 2015, the global dialogue on education aid has focused on increasing the volume of Official Development Assistance (ODA) to bridge projected funding gaps to attain these goals. This advocacy for more aid has targeted donor countries that are members of the OECD’s Development Assistance Committee (DAC). The attention to aid effectiveness has largely been limited to enhancing the efficiency of aid delivery and use through more harmonized aid modalities, better alignment of aid on recipient countries’ policies, and improved ownership and governance by aid recipient countries. Little attention has been paid to the extent to which the aid is allocated efficiently (by level of education, purpose and country; between country-specific and Global Public Good functions; or between bilateral and multilateral aid) to maximize its impact on education outcomes.

This paper reviews reasons why more attention should be paid to allocating education aid more strategically. By far the largest share of education spending in most countries is funded by domestic resources. Therefore, what can be gained from more efficient delivery of aid from DAC countries is limited if the aid is not deployed strategically to maximize the impact of total domestic and external funding on national and global education outcomes. The need to use DAC aid more strategically is reinforced by factors such as increasingly tight aid budgets in DAC countries, growing disillusionment about aid effectiveness, an unprecedentedly high level of aid dependency in some countries, and rapid growth in funding from “new” donors as well as from a variety of private sources. Also, the education challenges that countries will face this coming decade will be different from those of the last decade, and the allocation of aid must evolve to reflect this change. This paper discusses emerging education challenges and calls for decisions on aid allocation to become more firmly based on evidence regarding how aid can most effectively help countries build sustainable systems for developing, implementing, monitoring and evaluating the type of policies and programs needed to successfully address these challenges.

However, progress towards more evidence-based aid allocation and use is hampered by weak capacity in both aid recipient countries and in the global education aid architecture. The former constrains countries’ ability to make effective and equitable trade-offs in education resource allocation and utilization while the latter limits the ability of the global aid community to allocate aid strategically. Combined, these weaknesses limit effective use of both domestic and external education funding, and concerted efforts should be made by the global aid community to remove them. This will not be easy. The current aid allocation is the outcome of complex processes in donor countries, development agencies and recipient countries, each responding to many constituencies. In order to change these processes it will be necessary to develop both a broad consensus on the issues involved in making aid allocation more evidence-based and a strong commitment to act. This paper therefore calls for a three-step strategy to speed up this change process by:

- Strengthening the global leadership capacity of the education aid community by building high-level political consensus on a reform agenda to enhance aid effectiveness;
- Enhancing the capacity of the global education aid architecture to translate the reform agenda into agreed actions by reforming, harnessing synergies and scaling up the capacity of promising existing agencies and networks, with special attention to those producing regional and global public good functions in the education sector; and
• Providing *target funding to priority areas* at the country level that need urgent attention to enhance the effectiveness of both domestic and external education funding.

Much attention has rightly been paid over the past decade to helping aid-recipient countries develop better quality sector plans, more evidenced-based decision-making processes, and stronger implementation capacity. This paper argues that the next phase in enhancing the effectiveness of education aid should be to give similar attention to the potential for increasing the catalytic impact of such aid through better quality decision-making and follow-up on aid allocation and coordination matters by donor countries and agencies.
Education Resource Mobilization and Use in Developing Countries:
Scope for Efficiency Gains through more Strategic Use of Education Aid

Introduction: Setting the Scene

During the last decade, much of the global debate on Official Development Assistance (ODA) focused on reversing the decline in overall ODA during the 1990s, especially for Sub-Saharan Africa (SSA), and on enhancing aid effectiveness. To reverse the decline, successive G8 meetings have pledged major increases in ODA. However, as discussed later, delivery on these pledges has been disappointing. The 2010 G20 meeting in Korea changed the focus of these summits, from pledging money to mapping out a “Multi-Year Action Plan on Development” with measures to ease the bottlenecks to growth in developing countries. The Plan focuses on nine areas, many of which directly relevant to the education and training sector. However, the concrete follow-ups on this Plan are as yet unclear.

Work on enhancing aid effectiveness culminated in the 2005 “Paris Declaration on Aid Effectiveness” comprising more than fifty commitments with targets for 2010. These are largely designed to foster higher technical efficiency in aid delivery and use through improved harmonization of aid modalities, better alignment of aid on recipient countries policies, stronger ownership and better governance by recipient countries, and enhanced mutual accountability for results. Progress is monitored by the OECD Development Assistance Committee (DAC) and was assessed at the September 2008 “Third High-Level Forum on Aid Effectiveness” in Accra, Ghana. The Forum concluded that the pace of progress was too slow (AAA 2008, paragraph 6, and OECD 2008). A Fourth High-Level Forum is scheduled for 2011.

Last decade’s international debate on ODA for education mirrors that of overall ODA: Most has focused on advocacy aimed at increasing the volume of aid, especially to attain the Education for All (EFA) and Millennium Development Goals (MDGs), and most of the concerns regarding aid effectiveness has focused on enhancing the technical efficiency of aid delivery and use once the decisions on how the aid should be allocated have been made. Much less attention has been given to how the purpose for which the aid is allocated affects overall effectiveness of any given amount of aid. In most countries, by far the largest share of education spending is funded by domestic resources. Furthermore, over the last decade, there has been an increase in ODA from donors who are not members of the DAC as well as in other external financial flows to developing countries, some of which support -- or could potentially support -- education. Therefore, what can be gained from more efficient delivery and use of aid from DAC countries is limited if this aid is not deployed strategically to maximize its overall effectiveness in terms of:

- **The impact of total domestic and external education funding on education outcomes.** As discussed later, what represents strategic allocation of aid to maximize this impact is evolving rapidly. Key drivers for the next decade will include: (i) Major changes in the education challenges developing countries will face; (ii) Increase in the share of total education expenditures financed by domestic rather than external resources (with the exception of some fragile countries); and (iii) Decline in the share of external resources funded by ODA from traditional DAC donors.

- **The mobilization of domestic education resources.** The way aid is deployed can stimulate national resource mobilization in two interrelated ways. First, by maximizing the additionality of the aid to ensure that it adds to -- rather than substitutes for -- domestic resources.

1 The nine priority areas are: infrastructure, human resources development, private investment and job creation, trade promotion, domestic resources mobilization, financial inclusion, resilient growth and knowledge sharing.

2 The terms “allocation” and “deployment” of aid to given purposes are used to denote aid targeted to such purposes through specific projects or through budget support with performance indicators aimed at rising public spending for such purposes. Unless otherwise stated, “education aid” refers to ODA for education from DAC donors.
Substitution risks creating harmful aid dependency without adding to the resource base for education in a sustainable way. Second, avoiding substitution also helps avoid creating disincentives to national resource mobilization. To allocate aid in ways that minimize such potential harmful long-term aid dependency effects is particularly important for SSA where both the level and the duration of dependency in the education sector are without historic precedence.

On the above background, this paper aims to stimulate discussion on four propositions:

(i) **Addressing the coming decade’s education challenges in developing countries will require much more capacity and knowledge intensive policies and programs than in the past.** Some of these are “old” challenges in areas where progress remain elusive. Others stem from successes over the last decade, such as increased demand for post-primary education, and the pressure on labor markets from the growing number of graduates. Still others reflect the increasing need for education systems to respond timely to the demand for better quality and more relevant education stemming from historically unparalleled rapid global economic and social change. Thus, instead of setting the pace of change, the education system’s ability to serve effectively the economy and society depends increasingly on how well it is able to respond to developments outside the system. In turn, the system’s capacity to respond will depend on its ability to enhance radically its institutional capacity for adaptability, accountability and innovation.

(ii) **Systemic weaknesses in aid recipient countries** hamper effective response to these new challenges by constraining the countries’ ability to make effective and equitable trade-offs in education resource mobilization, allocation and utilization.

(iii) **Systemic weaknesses in the global education aid architecture** hamper effective mobilization, allocation and use of education aid to help countries response to these new challenges. This limits the effectiveness of both domestic and external education funding.

(iv) **More strategic use of education aid would help correct systemic weaknesses at both the country and global levels.** However, current aid allocation by sector, purpose and country is the outcome of complex processes and represents commitments that can only be changed gradually over time. **New external funding can help speed up this change process if used in targeted, innovative ways.** Such new funding may include a combination of new (or perhaps frontloading) of ODA from “old” and “new” donors, funds from private foundations or funds mobilized in innovative ways. The funds would support a three-step strategy designed to enhance the effectiveness of education aid by:

1. **Strengthening the global leadership capacity of the education aid community** by building high-level political consensus on a reform agenda to enhance aid effectiveness.

2. **Enhancing the capacity of the global education aid architecture** to translate the reform agenda into agreed actions by reforming, harnessing synergies and scaling up the capacity of promising existing agencies and networks, with special attention to those producing regional and global public good functions in the education sector.

3. **Providing target funding to priority areas at the country level** that need urgent attention to enhance the effectiveness of both domestic and external education funding.

The rest of the paper discusses the rationale for the above four propositions. **Section 1** highlights ongoing changes in education priorities necessitating shifts in aid policies. **Sections 2 and 3** exemplifies key systemic weaknesses at country and global levels hampering effective domestic and external
education resource allocation and use to address evolving priorities. Section 4 expands on the proposed three-step strategy to enhance education aid effectiveness.

There should be no illusions as to the complexity of removing some of the many bottlenecks to effective allocation of education aid discussed in Section 3. But the scope for effectiveness gains is likely to be considerable. And given the current constraints on aid budgets in DAC donor countries and the growing disillusionment about aid effectiveness, it is urgent both to make ODA work better and to integrate external funding beyond that provided by traditional DAC donors into the discussion. Therefore, it is time to act.

However, success will require strong political leadership, including in donor countries and agencies. In fact, insufficient high-level global political attention to education aid is perhaps the key factor explaining why widely recognized major weaknesses in the education aid architecture are not addressed. True, this reflects similar slow progress in addressing key systemic weaknesses in the overall aid architecture, such as reforming the multilateral system, promoting more effective distribution of labor among different parts of the aid architecture, and extending efforts to promote more effective use of DAC ODA to include non-DAC ODA and non-ODA funding. Nevertheless, the low attention to education aid is paradoxical, given the prominence of education issues in national elections debates in poor and rich countries like. It is also interesting to note that while education’s share of total ODA has remained at about 10% over the last decade, the share of health increased from 11% in 1999-2000 to 17% in 2006-07.

Much attention has rightly been paid over the last decade to helping aid-recipient countries develop their capacity to prepare evidenced-based EFA plans and handle related budgetary trade-offs. The same degree of attention has not been given to increasing the catalytic impact of education aid through better quality decision-making and follow-up on aid allocation and coordination matters by donor countries and agencies. To do so should be the next phase in implementing the aid effectiveness agenda.
1. Drivers for Change in Education Priorities and Policies

In the coming decade, education systems everywhere, but especially in developing countries, will face a number of major, interrelated challenges:

- Some are continuation of “old” challenges in areas where progress remain elusive, such as poor quality and relevance; inequity in education provision; persistence of high levels of dropout; poor teacher support, management and accountability; and weak institutions.

- Others stem from education successes, such as pressure on post-primary education resulting from last decade’s impressive growth in primary education, and growing demand for gainful employment caused by the rapid increase in outputs from all levels of education. It is in the nature of education progress that every problem solved tends to generate new challenges.

- Still other challenges reflect major societal changes outside the education system, such as the phenomenal advance in ICT; demographic change; the advance of democracy; the desire for more cohesive and equitable societies; and the need to produce the skills, knowledge and “change agility” needed to compete in the increasingly knowledge-based global economy.

This section highlights a few major challenges that will be key drivers for change in education policies and priorities over the next decade. But, as discussed in Section 2, most countries’ ability to address such challenges is severely hampered by one overarching constraint: Slow progress in developing institutions that can (a) prepare and implement more evidenced-based policies; (b) better monitor the quality of service delivery and exercise accountability; and (c) be more inclusive and innovative. Greater progress on such systemic reforms is likely to be crucial to success in addressing next decade’s challenges. In turn, successful implementation of such reforms will require sustained political commitment and an ability to handle the political economy of complex trade-offs. Finally, as discussed in Section 3, the ability of external aid to effectively support countries in the design and implementation of systemic reforms will depend closely on the extent to which systemic weaknesses in the global education aid architecture itself can be addressed.

(i) Shift in focus from access to quality, equity and retention

Successive issues of the UNESCO EFA Global Monitoring Report (GMR) have shown both the impressive growth in access to primary education over the past decade and the limited progress in improving quality, equity and school retention. This is especially the case for most Sub-Saharan African (SSA) countries: Between 1999 and 2008 primary school enrollment grew by 57% (5.1% annually) and the Gross Enrollment Ratio (GER) increased from 80% to 102%. However, about one-third of those who enter drop out prior to completing the primary cycle, and of those who complete, only about half master the skills and knowledge they were expected to acquire. About 28 million primary school aged children remain out of school in SSA (40% of the world total) of which two-third are expected to never enter school. And those excluded from school are largely from poor families, live in rural areas, and are predominantly female, orphaned or disabled.

To improve the quality of learning is likely to be the single most difficult challenge in reaching universal primary completion. Much is known about what needs to be done. However, implementation has been

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3. To better appreciate this growth it is worth noting that SSA’s GER in primary education grew from about 40% in 1960 to about 80% in 1980, then declined to about 74% in 1992 and only regained its 1980 level in 1999.

4. UNICEF and the UNESCO Institute of Statistics are conducting an important global initiative to document why children do not enroll or drop out from school as well as successful policy responses, see UNICEF (2010).
poor, often because of a combination of weak political leadership, poor institutional capacity, and the difficult political economy of implementing reforms designed to exercise accountability for resource use and learning outcomes. To address such issues will require a complex set of interventions. While some will require additional investments, others require systemic changes in terms of willingness and ability to set and monitor service standards and to hold actors at the classroom, school and system levels accountable for delivering on these standards.\textsuperscript{5} For example, in many SSA countries, resource constrains is not the main factor explaining some major causes of low education quality and relevance such as lack of textbooks; short effective length of the school year; high teacher absenteeism; poor teacher management and support; and curricula which some 50 years after independence often remain poorly adapted to the national cultural, social and economic context.

As regards equity, supply factors such as lack of or incomplete schools, long walking distance to schools and lack of adapted options for children of nomadic families are still a major cause of exclusion. However, as supply is improved, the need for actions to stimulate demand increases. Even well-endowed and managed schools cannot ensure attendance and effective learning if children are hungry, need to work long hours at home, or the parents are illiterate. In particular, making education provision more accessible to the poor means reducing direct and opportunity costs to families. SSA’s education stagnation in the 1980s was closely associated with increased fees to replace reduced public funding. Conversely, the large enrollment increases in the many countries that abolished fees in recent years show their impact on poor parents’ enrollment decisions.\textsuperscript{6} Other interventions include school-feeding and health programs; small, multi-grade schools close to home; reduced need for child labor, especially for girls, through labor-saving devices such as drilling wells and providing fuel-efficient stoves; and adult literacy courses. But such interventions will often be more costly, and demand stronger implementation capacity, than those used for children who are currently enrolled who, on average, come from more accessible areas and have a more favorable family background.

Finally, as regards dropout, improving quality and addressing the factors causing inequity in access will also help retain those who enroll. However, as underlined in UNESCO (2011a, pp. 47-53), dropout is caused by a number of poverty, school and home-related factors that require a broad set of interventions to address. Countries and donors need to give higher priority to the development and implementation of such interventions.

(ii) Neglected EFA goals

Successive EFA GMRs have also shown that while great strides have been made towards universal access to primary education, progress towards the other EFA goals has been modest.\textsuperscript{7} Because of their impact on the quality of primary education and, more broadly, on the children’s future life chances -- ranging from health standards and individual fulfillment to social integration and employment prospects -- it is now urgent to give much higher priority to these other EFA goals. In addition to the importance of improving quality (EFA Goal 6) discussed above, three other EFA goals should be particularly important drivers for aid priorities for the next decade:

\textsuperscript{5} For example, Glewwe and Kremer (2006) found that while access can be increased largely by adding more resources, there is little evidence that more resources alone have an impact on learning outcomes. Bruns, Filmer and Patrinos (2011) provide a stock-taking of the evidence of school accountability reforms in developing countries.

\textsuperscript{6} Fredriksen (2009) reviews the experience in abolishing school fees in selected African countries.

\textsuperscript{7} The six EFA goals are (abbreviated): (1) Expand early childhood care and education (ECCE) to all; (2) Ensure that by 2015 all children have access to and complete free and compulsory primary education of good quality; (3) Provide all young people and adults with appropriate learning and life-skill programs; (4) Achieve a 50% improvement in levels of adult literacy by 2015, especially for women; (5) Achieve gender parity in primary and secondary education by 2005, and gender equality by 2015; and (6) Improve all aspects of the quality of education.
• **ECCE (Goal 1):** A growing body of research shows convincingly that ECCE is a crucial element of any comprehensive strategy to improve quality and equity in primary education and, more broadly, to equalize life chances. Still, ECCE gets low budgetary priority from both Governments in developing countries and from donors. And “The children most likely to benefit from ECCE programmes – those most exposed to malnutrition and preventable diseases – are the least likely to get involved” (UNESCO 2006, p. 5). Clearly, for donors desiring to strengthen the impact of their aid on reaching primary school completion (Goal 2) as well as on poverty reduction, to help countries develop and implement sustainable ECCE policies should be a high priority.

• **Equitable access to appropriate learning and life-skills programs for all young and adults (Goal 3):** This is a broad goal. It is also a very important one for most developing countries, especially considering the increasing challenges presented by the “youth bulge” of jobless, uneducated and restless youth, confer point (iv) below. Similar to the neglect of illiteracy, the provision of “second chance education” to help youth find gainful employment is severely underfunded by both countries and donors. Also, as discussed further under point (vi) below, many countries have been slow in reforming their technical and vocational education and training system (TVET) to enhance its ability to respond effectively to labor force development needs. This is especially true for the needs of the majority of the labor force in most low-income countries engaged in the rural sector and in the informal economy, often at very low levels of productivity. As discussed in Adams (2007), the need for developing effective skills programs to help youth make the transition from school to work is particularly important.

• **Female literacy (Goal 4):** Despite strong research evidence (see UNESCO 2005) on the impact of female literacy on women’s empowerment; family welfare, including child health and nutrition; fertility rates; agricultural productivity, etc., it is an “inconvenient truth” that little has been done to provide education programs for those who missed out on primary education. This neglect is partly due to a misconception that cost-effective programs are not available. They are (see Oxenham 2008). But perhaps mostly it reflects low political voice by those who remain illiterate: predominantly poor women in rural areas. It might be understandable (though it is still poor policy) that political economy factors may drive governments to make trade-offs favoring groups with stronger voice. However, given the research evidence and the goals of the aid community to promote equity, women empowerment, productivity and poverty reduction, this is a striking example of the lack of attention given to the allocative effectiveness of education aid. It is especially regrettable for SSA and South Asia where almost half of adult women are illiterate, and about 1/3 of those aged 15-24 years. This is a huge missed growth potential. It is also a huge welfare loss since women’s work is closely integrated with household production systems, and the income earned by women is more likely to be used for the benefit of the family, providing children’s food, clothing, health services and education.

In short, to anticipate on the discussion later in this paper: A shift in aid priorities in favor of the neglected EFA goals would be a shift towards more strategic use of aid. First, it would play to the comparative advantage of aid in helping countries develop sustainable policies in areas such as ECCE, literacy, and “second-chance” education. Second, it would help enhance the impact of aid on poverty and equity. Third, since Governments spend little in these areas, it would help promote aid additionality rather than substitute for domestic funding.

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8 UNESCO (2006), Young (2007), and Alderman (2011) review the benefits of ECCE. Garcia et al. (2008) discusses the challenges of providing ECCE in SSA.
(iii) Children affected by conflict

Though included under the other EFA goals, this group deserves special attention by the education aid community. UNESCO (2011a) estimates that of the 67 million primary school aged children who are out of school, 28 million are in conflict-affected poor countries. The importance and complexity of providing education to such children is reviewed in the UNESCO report as well as in Nicolai (2009) and Brannelly et al. (2009). Suffice it to emphasize here that this is a sad example of education aid not being used strategically to help where it could really have additionality, be poverty-focused and help equalize life chances of children who otherwise will miss out on this basic human right. For example, less than 2% of emergency assistance is allocated to getting children affected by emergency quickly back to school. More broadly, but especially for these children, education has the potential to act as “a force for peace” by building mutual trust and understanding among different population groups, and by offering hope for the future. But education can also fuel conflict if used to reinforce social divisions, inequalities and prejudices. To avoid this, deliberate choices must be made with respect to content of programs and equity in provision. Education aid can do a better job in supporting countries in this regard.

(iv) The “youth bulge”

A rapidly growing number of jobless, uneducated and restless young people threaten many countries’ stability and development progress, especially in African and Arab States where the demographic transition remains slow. However, the youth is also these countries most abundant asset if they can reap the “demographic dividend” of the demographic transition -- a large, young workforce with fewer dependents -- in the way enjoyed by East Asian countries. But, as noted in World Bank (2008a) and IDB/IFC (2011) discussing the situation in North Africa and the Middle East, successfully harnessing this opportunity requires a coherent and integrated response from all major stakeholders. While making education more relevant to employment is absolutely a necessary part of this response, education alone is not sufficient to turn the “youth bulge” from being a potential danger into an opportunity: If education is not coupled with policies leading to growth and employment generation, the result is likely to just postpone the problem by shifting from a jobless uneducated “youth bomb” to an educated one. Governments that ignore the urgency and complexity of this challenge do so at their own peril as illustrated by the ongoing uprisings in many Arab States.

(v) Higher priority to teachers.

Teachers constitute the single-most important input into the education process, be it in terms of determining learning outcomes, success of education reforms or costs. They also often constitute the largest share of a country’s civil servants. And yet, education strategies often pay little attention to factors affecting teacher effectiveness, such as policies for training, deployment, management, incentives, supervision and accountability for learning outcomes. Moreover, in many countries, and especially in SSA, the economic stagnation in the 1980s and 1990s led to drastic decline in salaries, with associated decline in teacher morale. Despite some progress over the last decade, on average (there are variations between countries) the real value of primary school teacher salaries in SSA is just back to where it was in the mid-1970s (UNESCO-UIS, 2011, p. 52). Despite some progress over the last decade, teachers’ working conditions remain poor in most low-income countries, with large class sizes and limited access to professional support, in-service training, and learning materials.

Successive EFA GMRs have shown that teacher recruitment must increase sharply in many countries in order to reach universal primary education (UPE) by 2015. It will be even more difficult to provide the teachers required to rapidly expand the coverage of ECCE and post-primary education. While

A survey of youth in nine Arab States found that only a third of those surveyed believe that their education prepare them adequately for the job market, see IDB/IFC (2011 p.10). The study also note that despite a robust rate of annual rate of GDP growth of almost 5% in the Arab states over the decade 2000-2010, the region suffers from the highest youth unemployment in the world, around 25%, exceeding 30% for young women (op.cit., p. 9).
developing the teacher training capacity needed is a huge challenge, that obstacle is often minor compared to the problem of financing the salaries of the teachers once trained. Therefore, recruitment of more teachers needs to be accompanied by concerted and consultative efforts to use more effectively available teachers. As shown in Bruns et al. (2011), many developing countries are now developing strategies for doing that by introducing a variety of reforms to increase teachers’ accountability for education outcomes through interventions such as generating and disseminating information about schooling rights and responsibilities, resources received and outcomes; decentralization of school-level decisions to various types of school-level bodies; and policies that link pay or regular recruitment to performance. But developing sustainable options is complicated by the fact that the ability of ministries of education and teacher unions to interact constructively is often quite poor.

In short, from whatever angle the “teacher issue” is approached, it is a major concern for education policy makers, a concern that will grow in importance in the coming decade.

(vi) Pressure on post-primary education

Numerous studies have shown the urgent need for low-income countries to develop sustainable policies for expansion of secondary education, both to respond to rising social demand resulting from the progress towards UPE and to develop the skills needed by the economy. Secondary education may well be one of the highest-return investments available to many countries. But to maximize these returns, secondary education must provide the language, math, and science skills needed to prepare for productive employment and/or pave the way for further training or university education. Success will require financially sustainable strategies, often starting with an 8-10 year basic education cycle followed by competitive entrance to upper secondary. Furthermore, to successfully join the knowledge-based global economy, countries must revitalize both their technical and vocation education and training (TVET) systems and higher education, especially by prioritizing quality improvement and labor market relevance of programs. There is an extensive literature analyzing issues and options. For the purpose of this paper, suffice it to underline three points.

First, to develop TVET systems that can respond effectively to labor force development needs in low-income countries - to the cutting-edge skill needs of the modern, knowledge-based economy as well as to the needs of the majority of the labor force engaged in the rural sector and informal economy -- may be the most complex part of any education reform. Existing systems suffer from a multitude of problems: Poor quality and relevance of programs to labor market needs; weak links between the training system and employers; lack of sustainable funding; and perception by parents and students of TVET as “second rate” education. Further, while clear success stories exist, there is no blueprint applicable to everybody. Old as well as newly industrialized countries have successfully followed quite different approaches.

Second, reforming higher education may be technically less complex than to reform TVET because what must be done is better understood. But the political economy of higher education reform is even more difficult than for TVET. Reforms are also hugely more costly. Higher education in many low-income countries and, especially, in SSA suffers from multiple problems such as low access, dismal quality, poor relevance to national development needs and severe underfunding. Often, shortages of trained labor in scientific and technical fields coexist with severe unemployment among graduates in other fields. Some countries are attempting to reform, but progress is mixed, especially in countries where historically university education has been provided free or at very low cost. While sustainable when catering to small elites, such systems cannot be scaled up.

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11 Law (2008) explains how the TVET system in Singapore evolved over time to become one of the world’s best.
Finally, aid has an important role to play in helping countries develop sustainable policies and programs in these areas, including ensuring that they are fully informed by worldwide experience to avoid costly pitfalls. Currently, the support provided by the education aid community for higher education and, especially, for TVET is piecemeal, reflecting weak global aid coordination and inadequate attention to the technical support needed in these sectors.

(vii) Unemployment and skills miss-match

High levels of unemployment and supply-demand miss-match for certain types of skilled labor are already serious problems in most countries. In most low-income countries, and especially in SSA, these problems could grow much worse over the next decade. On the supply side, the total population of working age will continue to grow rapidly, a result of the slow demographic transition. The population with at least some education will grow even more rapid because the share of each age cohort entering school is rising at all levels of education (especially in post-primary where intake is still low especially in SSA), and because dropout must decline. Moreover, the share of women entering the formal labor force is likely to increase. Over the next decade, the combination of these and other factors will produce an unprecedented increase in the supply of unskilled and, especially, skilled labor in most low-income countries. The pressure on the labor market will be particularly high in urban areas resulting from increased rural to urban migration.

On the demand side, the overwhelming majority of the labor force in most low-income countries is still in the agricultural sector and informal economy. In SSA, the modern sector accounts in most countries for not more than 10-15% of the labor force; this share has not changed much over the last couple of decades. Under- and unemployment in the rural and informal sectors are already severe, and the productivity is very low and must improve, resulting in limited capacity for these sectors to generate new gainful employment. Also, efforts by industrialized countries to constrain immigration may cause less possibility for finding employment abroad.

The strategy needed to successfully address the unemployment problem, especially for young people, goes well beyond the education and training sector. Still, this sector must play a crucial role. To define exactly what that role should be in different country contexts and to enable the sector to play its role well, will be an important challenge for national policy makers. And it will be important for donors to use aid strategically to help countries in this endeavor.

(viii) An increasingly diversified system

On average for developing countries, the public sector accounts for the lion’s share of enrollment in primary (89%) and secondary education (84%). But the role of non-state providers is important and raising in many countries. This is particularly the case in tertiary education where the share of the public sector average just above 50% in Latin America, between 50% and 60% in East Asia and in South Asia, and around 75% in SSA. The private sector is also increasingly important in providing skills training. Non-state providers comprise a diverse group including private schools, enterprises training their own workers, and community and faith-based organizations. The funding arrangements range from private, for-profit institutions funded largely through fees to various types of private/state partnerships where the state provides all or part of the funding while the institutions are managed by various types of private entities within a set of agreements with and supervised by the state.

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12 In 2008, public institutions accounted for 95% of primary enrollment in developed countries, 91% in SSA, 96% in East Asia, 95% in South Asia, and 86% in Latin America (medians). The corresponding figures for secondary education were 91% in developed countries; 85% in SSA, 88% in East Asia; 87% in South Asia, and 78% in Latin America (UNESCO 2011a). The figures quoted for higher education are for 2009, see World Bank (2011a, Figure 9).
The diversity in provision and financing of education is likely to increase in the coming decade. Therefore, as noted in the new World Bank education strategy, it is important that the definition of the “education system” and, by implication, “education reforms” go beyond the public system to include “… the full range of formal and informal learning opportunities available to children, youth and adults in a given country – whether they are provided and/or financed by state or non-state entities”, World Bank (2011a, p. 16).

The growth of the non-public sector reflects many factors including dissatisfaction with the low quality and relevance of the programs provided by many public institutions. Private and not-for-profit education providers can also be path-breakers and innovators. However, to harness the benefits from this development, it is important that the public sector plays well its regularity role to protect the learners against low-quality training providers by:

- Establishing regulatory frameworks to assure quality and provide accreditation and transferability of diplomas while allowing private schools flexibility to innovate;
- Building institutional capacity (including at decentralized levels) to provide technical support and oversight to private and not-for-profit service providers;
- Creating a climate of cooperation and information sharing between the government, the private and not-for-profit service providers, as well as sharing of experiences and innovations between these providers and public education institutions.

Given constraints on public budgets and the need to maintain high priority for basic education in public funding, it is likely that the provision of private education will grow in many developing countries in the coming decade, especially at the tertiary level. Therefore, governments must play their important role both in enhancing the private sector’s contribution to education development and in protecting students’ investment. This is one area of “system” development where aid has a role to play in informing national solutions with global experience.

(ix) Growing role of knowledge and innovation in development

Beyond the need to expand the coverage and quality of education and training, the role played by knowledge and innovation in the development process has risen dramatically over the last couple of decades. The rise has been caused by many factors, including a greater understanding of the role knowledge plays in determining economic growth, emergence of the “knowledge economy,” increased globalization, and ICT revolution. Furthermore, the very concept of “knowledge” has been extended beyond technical knowledge to include its successful and innovative application in different national political, economic, and cultural contexts. As a corollary, policies to narrow the “knowledge gap” and promote innovation are an essential part of any successful development strategy.

How should these developments impact aid priorities? The answer is complex, country- and time-specific, and goes well beyond deciding on the priorities for education aid. Still, two important aspects deserve to be emphasized. First, given the role of the education sector in creating, adapting, and transmitting knowledge, it is important to review the role of aid in helping poor countries benefit from the knowledge revolution. This includes finding the right balance between using aid to, respectively, enhance the national capacity to develop new knowledge and to acquire and adapt existing knowledge often developed abroad. The latter function is especially important in many low-income countries where (a)

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13 Warsh (2006) discusses the gradual integration of knowledge in economic growth theory.
14 Fan et al. (2009) discusses the role of innovation in the rapid economic growth of East Asian countries.
15 World Bank (2002) discusses the role of tertiary education in constructing knowledge societies.
modern private industry is weak and plays a minor role in knowledge creation and diffusion, and (b) the knowledge base is poor and acquiring and adopting new knowledge from abroad is more important than in countries that are economically more advanced. In this context, aid can help develop the capacity of the public sector not only to create knowledge, but also to acquire and adapt knowledge, as well as to improve the skills of the labor force to absorb new knowledge, thereby helping countries “leapfrog” by drawing on other countries’ experiences.\(^\text{16}\)

Second, as underlined when discussing the need for a new capacity development strategy (Section 3), the effective role aid may play in supporting well-designed knowledge exchange and peer learning through south-south cooperation is bound to grow, and should be given higher priority in aid allocation.

\textit{(x) Unprecedented societal change}

In addition to the many ways education enhances the quality of life and life chances of individuals, research has shown the determining role education plays in spearheading a nation’s economic and social development. However, the research also shows that these causal relationships are complex, including the impact of education on economic growth. Moreover, the drivers for economic growth and societal change -- including for change in the education and training system -- increasingly come from forces outside the education sector. Key examples are the advance in ICT; demographic change; progress towards elected governments which are more accountable to their populations; the desire for more cohesive and equitable societies to consolidate peace and enhance national viability and sustainability;\(^\text{17}\) and the need to produce the skills, knowledge and “change agility” required to compete in the increasingly globalization and knowledge-based economy.

The role of \textit{good quality education} will remain a \textit{necessary} condition supporting progress in these areas, perhaps even more so in the future than in the past. For example, Hanushek and Woessmann (2008) found that the quality of education, as measured by student scores on international assessments of literacy and math, is important in explaining differences between countries in economic growth. The importance of quality and relevance is reinforced by the fact that, as societies move towards universal secondary and even higher education, the \textit{additionality} of education change to economic and social progress derives less from further expansion in coverage and more from how well the skills, values and attitudes imparted by the education system respond to the demands from outside the system. Also, rapid economic, societal and demographic change increases the importance of developing viable \textit{life-long education systems}.

The challenge in developing education systems that effectively support the above type of society-wide change processes will be most daunting in SSA where education simultaneously faces the challenge of serving the production modes of pre-industrial, industrial and post-industrial societies. For example, TVET systems must help enhance productivity in the rural economy where most people eke out a living as well as prepare young people for “traditional” technical jobs (carpenters, car mechanics, electricians, plumbers) and for jobs in the emerging modern sector that compete in the global, knowledge-based economy. In addition, the region has the highest share of \textit{conflict/post-conflict countries}, a point discussed below.

\textit{(xi) The imperative of economic growth to education financing}

Sustained economic growth at a high level is indispensable to maintaining the education momentum in low-income countries. This is especially true for SSA where, despite the good progress made over the last

\(^{16}\) World Bank (1999, pp. 130-143) emphasizes the key role of international agencies in this process and World Bank (2008b) evaluates the World Bank’s effort to use knowledge to improve development effectiveness.

\(^{17}\) Collier (2009, p. 2) notes that, since the end of the Cold War, two major encouraging changes have occurred in the countries where most of the “bottom billion” people live: Outbreak of peace and spread of elections.
decade in many areas (including education and economic growth), the gap between this region and the rest of the world continued to increase on many key social indicators. In fact, while SSA’s progress during the last decade is impressive when compared to its dismal record in the 1980s and 1990s, it is less impressive when compared to the progress of other developing regions. For example, between 2000 and 2007, GDP per capita increased annually by 3.7% in SSA as compared to 4.5% in Latin America, 7.0% in South Asia and 9.6% in East Asia. And despite good progress towards universal access to primary education, the gaps in coverage for secondary and higher education have increased. The increasing gap is particularly striking for basic health indicators.18

SSA faces multiple education challenges that cannot be solved without sustained economic growth at a level significantly higher even than that achieved over the last decade. The importance of the strong mutual interdependency between economic growth and education development cannot be over-emphasized:

- **Good quality education** plays a key role in determining a country’s ability to increase productivity throughout the economy and, thus, in achieving sustained economic growth at a level sufficiently high to reduce poverty, create employment and consolidate peace in countries suffering from national strife; and
- **Sustained growth** is indispensable to make EFA financially and socially sustainable because it generates both (a) the funding needed to maintain EFA and provide for growing demand for post-primary education, and (b) the jobs demanded by the graduates.

Aid can help, but cannot substitute for growth. For example, of the about 9% annual growth in public education spending in SSA between 1999 and 2007, about two-third was explained by economic growth. And given that education already claims about 20% of public budgets in SSA and about 4.5% of GDP, economic growth is likely to become an even more important factor in the 2010-20 decade in determining SSA countries’ ability to both reach EFA and expand post-primary education in a way that does not further increase their aid dependency which (as discussed below) is already unprecedented in terms of both level and duration.

The experience of successful countries in SSA and other regions shows that export-led industrialization19 and productivity growth in agriculture are crucial elements of a sustainable growth strategy. SSA faces multiple challenges in fostering competitiveness in the knowledge-based global economy and in catching the wave of modern scientific and IT progress. As shown by the Africa Competitiveness Report for 2009, the region is lagging in most areas, though the good progress over the last 10-15 years in adapting sound macro-economic policies provides one indispensable cornerstone of any growth strategy. But the strategy must also be underpinned by an education and training system that develops a literate and trainable workforce, entrepreneurial talent and expertise to manage the economy and create effective organizations, and the ability to absorb, adapt and apply technology gained through Foreign Direct Investments (FDI), trade and other channels so as to upgrade industry and diversify exports.

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18 In 2007, SSA’s crude death rate was three times that of East Asia (EA), South Asia (SA) and Latin America (LA). The under-five mortality was twice that of SA and six times that of EA and LA. SSA’s maternal death was three times that of SA, 13 times that of LA, 16 times that of EA and 364 times that of developed countries. SSA’s life expectancy was 50 years in 2007 (as in 1990) compared to 64 years in SA, 72 in EA and 73 in LA (UNICEF 2008).

19 World Bank (2011b) discusses two African success stories that have made the transition from export to consumption-led growth (Botswana and Mauritius).
2. Systemic Weaknesses Constraining Countries’ Ability to Respond

Systemic weaknesses in aid recipient countries as well as in the global aid architecture hamper effective response to the type of challenges highlighted above, thus limiting the effectiveness of both domestic and external education funding. The former (discussed in this section) constrain countries’ ability to develop and, especially, implement effective policies and make equitable trade-offs in education resource mobilization, allocation and utilization. The latter (discussed in Section 3) constrain the extent to which education aid can be strategically allocated to support countries most effectively in this effort.

To address the type of education challenges discussed above will often require major changes in policies, programs and budget trade-offs that are complex, knowledge and capacity-intensive and politically sensitive. Few low-income countries have the institutional capacity required to handle this effectively. As noted in the 2008 EFA Global Monitoring Report, “…extraordinary limited attention (has been) paid to strengthen national capacity” and “…countries need much stronger capacity to deal with the political economy of reforms and with technical constraints on implementation” (UNESCO, 2007, p. 27).

Capacity development (CD) has been a key element of education aid since the inception of aid programs. However, progress has been elusive. A new CD strategy is needed by both countries and donors, designed to address a set of interrelated systemic weaknesses found in most countries. What must be done is largely known: The problem is to translate this knowledge into the needed political commitment and actions in the countries and for donors to find more effective ways to support CD. In particular, as noted in the above quotation, an important aspect of “weak capacity” is poor ability to deal with the “political economy of reforms” by building national consensus on essential reforms and mobilizing existing capacity to ensure effective implementation. The following paragraphs discuss some key areas that deserve special emphasis by countries and development agencies in a new CD strategy.

(i) Building institutions for leadership, accountability and innovation

As noted by Moss et al (2006), “…institutional issues have recently returned to the foreground in debates on economic development. The critical importance of sound public institutions to the development process has become an article of faith, not only among political scientists … but also has emerged more recently as a consensus among economists” (p.3). This growing consensus also applies to the imperative of strengthening institutions in the education sector. But different from the situation a decade or two ago, the single-most important institutional constraint in most countries is no longer severe shortage of technical expertise in education planning and management (except for in fragile states) but low capacity to mobilize, utilize and retain existing expertise, to monitor performance and to hold managers and teachers accountable for outcomes. Or, as noted in the new World Bank education strategy (World Bank, 2011a, p.21): “In sum, to strengthen an education system means to align its governance, management, financing and incentive mechanisms to produce learning for all. This means reforming accountability relationships among all participants in the system so that these relationships are clear, coordinated, and consistent with their assigned functions, and that they support national education goals.” To strengthen the sector’s capacities to perform these functions effectively is a prerequisite for addressing most of the type of challenges highlighted in Section 1.

Success will require strong political leadership to be able to manage the often difficult political economy of education reform including handling inter-sectorial links since such reforms often involve wider public-sector reforms (e.g., teacher management). Also, the budget trade-offs are becoming more difficult: The growing demand for post-primary education risks squeezing the funding needed to enhance quality and

equity in primary education as well as to address the neglected EFA goals. Those not yet enrolled in primary schools have little political clout; those knocking on the doors to enter post-primary education can bring down governments. As noted in World Bank (2003, p. 60): “Because institutional reforms change power relationships among actors, they are political reforms. But politics generally does not favor reforms that improve the service of poor people. Such reforms require upsetting entrenched interests, which have the advantage of inertia, history, organizational capability and knowing exactly what is at stake.”

Finally, as noted in Section 1, in today’s globalized, knowledge-based economy, the capacity to innovate has become the key driver of change and economic growth. And, as noted by Fan et al. (2009, p.1) “The concept of 
innovation encompasses not only technological innovation … but equally includes nontechnical forms … such as organizational or institutional innovations. The latter may include the introduction of new management … strategies, adoption of new policies or creation of new service…and improved communications…” One striking and paradoxical feature about education systems is their low capacity to learn and to innovate, be it to improve management and accountability, pilot and innovate to develop education policies and programs adapted to local conditions, or applying new technologies to improve the quality of learning. Education systems’ ability to address next decade’s challenges will more than ever depend on their ability to learn and embrace -- rather than resist -- change. And, as argued later, to support such change processes should be much higher on the priorities for education aid.

(ii) New areas of capacity development (CD)

To address emerging challenges, CD must go beyond developing the capacity to collect and use education statistics to e.g., project enrollment and resulting teacher, textbooks, classroom and budget requirements. For example, countries need capacity to monitor resource allocation and use by different schools, geographical areas, and population groups; to assess learning outcomes and hold teachers and administrators accountable for resource use and learning outcomes; and to analyze how well the system responds to labor market demands. To do this does not only require new systems and methods of data collection and use; it also requires development and application of norms, mechanisms, technical capacity and political will to use these data to improve system performance and accountability. Moreover, as noted by Hallak and Poisson (2007, p. 21), “…creating and maintaining transparent regulatory systems, strengthening management capacities for greater accountability and enhancing ownership of the management process can help build a virtuous triangle that is favorable to educational systems free from corruption.” Various types of corruption and academic fraud are indeed a very persistent problem in many countries.

(iii) New audiences

The challenges of improving management and leadership capacity are also huge at the sub-national level. At present, district officers and headmasters are not well trained in using data to identify and solve problems; nor are they provided with incentives to do so. They are particularly weak in the area of teacher management, missing significant opportunities for reducing absenteeism and inequity in geographical distribution and ensuring the crucial foundational learning needs in the early grades. To address such issues, many countries are decentralizing decision-making in key areas to the schools through various types of “school based management” (SBM). As noted in Barrera-Osorio et al. (2009, p. 98): “Most countries whose students’ perform well in international student achievement tests give local authorities and schools substantial autonomy to decide the content of their curriculum and the allocation and management of their resources.” But, as also noted by the authors, “The number of rigorous studies of the impact of SBM is very limited” (op. cit., p. 100).

A more inclusive approach also requires less “silo”-thinking by education professionals, and more pragmatism and openness to cooperating with and learning from other sectors. Even more so than in most sectors, education policies need to be developed through broad-based participation, and
implementation needs to be closely monitored with continuous feedback to improve outcomes. This means that capacity-building goes well beyond developing technical skills in education planning departments. A host of players inside and outside the education sector are essential to the performance of the sector and need to be an integral part of the CD effort, with interventions tailor-made to the role they play in the national education enterprise. This includes sensitizing officials in ministries of finance, planning, and labor as well as in teacher unions, parent associations, private institutions and education NGOs to the key challenges in the sector and their role in handling them.

In short, the education sector must become better at engaging with others to build consensus on reforms, strengthen oversight and accountability, prevent leakage and corruption, and generate innovative solutions. An important part of building stronger institutions is to build strong inter-sectoral relations and public-private partnerships. Adapting such an integrated approach is one feature that distinguishes successful education systems in East Asian countries.21

(iv) New ways for aid to support CD

Traditionally, aid for CD in the education sector has focused on funding training, long-term resident technical assistance and equipment, all often tied to procurement from the donor countries.22 There are many reasons why, despite the huge amount of aid, progress has been elusive. In particular, even in cases where technical expertise was built, it was often not sustained and the difficult political economy of education reforms often prevented implementation of policies and programs prepared. This is particularly the case in slow-growing economies, such as those of SSA in the 1980s and 1990s, where increased spending could not be funded through growth as done in faster growing economies.23 Also, long-term technical assistance often resulted in substitution for use of national expertise rather than building such expertise, and staff sent for training abroad often did not return. Finally, as noted by de Tray 2011 (p.10), discussing development agencies’ general approach to capacity building: “One of the clearest lessons from the past half century of international development assistance is that building capacity takes time, certainly years, often decades, sometimes generations.” In a context where donors, for a number of (often good) reasons, increasingly tend to fund what can be measured (often in the short term), this need for a long-term vision – combined with the complexity of measuring the impact of funding for capacity building – accentuates the need for a new CD strategy.

In addition to dealing with constraints on the side of development agencies, a new CD strategy must also deal with a number of constraints on effective capacity building in developing countries. In particular, there needs to be a heightened awareness among policy-makers of the fact that successful education change requires more than technical expertise and well-prepared plans: Strong political leadership is essential to making difficult policy and budgetary trade-offs. And governments must engage with teachers, parents and other education constituencies to explain why the reforms are needed and build consensus on how to resolve implementation bottlenecks.

More strategic use of aid can help countries mobilize, strengthen and better utilize existing national expertise. An important part of capacity-building is willingness to learn by doing and to improve implementation by closing the feedback loop to capture lessons learned. Donors can support this type of

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22 For example, World Bank (2003, p. 216) notes that (for all sectors): “Many donors limit the market for aid services and suppliers to their own nationals (tied aid). Foreign aid sustains a large consultant industry in OECD countries estimated at $4 billion a year for Sub-Saharan Africa, or 30 percent of aid to the continent”.
23 Average GDP per capita in SSA (excluding South Africa) declined by more than one-third over the period 1970-1997, compared to an increase of 55% in Latin America, 88% in South Asia and 355% in East Asia (World Bank 2000, p. 8). As a result, the annual growth of public education spending in SSA during the period 1980-99 was only about 1% (well below population growth) as compared to about 9% during the period 1999-2007. About two-third of the growth between 1999 and 2007 was explained by economic growth.
“learning by doing” by providing predictable long-term support for opportunities for senior policy-makers and technicians to learn from the experiences of other countries through south-south cooperation and easy access to good practice knowledge as well as short-term technical expertise from inside and outside the country and sector. “New” donors and private foundations may want to give particular priority to supporting this type of cooperation.

In summary, success in addressing the education challenges developing countries will face over the next decade will hinge crucially on success in strengthening the countries’ capacity to develop and, especially, implement reforms. Four recent developments suggest that renewed attention to CD through innovative approaches could produce success. First, as noted, a wide-spread consensus is emerging on what needs to be done. In particular, the importance of resolving “political economy constraints” seems to be better understood. Countries and development agencies now need to give higher priority to translating this knowledge into interventions that are implemented. Second, it can be done as demonstrated by the fact that, over the last 10-15 years, most developing countries have sharply improved their capacity to conduct good-quality macro-economic policies. This has been possible thanks to high political priority at the country level, often supported by well-designed external technical aid to ministries of finance and central banks. Third, increased recognition of the role peer learning and knowledge exchange through south-south cooperation can play in capacity building should help attract more external funding, including from non-traditional donors, to such cooperation. Finally, political economy constraints will be easier to handle if last decade’s economic growth continues.

24This was illustrated by the discussions at the Conference for African ministers of finance and on education, organized by the AfDB, ADEA and the World Bank in Tunis July 15-17, 2009 to discuss ways of maintaining the education momentum in Africa during the current economic slowdown, see World Bank (2010a).
3. Systemic Weaknesses in the Global Education Aid Architecture

The allocation of education aid by level of education, purpose, country, etc., is the outcome of complex processes within aid recipient countries as well as within donor countries and agencies, each responding to a variety of constituencies such as the parliament, national and international civil society organizations, and global goals such as EFA and the MDGs. In addition, much bilateral aid is determined by historical ties. Notwithstanding the EFA coordination efforts led by UNESCO, and the work under the Fast Track Initiative (FTI) to mobilize more financial support for EFA, inadequate global attention is paid to monitoring the extent to which aid allocation decisions by individual donors add up to anything like an “optimal” distribution of total education aid by e.g., education level, purpose and country to maximize its impact on national and global education outcomes. There is also no global effort to coordinate funding between “old” and “new” donors, NGOs, foundations and other private sources. Given the constraints on aid budgets in DAC countries and the growing questioning of aid effectiveness, it is urgent both to make ODA work better and to integrate external funding beyond that provided by traditional DAC donors into the discussion.

This paper argues that this inadequate attention to global aid coordination issues is largely the result of a set of systemic weaknesses in the global education aid architecture. These weaknesses combine to limit the effectiveness of education aid in helping countries address the type of issues highlighted in Sections 1 and 2. They also explain part of the poor progress towards the objectives agreed upon in the “Paris Declaration.” For example, there have been no concerted efforts by the education aid architecture to develop an action program to follow up on the actions agreed upon in the 2008 Accra Agenda for Action (AAA) as they relate to education aid.

In turn, insufficient high-level global political attention to education aid is perhaps the single most important factor explaining why these weaknesses are not addressed. Since the 2000 Dakar Education Forum, much attention has (rightly) been given to – and considerable progress achieved in – helping aid-recipient countries develop their capacity to prepare more evidenced-based EFA plans and to handle related trade-offs in resource allocation. Much less attention has been paid to the potential for increasing the catalytic impact of education aid through better quality decision-making and follow-up on aid allocation and coordination matters by donor countries and agencies. The below discussion highlights issues in this area and the scope for improvements through concerted global efforts to enhance the: (i) Ability to monitor aid commitments, delivery and country distribution, (ii) Effectiveness of the global education aid architecture; and (iii) Strategic use of aid at the country level.

Most of the weaknesses highlighted below are discussed at the technical and middle management levels within and among bilateral and multilateral aid agencies. However, because of the nature of the decisions needed, the issues must be given much more attention at the senior political and management levels within donor countries and agencies. This does not seem to happen at present. There seems to be a leadership vacuum with respect to handling global education aid coordination issues. Nobody seems to be looking at the big picture. Again, this problem goes beyond education aid. For example, Riddell (2010, p. 31) notes that:

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25 A notable exception is the high-quality annual UNESCO EFA GMR. However, there is no effective mechanism to follow up on the report’s findings. Also, while coordination mechanisms such as the Working Group on EFA and the High-Level Group on EFA have been established, as noted in UNESCO (2010b), “…concerns about the effectiveness of the coordination architecture … have continued to be registered” (p.2). Therefore, in May 2011, UNESCO adapted several reforms in the EFA coordination process (UNESCO 2011b).

26 As noted by Gillies (2010, p.1): “After more than fifty years of development assistance, with both the rationale and structure of international assistance under intensive critical review, meaningful and actionable insights into effective donors support for national education systems has never been more urgently needed”.

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“The central problem of the aid system is that there is no system. Resolving key system problems related to aid would probably have a greater effect on poverty than expanding the amount of aid given.”

3.1 Education aid commitment, delivery and predictability

This section highlights issues related to the share of total ODA allocated to education, the distribution of education aid by country and the degree of aid delivery and predictability.

(i) Low share of education in total ODA

The debate on education aid focuses largely on the need to increase the volume to bridge estimated “funding gaps” to reach the EFA goals. This advocacy to increase the volume needs to be part of a more global dialogue of how well the present distribution of total ODA by sector responds to how effective aid can be in each sector as a catalyst to promote overall development. As noted, the sectoral allocation of ODA is the aggregated outcome of complex processes that have resulted in only 10% of total ODA for education. This share has largely remained unchanged over the last decade. Does this low share reflect well the multi-faceted role education plays in the development process, especially at a time where education quality as well as knowledge and innovation play increasingly important roles as determinants economic growth?

There is no easy or “objective” answer to this question. But it does deserve more attention by the international aid community. It also deserves more attention by governments in aid recipient countries who often prioritize other sectors over education in their discussions with donors. Finally, as noted below, the share of ODA for education must be seen in the context of ODA being a declining share of total financial flows to developing countries and the fact that education benefits less from most other flows than do sectors such as health and infrastructure.

(ii) Low aid predictability

This is a central concern in the “Paris Declaration.” A study of aid flows between 1975 and 2003 covering seventy-six countries found that aid was far more volatile than domestic funding and that aid disbursements were only weakly related to commitments (Bulir and Hamann 2006). The gap between aid pledges and delivery is especially detrimental to highly aid-dependent SSA. Recent OECD estimates suggest that the region will receive less than half the pledges made for 2010 at the G8 2005 Gleneagles summit (UNESCO 2011a, p. 102). Also, even when overall aid pledges are met, the delivery may not be timely. For example, in 2007, only 46% of aid (all sectors) scheduled for a given year was disbursed during that year (UNESCO 2011a, p. 111). Further, aid pledged for one purpose, sector or country is sometimes reallocated to other sectors, purposes or countries. Despite efforts to address such issues, progress could remain elusive because of factors such as:

- The economic slowdown and increasing public budget deficits in donor countries are impacting negatively on aid budgets. While the full impact is uncertain and varies between donors, it is clear that the rapid growth in aid in the early years after 2000 has stagnated in recent years, and that education aid disbursement declined slightly between 2007 and 2008 (from $11.7 to $11.4 billion, UNESCO 2011a, p. 358). Also, some donors are cutting down both their overall level of ODA and the support for education.

- There may be a lack of realism about what it takes in terms of high-level political leadership in donor countries and implementation capacity in aid agencies to translate aid pledges into delivery.

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27 Based on data on education and national accounts for the last 60 years, Patrinos and Psacharopoulos (2011) estimate that a too slow rate of human capital accumulation has led to considerable loss in income and equity.

28 For example, the Netherlands, one of the top donors in terms of both share of ODA in GNI and share of education in ODA aims to reduce the former from 0.8% in 2011 to 0.7% in 2014, and education is no longer a priority sector.
Promises made at pledging conferences may look good diplomatically, but may not survive in national budget debates since aid budgets do not always have powerful domestic constituencies. Sometimes this leads to funding new pledges by reallocating funds already pledged for other purposes in order to respond to urgent new demands for, for example, humanitarian help arising from natural catastrophes such as the earthquake in Haiti, refugees resulting from the current civil strife in North Africa and the Middle East, or rising food insecurity.

• In addition to complications on the side of donors, there may be governance and capacity constraints in recipient countries, leading to withdrawal of aid. For examples, in recent years, aid has been cut for many countries in response to deteriorating governance conditions (e.g., Cote d’Ivoire, Guinea, Guinea Bissau, Madagascar, Mauritania, and Niger). While this is understandable, abrupt stop of aid could reinforce existing fragilities. Therefore, care should be taken by donors to coordinate their withdrawals or entry to a country and/or sector to assess the global impact of individual donor decisions.

While low aid predictability and delivery is a concern for all sectors, there are at least three reasons why this concern is of particular importance to the education sector:

• Narrow donor base: In 2007-2008, seven donors provided 68% of total DAC ODA for education. Thus, uncoordinated entry or withdrawal by one or two donors to a country or education sub-sector could have major impact on education funding. At the country level, as noted above, worsening governance and increased political fragility has caused donor withdrawal from some countries. Also, to limit aid fragmentation, some donors—including two of the seven major donors mentioned above—have recently drastically reduced the number of countries that will benefit from their bilateral aid. As regards distribution of education aid by sub-sector, the pressure on post-primary education could result in uncoordinated reduction in aid for primary education. The decision by the AfDB to focus on TVET and higher education is illustrative. Globally for SSA, while aid commitments for education declined by 13% between 2006 and 2007, the decline for primary education was 24%, accounting for the totality of the decline (UNESCO 2010a, p. 444). In the absence of effective global aid coordination, it is hard to assess the merits of such shifts in terms of aid effectiveness. Finally, new donors are entering countries and particular sub-sectors, e.g., China in TVET in Africa. This is encouraging. But it is important for countries to coordinate this with aid received from existing donors.

• High aid dependency for salaries: As discussed under point (ix) below, aid volatility poses considerable risks in countries which depend heavily on aid to pay teacher salaries.

• Counter-cyclic funding to maintain momentum. UNESCO (2010a) estimates that the current economic downturn could cause a US$4.6 billion loss in SSA domestic education budgets annually in 2009 and 2010. This would exceed the total amount of education aid disbursed to SSA in 2008 (US$ 3.2 billion). In past downturns, education aid has declined as well. If this

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29 Little research has been done on why the level of ODA varies so much across donor countries, by sector and in the share disbursed through bilateral and multilateral channels. One cross-national study concludes that public attitudes to aid is key in determining aid policies and that attitudes are influenced by religiosity, beliefs about causes of poverty, awareness of international affairs, and trust in peoples and institutions, see Paxton and Knack (2008).

30 The UK recently announced that its ongoing review of its aid policy will lead to increased focus on fragile states and reduction in the number of bilateral partners. The Netherlands also aims to reduce the number of countries benefitting from its bilateral aid program from 32 to 15. In addition, Denmark announced in January 2011 that it over five years will reduce the number of countries receiving bilateral support from 26 to 15.
Education Resource Mobilization and Use in Developing Countries

were to happen this time, it would reinforce the negative impact of the crisis on domestic funding. Together, these two factors could sharply reduce education funding, putting into jeopardy the education gains of the last decade. While substituting domestic funding with aid is a risky long-term strategy, using aid to replace a cyclical decline in domestic funding is a sound short-term strategy to protect past gains, including those resulting from past aid. Everything must be done to prevent a return to the education decline of the 1980s and 1990s in SSA. Because of the difficulty in reverting education decline, counter-cyclic funding is more important for education than for most other sectors: construction of a road may stop for a year or two and then resume. Closed-down schools take long time to re-start and will have long-term negative impact on the life chances of the children who miss-out on primary education.

In short, to enhance donor credibility and aid effectiveness, it is important that high-level attention be given by donors to making realistic aid pledges and to addressing the constraints on translating such pledges into predictable delivery. This point has become even more urgent in view of the constraints on aid budgets resulting from the budget deficits faced by many donor countries and the emergence of new aid priorities such as food security and climate change.

(iii) Unequal distribution of aid among countries.

Large variation in aid among low-income countries is one result of the lack of systematic attention to the global outcome of education aid allocation processes. The AAA calls for donors to “…work to address the issue of countries that receive insufficient aid” (paragraph 17). For example, in 2008, aid disbursement to primary education per primary school-aged child averaged US$13 for SSA. Ten countries received less than US$6 per child, while seven received more than US$40. This compares to US$4 per child in East and South Asia, and US$6 in Latin America (UNESCO 2011a, p. 358).

These differences are explained by factors such as former colonial links between some recipient and donor countries, aid dictated by political priorities,31 the difficulty of providing effective development aid in the many conflict-affected countries, and last decade’s focus on performance-based aid to address the low aid effectiveness in the 1990s. Such factors have led to a gap between donor darlings, i.e., countries receiving disproportionately higher levels of aid than their poverty and governance levels would predict, and donor orphans which receive significantly less aid and are supported by fewer donors.

The move by some donors to restrict bilateral aid to fewer countries may have as a side-effect a further widening of this gap. However, some of these donors (e.g., the Netherlands, the UK) aim to focus their aid more on fragile states, which often are aid orphans. This change reflects the fact that developments over the last decade necessitate a change in favor of countries which are far from reaching the 2015 EFA goals. But the reasons for not reaching the goals vary; thus, addressing them requires different policies. For example, one group of countries have performed well, but still have far to go because they at independence had practically no school system.32 Other countries lag because they, for various reasons, give low budgetary priority to education. Still others have had their system ruined by internal conflicts. However, as a general rule, progress towards the global EFA goals is likely to be enhanced by changing

31 For example, Middleton (2008) shows that education aid from the USA is much higher per capita in Muslim than in non-Muslim countries. Interestingly, this coincides with key Arab donors having “…become less ‘generous’ during the past decade by not increasing their giving in line with rapidly growing wealth”, resulting in their share of aid to Arab States (all sectors) declining from 22% during the period 1998-2002 to only 9% during the period 2003-2007, while the share of non-Arab donors doubled (Shushan and Marcoux 2010).

32 For example, in 1960, Burkina, Ethiopia, Mali and Niger had less than 10% primary school enrollment compared to the SSA average of about 40%. While still below universal coverage, these countries have performed well since 2000. Given the low starting point for Africa, Easterly (2009) has argued that the way the MDGs are formulated make them “unfair for Africa”. For example, “It was less likely that Africa would attain the LEVEL target for universal primary enrollment because it started with the lowest initial primary enrollment and completion” (p. 32).
the allocation of education aid by country and, especially, by focusing aid on the poorest countries, including those emerging from conflict.\textsuperscript{33}

However, as pointed out by Kanbur and Sumner (2011, p. 1), the geography of global poverty is changing rapidly: “Two decades ago, 93% of the world’s poor lived in countries officially classified as Low Income (LICs). Now, 72% of the world’s poor live in Middle Income Countries (MICs). The dramatic shift has been brought about by fast growth in a number of countries with large populations.” With respect to the allocative efficiency of education aid, this trend has at least two implications. First, to make such aid more poverty focused, its main focus needs to be on “poor people” rather than on “poor countries.” Second, the \textit{comparative advantage of aid} in helping countries address education issues for poor people is likely to differ between MICs and LICs. In particular, in the former countries, technical support to develop policies, programs and institutions is likely to be more important than financial support. The LICs are more likely to need both types of support.

### 3.2 Effectiveness of the global education aid architecture

This section urges a strengthening of the capacity of the education aid architecture to enable it to provide the type of global coordination and leadership required to ensure that (a) education gets its “fair share” of total external funding, including but not limited to ODA and funding from DAC countries, and (b) these funds are allocated strategically to promote effective use of all domestic and externally-generated resources in the education sector.

#### (iv) Declining share of DAC-funded ODA in total external funding

The discussion in Section 3.1 focused on \textit{ODA for education from DAC donors}. It does not reflect the increasing importance of external funding to developing countries from other sources. While much more needs to be done to document how much the \textit{education sector} benefits from such funding, there is no doubt the importance is growing. Particularly important among such other external sources are:

- \textit{Total net flow to developing countries from DAC countries} amounted to $380 billion in 2009 of which only one-third ($120 billion) was ODA (OECD 2011, p. 6). The main \textit{non-ODA flows} include various types of “private flows at market terms” totaling $228 billion, of which $159 billion was for “direct investments.” Another important element was $22 billion in net grants from NGOs. Many NGOs clearly supports education. Some private investments may support provision of private education and, as part of their “social responsibility” objective, many private companies supports provision of education. Metzger et al. (2008) compares the aid given by Nestlé (one leading multinational supporting poverty alleviation) with Swiss ODA and the aid from NGOs. The study found that about 9% of Nestlé’s aid was for MDG 2 (universal primary education). One of the main conclusions is that, since foreign direct investment is “…strongly concentrated in a few countries, and absent in large parts of Africa, corporate aid activities tend to widen the gap between haves and have-nots, rather than helping achieve the MDGs where needed most – unless corporate aid is delinked from commercial processes” (p. 20).

- \textit{Donors not belonging to DAC} (including eight OECD countries) provide a substantial and increasing amount of ODA, though this aid is poorly documented. OECD (2011, p. 87) shows partial data (for 2009) amounting to $6.7 billion (of which 60% is from Saudi Arabia and the United Arab Emirates).\textsuperscript{34} However, this does not include aid from major non-OECD

\textsuperscript{33} Collier (2007) makes a case for that aid should focus on “The Bottom Billion” and that “Aid agencies should become increasingly concentrated in the most difficult environments” (p.184).

\textsuperscript{34} Deutsher (2010) summarizes work done by the DAC secretariat to develop cooperation with key non-DAC donor.
countries such as Brazil, Russia, India, and China. Davis (2010) found that “the sum of various credible estimates” of aid from these countries ranges from $2.3 to $5.1 billion in 2008. Cabral and Weinstock (2010) quote an estimate of US$1.2 billion for Brazil “…which places the country alongside India and China, as well as traditional DAC donors like Finland and Ireland.” Again, a substantial part of such funding (e.g., from China and Brazil in Africa) is for education.

- Private philanthropists and foundations provided an estimated $60 billion in 2008 (Burnett and Bermingham 2010). A part of this is for education.

- Remittances from overseas workers are estimated at $307 billion in 2009 (Mohapatra et al. 2010). Clearly, a part of the remittances is used to pay for education expenses; indeed, to pay for their children’s education is often one important reason for seeking employment in other countries. However, how much is used for this purpose is unclear.

In the context of the main objective of this paper, the above figures give rise to a number of questions, most of which add to the urgency of enhancing the global coordination of external funding for education. In particular:

- **How different is aid allocation of non-traditional and DAC donors?** More than 30 donor countries have not joined DAC. Manning (2010) notes that most new donors “…see what they do as South-South cooperation for solidarity and mutual benefit, not as North-South ‘aid’ driven by a sense of obligation, whether of post-colonial guilt or of ‘richness oblige’.” Their allocation of aid by country, sector and purpose differs in many respects from that of DAC donors. Davis (2010) notes that a lower share of the aid of new donors is through multilaterals (18%) than for DAC donors (30%), more is focused on infrastructure, and most is through projects, is tied and related to trade and investments. Kragelund (2008, p. 580) notes that the presence of non-DAC donors tends to enlarge the group of African countries as well as sectors that receive bilateral aid. However, he also notes that such donors: “…give aid to catalyse trade, make use of their own resources, and gain political influence. [They] make extensive use of project aid [and] …a large share of the loans provided is not on concessional terms and is tied to procurement … in the donor country.” Based on data for 16 new donors for the 2001-2008 period, Dreher et al. (2010, p.15) found that most new donors focus their aid on close neighbors and that the poverty orientation is “…clearly weak by DAC standards.” Harmer and Martin (2010) found that aid from the Gulf States is focused on a few countries, and Agrawal (2010) notes the same type of concentration for India’s aid. However, some new donors, and especially China and Brazil, give high priority to Africa. King (2010) notes that, through its “Forum on China Africa Cooperation”, China covers virtually all African countries. Finally, in analyzing the aid provided by four “new” donors (China, India, Korea and Thailand) to Cambodia, Sato et al. (2010, 36) concludes that these donors are “…beginning to serve as real alternatives to traditional donors. Emerging donors offer recipients a choice, something which becomes critical in negotiations with other donors.”

- **How much is and could education benefit from non-traditional funding?** As suggested for the different sources of external funding listed above, too little systematic information is available on the extent to which the education sector benefits from such funding. Such information could greatly help in promoting more strategic use of education ODA to ensure synergy and complementarity between different types of funding. For example, China support training in many African countries as part of its many investment projects. The increasing interest by DAC donors in supporting skills development in the region needs to be coordinated with that support. Similarly, increasing support for Global Public Goods (GPGs) and technical assistance needs be coordinated with such support provided by donors such as
Brazil and China, e.g., for science and technology. Finally, education should emulate the health sector in attracting more funding for GPG functions from private foundations.

- **What does the rise of “new” donors mean for global aid coordination?** The main conclusion related to the focus of this paper is that this adds to the urgency of enhancing such coordination. Many writers on aid call for more concerted efforts to promote collaboration between DAC and non-DAC donors to avoid the development of parallel systems hampering rather than advancing complementarity and synergies. A particular concern is how the increase in non-traditional donors will affect progress towards the objectives of the “Paris Declaration.” Steiner-Khamsi (2010, p. 27) notes that many new donors “…are held less accountable by their members or electorate … to rules and regulations established by an international community. They do not follow the Paris Declaration, do not evaluate their funded projects, do not publish in journals or newsletters of education development, do not participate … in venues of our community where there is room reserved for reflection and discussion on … aid effectiveness.” Kragelund (2008, p. 580) notes that: “Although the effects of the Paris Declaration … are undermined, it is still possible to reduce some of the destructive consequences of the return of non-DAC donors, first by inviting them to take part in trilateral development co-operation interventions … and later by applying policies of alignment, harmonization and ownership. Not all non-DAC donors, however, are likely to take part in these processes.”

In short, while the information highlighted above is partial, it does illustrate that external funding for education is changing rapidly in a number of ways with respect to the number, background and objectives of the providers as well as volume and delivery modalities. **These changes add to the urgency of better global coordination of external funding.**

**(v) Declining technical capacity of aid agencies**

The AAA calls for donors to “…strengthen their own capacity and skills to be more responsive to developing countries’ needs” (paragraph 14). It also calls for support for south-south cooperation as well as for enhancing the capacity of “…all development actors – parliaments, central and local governments, CSOs, research institutes, media and the private sector” (paragraph 13).

At its inception, ODA focused on technical rather financial aid. This changed as bilateral and multilateral agencies were established to provide both types of aid. The volume of financial aid for education has increased considerably since 2000, though it has stagnated in recent years. However, the capacity of agencies to provide high-quality and well-coordinated technical support and other global public good functions in the education sector appears to be declining. This happens at a time when poor countries need more, not less, assistance to help build their capacity to develop and implement evidenced-based policies and programs. The reasons for this decline in technical expertise include:

- **More use of budget support and/or multi-sectoral operations.** This shift has been motivated by a desire to channel aid through national budgets to strengthen ownership and national systems, and to better address inter-sectoral issues. It has also in many cases been part of a strategy to reduce staff costs in aid agencies. The result has been a shift towards generalists and macro economists managing many operations supporting education, and a

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35 The terms “technical aid” and “technical support” are used in this paper to denote aid in support of capacity-building activities such as analytical work, policy advice, knowledge-exchange, peer learning through “south-south”/“south-south-north” cooperation, and work to develop national consensus on policies and strategies. As argued below, to provide such support as well as to help poor countries acquire, synthesize and adapt knowledge to local conditions are considered in this paper to be one important global public good function.
corresponding decline in education specialists in many donor agencies. Thus, the reduced costs and gains in macro and inter-sectoral focus risk being at the cost of the quality of education aid if agencies are not able to accompany funding with high-quality technical support. Most low-income countries, and especially fragile states, need coordinated support in both areas regardless of the funding instrument used. Another factor is that increased use of general budget support has reduced funding for technical support under aid programs. In a context of severe budget constraints and many urgent demands, it has proven more difficult for education ministries to obtain financing for analytical work, knowledge sharing and technical support through the national budget processes than when such support was externally financed through projects.

• Market failure in the “technical assistance market.” This market comprises a large number of suppliers ranging from individual consultants to private companies and universities, all mostly from donor countries. The market is very fragmented and often neither the providers nor the users are well informed about where to find the best expertise to address the problem at hand. Quality assurance is sometimes poor, and funding is often tied to use of expertise in the donor country. The market is further fragmented by the (otherwise welcome) increased provision of technical assistance from many new donors. The ability of funding agencies to provide effective advice and technical support is constrained by the decline in their own technical expertise. And, as discussed below, this is reinforced by the weak capacity of global public good agencies in the education sector.

(vi) Inadequate supply of “Global Public Goods” (GPGs) in education

A pure GPG is one whose benefits are non-rival and non-excludable. The former means that one country benefitting from this good does not prevent another from doing so. Non-excludability means that no country can be excluded from benefitting. Most GPG are not pure, but they have important elements of non-rivalry and non-excludability. Or, said differently, “…public goods are goods in the public domain: available for all to consume and so potentially affecting all people. Global public goods are public goods with benefits – or costs, in the case of such “bads” as crime and violence – that extend across countries and regions…” (Kaul et al. 2003, p.3). Many studies have emphasized the growing importance of GPGs as the world becomes increasingly globalized as well as the challenges in both providing and financing such goods. The very definition of GPGs has evolved as globalization has led to new challenges that have made it increasingly necessary for countries to look beyond their borders to achieve national development objectives through greater international cooperation in a variety of areas.

The benefits from cooperation in producing GPGs are easily understood in areas such as preventing infectious diseases, promoting safe civil aviation or controlling pollution. It is also well recognized that education and knowledge has an important GPG element. The same is however the case for the type of aid that is most effective in promoting education development in poor countries, which is the main subject of this paper. The key proposition is that the provision of GPG type of aid, i.e., funding of analytical work, technical cooperation, knowledge exchange, peer learning through south-south cooperation, etc., will become an increasingly important element of education aid. In particular, the growing inter-connectedness, made possible by the ICT and internet revolutions, has greatly increased the scope for drawing cross-border externalities from national experiences and technical expertise. But to turn this into GPGs requires competent international and regional agencies and networks that can identify, synthesize, and disseminate this type of experience and provide technical support to help adapt or pilot under local conditions policies and programs that have been successful in other countries. In short, the growing

36 Collier (2007, pp. 115-120) argues that technical support (not specifically for education) is crucial to help turn around failing states and discusses why financial support too early in the reform process may be counterproductive. 37 See: Sagasti and Bezanson (2001), Kanbur (2001), Kaul et al. (2003), and Amoako (2008).
importance of this type of GPG functions in promoting education development has made the role of aid in supporting the supply of such GPGs more important and, by consequence, the effective delivery of such goods.

Unfortunately, the ability of countries to benefit from the increasing scope for national public goods to “go global” is hampered by the weak capacity of agencies and networks established to perform GPG functions in the education sector. While the role of such institutions is important to enable both rich and poor countries to participate in and draw on this type GPGs, it is especially important to poor countries which lack the capacity to do this type of work themselves. This is an important aid effectiveness issue that requires urgent attention. The need for GPG agencies to conduct this facilitating function is likely to increase for many small and poor countries because of the (otherwise well justified) move by some bilateral agencies to focus their aid on fewer countries to limit aid fragmentation.

Weak capacity of many GPG agencies is of course not a problem that only affects education. But the problem is well-recognized among education aid professionals as illustrated by the case of UNESCO, see Burnett (2010). Unfortunately, efforts to address it seem to be caught in a vicious circle between severe underfunding of GPG functions and slow progress in reforming the agencies providing such functions. In turn, lack of reform hampers mobilization of the funding needed to strengthen them. The obstacles to reform are complex, and progress is likely to remain elusive in the absence of much stronger political willingness by the international community to take the concerted action needed.

But real or perceived low efficiency is not the only reason why GPG agencies are underfunded. The “classic” factors causing underfunding of national public goods are even more severe when it comes to funding GPGs. In addition, funding is hampered by the complexity of measuring the impact of such goods. The negative impact of underfunding from public sources is reinforced by the fact that education attracts much less funding from foundations and other private sources for public good activities than e.g., the health sector. Thus, this is an area to which new donors entering the education sector should consider giving priority.

Some have argued that funding of GPGs should be separated from development aid (see Kaul et al, pp. 36-40). This may hold true for GPGs that largely benefit industrialized countries or address public “bads” largely caused by them (e.g., global warming). However, helping poor countries benefit from the type of GPGs dealt with in this paper is likely to be very effective use of education aid because, as discussed in Section 3.3, GPGs are among the most effective inputs needed to help poor countries develop and implements the type of knowledge and capacity-intensive interventions required to address challenges of the type highlighted in Section 1.

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38 Cooperative studies such as the Trends in International Mathematics and Science Study (TIMSS) and the Program for International Student Assessment (PISA) show that also developed countries benefit from this type of GPGs.
39 The March 2011 DfID “Multilateral Aid Review” assesses the effectiveness of different multilateral aid agencies, and recommends increasing or reducing UK financial support according to how well the agencies contribute to UK development objectives. Sadly for education, the review recommends cuts for UNESCO.
40 However, even when reforms are made, such as establishing the former UNESCO Office of Statistics as a separate entity (UNESCO Institute of Statistics) in Montreal, Canada, the funding for this important GPG function has not increased much compared to 30-40 years ago. Similarly, the International Institute for Educational Planning (IIEP), recognized as a high-quality institution, relies largely on voluntary funding, a very capacity-using activity.
41 In a discussion about the need to reform aid agencies to enhance the impact of aid Collier (2007, p. 122) concludes that: “For aid to promote structural change in countries requires structural change in aid agencies”.
42 The problem is summed up in the following quote from Birdsall and Subramanian (2007): “Around the world, there is a tendency for research and development (R&D) to be undersupplied because it is difficult even for public suppliers (such as the National Institutes of Health in the US) to capture for their citizens alone all the benefits. But R&D of products of interest to poor countries is even more undersupplied – because a limited consumer market reduces potential private returns, and because the governments of Kenya, Peru and even research-rich India are each reluctant to finance a good for which the others will benefit”.

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Data are not readily available on the share of education aid supporting GPGs. However, as an illustration, in 2008 and 2009, the annual budget of UNESCO was only US$54 million for education (17% of its total budget including support for affiliated education institutes). This compares to a total disbursement of education aid by DAC donors of US$ 11.4 billion in 2008. While GPG functions in support of education are funded in many ways other than through UNESCO, it is clear that the share of aid allocated for such functions is very low.\(^{43}\)

In short, the global education aid community should consider reallocating some of the aid now used for bilateral programs to supporting GPG functions. Higher aid priority for GPG functions in the education sector should be recognized as a strategic investment to accelerate the development of learning and access to knowledge and, hence, to ensure a better common future. Because of the synergy between country-specific aid and GPGs, this would also enhance the impact of country specific aid. But, as noted by Burnett (2010) for UNESCO, more than money is required: In many cases, funding must be coupled with serious efforts to revitalize institutions and networks designed to provide GPGs, a point also emphasized in a 2009 DfID White Paper.\(^{44}\)

(vii) Harnessing the comparative advantage of different agencies

The “Paris Declaration” calls for development agencies to “...make full use of their comparative advantage at the sector or country level.” However, despite efforts to enhance inter-agency cooperation, progress is elusive. In practice, there are many obstacles to harnessing the synergy of the comparative strength of different agencies and to overcoming duplication and limiting transaction costs especially for recipient countries.\(^{45}\) These challenges exist at many levels: between donor countries, between donor and recipient countries, between donor agencies, and between DAC and non-DAC donors. For example:

- **Between donor countries:** Notwithstanding the “Paris Declaration’s” call for partnerships and aid harmonization, legitimate differences may arise between donor countries with respect to aid priorities and delivery mechanisms. For example, there are differences with respect to the level of accountability demanded by their parliaments as regards how aid is used and with respect to policies regarding the share of ODA channeled through multi-lateral programs.\(^{46}\) The same is the case for the extent to which bilateral aid is tied to procurement from the donor country, and the use of separate project funding to gain visibility for their

\(^{43}\) Kaul and Le Goulven (2003, p. 340) estimate that, in around 2000, about $32 billion or one-third of total ODA was spent on GPGs, including $8 billion to fund core functions of international agencies. While difficult to compare these types of figures, this could suggest a much higher share of GPG in total ODA than in education ODA.

\(^{44}\) “We believe in global solutions to global problems. This is why as the aid programme grows, we are committed to putting a higher proportion of our new resources into multi-lateral spending. …Our international institutions are only partially ready for this…So the UK will insist that more resources are matched by reforms to make our international institutions more accountable, responsive and representatives of their constituencies. A profound change is needed in the way our international institutions operate – not just their governance structure, but also what they do and how we, the member states and shareholders, engage with them” (DfID 2009, p. 104).

\(^{45}\) For example, World Bank (2003, pp. 206-207) notes that, in 2000, the typical ODA recipient country received aid (all sectors) from about 15 bilateral and 10 multilateral donors. And the “Tanzanian government officials have to prepare about 2,000 reports of different kinds to donors and received more than 1,000 donor delegations each year”.

\(^{46}\) Jeffrey Sacks has argued that: “The traditional system of bilateral development assistance is broken”, and that, to more effectively fund the MDGs, “...we must replace the fragmentation of bilateral aid programmes with a new strategy based on multi-donor pooled funding that has clear timelines, objectives, and accountabilities”. “Bilateral aid would remain, but mainly to promote demonstration efforts and innovations. The core assistance would use pooled mechanisms to scale up what has proven to work, avoiding fragmentation and poor accountability, Financial Times, September 21, 2010. Currently, about 80% of total education ODA is bilateral.
programs, reward political support and/or facilitate feedback to taxpayers in order to sustain political support for aid. The strength and area of interest of **their national constituencies** for providing ODA also vary. As a result of these and other reasons, a study of donor specialization and coordination concludes that: “… there is a wide and persistent gap between the rhetoric of political declarations and the donors’ actual aid allocation during the period 1995-2006. Few donors have specialized on a limited set of recipients and aid sectors, and coordination has reminded elusive” (Aldasoro et al. 2009). Finally, as discussed above, there is an urgent need for stronger cooperation between DAC and non-DAC donors.

**Donors and recipient countries:** The need for strong country ownership is one key conclusion that has emerged from the aid effectiveness debate. To this end, the “Paris Declaration” calls for donors to align aid with national strategies, institutions, and procedures. However, many of the factors highlighted above give incentives to donors to control their aid interventions. Also, in practice, legitimate differences may arise between donors and recipient countries on where aid may have the highest impact, or on trade-offs between different objectives. For example, as noted, it may be more difficult politically for governments in aid recipient countries to resist social demand for post-basic education than demands of marginalized out-of-school groups who have less political voice, but whose needs may be the top priority for many donors. Differences may especially arise in the case of aid recipient countries where there is low government accountability to the population for how aid is used, while parliaments in donor countries set priorities and demand accountability for the use of their aid. In short, for countries that are highly aid dependent and at a time when donors are growing increasingly wary of how their taxpayers’ money are used, the meaning of slogans such as “putting the recipient country in the driver’s seat” in determining aid priorities and use is not obvious.

**Donor agencies:** Despite efforts to promote partnerships and greater division of labor between different agencies, progress is uneven. A UNESCO document discussing progress in agreeing on the respective roles and responsibilities of EFA partner agencies notes that: “Sustained achievements in this area, however, have been limited due in part to a lack of strong leadership to do more and also due to the nature of collaboration in which elements of competition and friction among partners can be potentially embedded” (UNESCO 2010b, p.12). In addition, to develop and maintain good partnerships is time-consuming and often not well rewarded by the agencies’ incentive structure. It can also be costly. Therefore, because the returns to partnership work are intangible and difficult to measure, such work is generally underfunded in a “culture of measurement” where donors tend to fund activities where returns can be measured, preferably in the short run. But the resulting insufficient division of labor among agencies has a cost both in terms of less effective aid and in terms of less support for development aid because it adds to the view that aid is inefficient. As stated in a 2009 DfID White Paper on aid in general: “…while a degree of competition is a good thing, it needs to be clear who leads on what” (DfID 2009, p. 104).

### 3.3 Strategic use of education aid in aid recipient countries

This section highlights ways of using aid more strategically to enhance the impact of aid on the effectiveness of total education spending, and/or mitigate potential harmful risks of high aid dependency on both spending and domestic resource mobilization.

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47 E.g., a January 2011 study by the Norwegian Government Auditor calls for better monitoring by the Ministry of Foreign Affairs of bilateral and multilateral aid to ensure that the aid meets the objectives set by the Parliament.

48 This section draws heavily on Fredriksen (2010a).
(viii) Using aid where it has comparative advantage

As already noted, little attention has been paid to whether the allocation of aid by education sub-sector, purposes or type is such that it maximizes the aid’s catalytic impact on total education spending. By far the largest share of education spending in most countries is funded by domestic resources. Therefore, what can be gained from more efficient delivery and use of aid alone is limited if the aid is not deployed strategically to maximize its impact on overall resource use in the sector.

One reason for this neglect is the often-made assumption that, because money is fungible, no special attention needs be paid to where the aid is used. This argument is often made in favor of using general budget support rather than more targeted aid instruments. As already noted, budget support has advantages, such as strengthening national systems and ownership. And, in principle, donors’ priorities for supporting a particular sector or purpose through aid provided as budget support can be handled through performance indicators designed to increase budget allocations for this sector or purpose. However, in practice, this is not always easy to achieve. The assumption that aid and domestic funding are, or should be, fully fungible is also reflected in statements implying that it is a problem that “The input mix in aid-financed public spending often differs from that of recipient spending” (World Bank 2003, p. 207). If aid, as argued below, has comparative advantages over domestic spending in certain areas, then it follows that the “input mix” funded by aid often should be different from that of domestic funding.

In fact, there is a lack of symmetry in the fungibility between aid and domestic funding, especially in countries that depend heavily on aid even to pay teacher salaries, and where practically the whole education budget is used for that purpose. In this context, aid can replace domestic funding for most types of expenditures including salaries. However, if aid is not available, domestic funding will not necessarily replace aid to fund investments that are essential, but that mostly yield benefits in the medium to long term. This includes “soft investments” to build institutional capacity, enhance quality and equity, pilot innovations, strengthen capacity to acquire, adapt and apply knowledge, etc. These types of investments will seldom be prioritize in cases where even a government’s “political survival” may hinge on its ability to pay teacher salaries and address other pressing short-term urgencies. This is an important reason why aid should prioritize longer-term investments which are indispensable to sustainable development of a good-quality education system.

Evidence confirms that aid often does play a determining role in helping countries pilot and innovate to develop education policies and programs adapted to local conditions. In some areas, this may permit countries to leap-frog traditional development stages. More use of ICT may be the most obvious example. For example, what is the scope for computer simulations to replace costly labs in secondary

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school? Given the chronic shortage of textbooks in SSA, and the declining costs of e-books, are such books becoming an economically viable way of providing books for all, perhaps starting with math and science in secondary education? How can use of cell phones help monitor the quality of service delivery by parents and promote accountability by schools? What is the scope for providing internet connection to limit the isolation of rural schools? The advance in technology is very fast and what may be out of reach today may be both technically feasible and cost-effective in a few years. Still, countries need to approach this area well aware of the pitfalls to avoid costly errors and technology-driven solutions so common in the past.

As evidenced by the slow progress towards the “neglected EFA goals”, provision of education for marginalized population groups is another area that tends to be neglected in countries with severe budget constraints and weak capacity to make budgetary trade-offs to promote greater equity in education provision. As noted in Section 1, providing adapted education to under-served populations is likely to have high long-term social, security and economic returns. However, to realize these returns is made difficult by the fact that those excluded from ECCE, primary education and literacy have little political clout while those knocking on the doors to enter post-primary education can bring down governments. Targeting aid on such under-served groups would help enhance the poverty focus of aid, which is a high aid priority for most donors. Furthermore, because many such groups benefit from relatively little domestic funding, there is a high likelihood that the aid will add to – rather than substitute for – domestic funding. In addition, as argued below, it may help enhance the sustainability of aid by creating less harmful long-term aid dependency.

(ix) Mitigate harmful effects of high aid dependency

One important aspect of poor global monitoring of aid allocation is lack of attention to potential harmful long-term effects of lengthy, high level of aid dependency. The aid literature discussing such effects generally focuses on the macroeconomic impacts of high levels of total ODA, such as rising real exchange rates undermining the competitiveness of exports, distorted national administrative and budget processes, and slowdown in efforts to create sustainable systems for domestic resource mobilization.51 There is little in this debate referring specifically to the impact on the education sector of a high aid dependency in that sector.

Concerns about harmful aid dependency are particularly relevant for SSA where both the level of aid dependency and the length of high dependency are unprecedented. As regards the level, in 2008, aid exceeded 10% of GDP in 21 SSA countries and 20% in seven of these countries.52 Outside SSA, aid exceeded 10% of GDP in only one country (Afghanistan), and exceeded 5% in only five other (Cambodia, Georgia, Lao, Nepal, and Timor-Leste). Even more striking is the fact that, in 2007, aid exceeded domestic-funded (total) public budgets in 13 of the 38 SSA countries for which data were available, and the median share of aid in total public budgets (including aid) was close to 40%.53 World Bank (2003) found that donors “…supply more than 40 percent of public resources in at least 30 poor countries” (p. 203). As regards length of dependency, Moss et al. (2006, p. 3) notes that: “Globally, there is a core set of roughly three dozen countries that have received a tenth of GNI or more in aid for at least the last two decades. This is a lengthy time period for receiving sizeable aid with few historical precedents.”

As regards aid for education, paucity of data makes it difficult to assess the share of public education budgets that is funded by aid.54 Estimates made by the author suggest that, in 2006, aid comprised about

51 For a summary of the literature, see Moss et al. (2006).
52 Berg (2000) suggests that beyond 5% of GDP, aid starts to have negative effects on local institutions.
53 Data sources: World Bank (2010b), Table 12.1, and World Bank (2010c), Table 6.16.
54 For example, countries differ in the extent to which the education budgets reported include aid and in how much of the budgets are actually spent. It is also unclear how much of general budget support and debt forgiveness benefit education. Aid estimates in the UNESCO GMRs assume that 20% of general budget support is for education.
25% of the public education budget in the median SSA country.\textsuperscript{55} The variation around the median is huge, reflecting the unequal distribution of aid by country discussed earlier. The ratio between aid and domestic funding ranged from below 5% in eight countries to above 50% in nine countries.

Since the EFA goals for 2015 were agreed in 2000, many studies have found that to reach these goals will require a huge increase in aid. It is striking that these studies do not discuss how potentially harmful long-term impacts of the resulting sharp increase in aid dependency might be mitigated. For example, UNESCO (2010a, p. 130) concludes that, on average SSA would need US$10.6 billion \textit{annually for basic} education alone between 2008 and 2015 to reach the 2015 goals. This is more than \textit{six times} the aid disbursed for basic education to SSA in 2008 ($1.6 billion). Clearly, the risks associated with such hugely increased dependency would need to be weighed against the benefits of the increase in aid. For example, this would mean that the majority of teachers in perhaps most SSA countries would be paid by aid well beyond 2015. What \textit{long-term risks} might this represent and, especially relevant for this discussion, how might \textit{alternative uses of this aid within the education sector} help mitigate such risks?

In fact, certain uses of education aid are potentially more risky than others in case aid is cut. This is particularly important for countries where high dependency coexists with high aid volatility. As already noted, the “Paris Declaration” calls on donors to reduce risks caused by high aid volatility. Such risks are particularly serious in the education sector because high aid dependency means that timely payment of teacher salaries depends on timely delivery of aid. An abrupt interruption of aid could cause teacher strikes, which could seriously impact education delivery\textsuperscript{56} and even social stability. To limit such risks, more should be done to use aid where aid volatility poses less risk to aid dependent education systems. For example:

- To fund regular teacher salaries is politically more risky than to fund investments because to stop or delay investments poses fewer risks than to not pay teachers.

- When funding salaries, it is likely less risky to fund adult literacy and “second chance education” programs than regular teachers because such programs are often conducted by contract teachers rather than by civil service teachers. It is also more sustainable in the long term because the need for such programs will gradually decline as literacy rates increase while the need to fund primary school teachers is permanent.

- More generally, high volatility is another reason for using aid for investments that have strong catalytic impact on the effectiveness of total education resource use in the sector.

Finally, as discussed below, one of the most harmful risks of high aid dependency in the education sector is the potential impact on the ability of a country to develop the revenue mobilization system needed for sustainable funding especially of primary school teachers.

\textsuperscript{55} This is the median for 40 SSA countries, based on GNI data from World Bank (2009), and data on education aid and on education expenditures as share of GNI from UNESCO (2008), see Fredriksen (2010b). UNESCO-UIS (2011, p. 33) found that in 2008 “…donor resources account for about 5.6% of total public education resources” in SSA. However, this is a weighted average for SSA and is heavily affected by the fact that some of the largest SSA countries in terms of GNI and education budget receive little aid. For example, Fredriksen 2010b ( p. 272) shows that in 2006, South Africa, Nigeria, Angola and Kenya together accounted for 64% of SSA’s GNI, 31% of SSA’s population, but only 11% of education aid. The weighted share of aid in total public education spending for the remaining 44 SSA countries was 21%.

\textsuperscript{56} During the last two decades, due to long-term deterioration in teachers’ conditions, strikes have seriously disrupted education delivery in many SSA countries, even causing cancellation of whole school years (e.g., Niger).
Mitigate harmful impacts of high aid dependency on domestic resource mobilization

This concern is highly relevant for the education sector, given the high share of aid in education budgets. Examples of potential negative impacts of high dependency include:

- **Reduced long-term financial sustainability:** Aid may substitute for – rather than add to – domestic funding. To the degree that this happens, the aid does not boost the resources available for education proportionally to the level of aid, thus risking developing dependency without sustainably increasing the resource base. For example, Moyo (2009) argues that high levels of aid to Africa over several decades have negatively impacted the countries’ capacities to mobilize sustainable domestic funding for development.57

- **Increased uncertainty:** In highly aid dependent countries, low aid predictability may interrupt education delivery, complicate long-term policy-making and planning, and create political risks.

- **Hamper institutional development:** High aid dependency may weaken or slow down development of national institutions, including the capacity to mobilize domestic resources. Moss et al. (2006) reviews a number of reasons why this may be so, and why this danger has long been a concern among economists. For example, the possibility of mobilizing aid to cover budget deficits may: (i) Causes a “soft budget constraint” which may result in postponement of inevitable budget trade-offs and structural changes. As a result, a high level of aid risks hampering the development of the institutional capacity needed to sustainably generate the domestic revenues that will allow a country to grow out of aid dependency; (ii) Switch political accountability and legitimacy from citizens to donors and lessening Governments’ ownership of the development agenda. This would undercut the main principles of the “Paris Declaration”, i.e., fostering ownership, accountability, and participation; and (iii) Turn bureaucrats’ attention to donors rather than to core development functions. This is a widespread concern. The complaints range from the time senior officials spend on fulfilling the various reporting requirements of aid agencies to the incentives created by aid for rent-seeking behavior, spanning from minor distractions, such as attending workshops to get per diem, to outright corruption.

While not specific to the education sector, given the high share of education in public budgets, a negative effect of aid dependency on general domestic resource mobilization will affect the education sector as well. At a time when strong advocacy for increased aid coexists with recognition of the ineffectiveness of past capacity-building strategies, the potential impact of increased aid dependency on the capacity of national institutions deserves much more attention. The “Paris Declaration” includes a number of measures that could address some of these concerns. However, as noted, the progress towards the 2010 goals has been modest.

To conclude this section on aid dependency risks, countries that have grown out of aid dependency have had high quality political leadership, policies, and governance, resulting in strong economic growth, e.g., Botswana, Mauritius, Korea, Taiwan (China). This has facilitated strong growth in education funding. Similarly, as already noted, recent history in Africa suggests that, in the end, a necessary condition for SSA countries to reduce their education aid dependency is to achieve high and sustained economic growth.

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57 In recognition of this problem, Norway is providing support for a “Taxation for Development” program, initially for Mozambique, Tanzania and Zambia. The program aims to make the countries less dependent on aid by helping them develop better taxation collection systems, and supporting research, international cooperation and public debate on taxation and capital flight issues (Press Release, Ministry of Foreign Affairs. March 11, 2011).
4. A Three-Step Strategy to Enhance the Effectiveness of Education Aid

This section proposes a three-step strategy to strengthen the technical, institutional and “political” capacity required at both the national and global levels to address the systemic weaknesses discussed in Sections 2 and 3. In turn, this should enable developing countries and their development partners to use education aid more strategically to address the type of education challenges discussed in Section 1.

As already noted, current aid allocation by sector, purpose and country is the outcome of complex processes that can only be changed gradually over time. Furthermore, to be successful, such a change process would need to be evidence-based and would require strong leadership within the global education aid community. Therefore, this paper proposes that some new external funding be raised to support actions that can help speed up this change process. The new funding could be mobilized in a number of ways:

- **ODA from “old” donors**: For example, as noted earlier, several donor countries are reducing the number of bilateral partners. Parallel to, or as a result of this, some donors are channeling more aid through multilateral agencies, NGOs or CSOs rather than through traditional bilateral channels.\(^{58}\) Use of multilateral channels will help reduce aid fragmentation. However, as noted in Section 3, care must be taken to ensure that this does not further increase the gap between “donor darlings” and “donor orphans” or in other ways reduces the allocative efficiency of aid. Therefore, donors who are making this shift may want to support work of the type proposed below to mitigate such risks, including by strengthening the capacity of global agencies to handle their aid effectively.

- **ODA from “new” donors**: For example, instead of establishing costly bilateral aid agencies, “new” donors may want to use their aid differently from “traditional” donors, and may want to support some of the work proposed below to ensure that their aid is used in areas where they may have comparative advantages.

- **Grants from private foundations**: Several of the type of global public good issues raised below may be particularly well suited for support from private foundations. As already noted, the global education aid community has been less successful in mobilizing such support than has e.g., the health sector.

- **Funds mobilized in innovative ways**: For example, the “Task Force on Innovative Financing for Education”, created in March 2010 by the “Leading Group on Innovative Financing for Development” has suggested nine innovative financing mechanisms with potential to broaden the fundraising base for education and raising the profile of the education cause.\(^{59}\) These include tax on international financial transactions, local currency education bonds, an education venture fund, Diaspora bonds, debt-for-education swaps and various high-profile and awareness-raising levies such as on sport events.

While difficult to “prove”, the proposition is that the scope for efficiency gains in use of existing domestic and external education spending is such that the gains generated by raising even a relatively modest amount of new funding — modest compared to the $11.4 billion ODA from DAC donors disbursed for education in 2008 — to enhance the effectiveness of education aid will far exceed the additional costs of conducting the type of activities proposed below.

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\(^{58}\) For example, the share of Norwegian education aid channeled through multilateral agencies increased from 21% in 2001 to 47% in 2010. UNICEF and, to a lesser extent, the Fast Track Initiative are the two largest beneficiaries of this shift. Also, the bulk of bilateral aid is channeled through NGOs and CSOs. (Source: NORAD Annual Reports).

The funds would be used in targeted, innovative and sequenced ways to support a three-step strategy designed to address the type of national and global systemic weaknesses discussed in Sections 2 and 3, viz.:

**Step 1:** Strengthening the **global leadership capacity of the education aid community** by building high-level political consensus on a “reform agenda” to enhance the effectiveness of education aid.

**Step 2:** Enhancing the **capacity of the global education aid architecture to translate the reform agenda into agreed actions** by reforming, harnessing synergies and scaling up the capacity of promising existing agencies and networks, with special attention to those producing **regional and global public good functions** in the education sector.

**Step 3:** Providing **target funding to priority areas at the country level** that need urgent attention to enhance the effectiveness of both domestic and external education funding and lay the foundation for more sustainable domestic resource mobilization for education.

These three steps are discussed briefly below. Two points should be noted upfront. First, the steps are sequenced in the sense that most of the analytical work and policy dialogue proposed under Step 1 would form the basis for deciding on the actions under the following two steps. Second, and important: To initiate this three-step process would require an initial set of actions by the international education aid community including (i) deciding to launch this process; (ii) determining the institutional arrangements for conducting and managing the process; and (iii) establishing the mechanism needed to mobilize and manage the funds needed to support the process, starting with the funding of Step 1.

**Step 1: Strengthening the global leadership capacity of the education aid community**

As discussed in Section 3, improved aid coordination, including progress towards the objectives of the “Paris Declaration”, is hampered by weak **global political leadership in the education sector**. To help strengthen this leadership function, it is proposed that a process be launched to:

- Conduct analytical work and policy dialogue to build awareness on how a number of global aid coordination issues constrain the effectiveness of education aid. This includes work to close knowledge gaps in areas where there is a lack of clarity as well as to promote evidence-based dialogue to develop a wider consensus on issues where legitimate differences in views or interests exist between different aid constituencies;
- Develop a wide consensus on reforms required in the global education aid architecture to resolve these issues; and
- Agree on a mechanism to guide the above processes and to monitor follow-up.

Progress along the above lines would generally also mean progress in translating many of the objectives agreed upon in the 2005 “Paris Declaration” and 2008 “Accra Agenda for Action” into concrete actions in the education sector. Section 3 highlighted examples of concepts/issues on which greater clarity and consensus are needed. They include:

**At the country level:** For any given level of aid and national context, what is the:

- **Comparative advantage of aid over domestic funding**, and what are the implications for aid allocation by, e.g., sub-sector, purpose and type of aid?
- **Degree of fungibility between aid and domestic funding** and how best to ensure that aid adds to rather than substitutes for domestic resources thus avoiding that aid creates harmful aid dependency rather than increasing the resource base for the sector?
• Best used of aid to mitigate long-term harmful impact of high aid dependency including by building mechanisms for mobilizing sustainable domestic funding?
• Most effective balance between financial and technical aid in different country contexts?
• Most effective funding instrument in different country contexts?

At the global level: Effectiveness of the global education aid architecture and of aid allocation: What steps should be taken to:

• Strengthen the global coordination of education aid among DAC donors as well as between DAC and non-DAC donors?
• Enhance the effectiveness of regional and global public goods agencies and networks in the education sector and address the underfunding of well-performing institutions?
• Harness the comparative advantage of, and synergy between, different global and regional education agencies and networks through clearer division of labor?
• Strengthen the technical expertise of aid agencies, including of “education lead donors” at the country level?
• Ensure that aid allocation priorities change to reflect emerging education challenges. Do these changes suggest a change in the share of ODA allocated to education, or in the distribution of ODA for education between bilateral and multilateral aid?
• Address the unequal distribution of education aid among countries. What priority should be given to fragile states? What does the fact that the majority of poor people now lives in Middle rather than in Low Income Countries mean for aid allocation?
• Promote greater equity in use of education resources among different population groups, especially with respect to supporting the neglected EFA goals: Female literacy, out-of-school children and ECCE?
• Attract more funding for education from new donors and private foundations?

Step 2: Enhancing the capacity of the global education aid architecture.

The actions under this step would comprise implementing the “reform agenda” resulting from the analytical work, policy dialogue and consensus built under Step 1. Suffice it to reiterate here that, as illustrated by the actions listed above, the type of issues that would need to be addressed are quite complex, and the reforms required to address them would both take time and require strong global political leadership to succeed. However, while difficult to quantify, the gains in aid effectiveness could be huge. Thus, in a context where the demands on stagnating aid budgets is increasing, disillusionment with aid is rising, and globalization heightens the importance of effective global agencies, it is more urgent than ever to act.60

The need to strengthen the delivery of public goods in the education sector goes beyond global agencies, though the regional offices of agencies such as UNESCO and UNICEF as well as the Regional Development Banks play important roles. But there are also a number of regional networks and NGOs that serve as fora for knowledge exchange and policy dialogue at the regional and sub-regional level. For example, the Association for the Development of Education in Africa (ADEA) has for more than 20 years served as a valued forum for policy dialogue among African education ministers as well as among them and their development partners. Within the ADEA framework, several smaller networks operate, such as FAWE (a NGO promoting girls’ education in Africa), and COMED (a network for African education journalists and communications specialists). Outside ADEA, there are also many specialized technical networks, such as the “Southern Africa Consortium for Monitoring Education Quality” (SACMEQ) which

60 Confer the 2009 DfID White Paper that urges profound changes in “…the way our international institutions operate – not just their governance structure, but also what they do and how we, the member states and shareholders, engage with them” (DfID 2009, p. 104). The citation does not refer specifically to agencies dealing with education.
Education Resource Mobilization and Use in Developing Countries

since the early 1990s has assisted countries in developing student assessment systems. Another such African network focuses on strengthening the capacity of SSA countries in the area of ECCE (Garcia and Pence 2010). There are also education research networks. Similar networks exist in other regions including the dozen regional centers established by the Southeast Asian Ministers of Education Organisation (SEAMEO) to promote knowledge exchange and peer learning in math, science and education, and the “Africa-Asia University Dialogue for Education Development” sponsored by JICA (Government of Japan 2010). Many similar collaborative networks exist in Latin America.

More reliance on the type of technical cooperation highlighted above form part of the new capacity-building strategy called for in Section 2. The importance of these types of cooperative arrangements is recognized in the “Paris Declaration.” But though many institutions facilitate this type of cooperation and are favorably assessed in regular external evaluations, most suffer from the “global public good underfunding syndrome” discussed in Section 3. They are therefore often small and do not realize the economies of scale that more funding would offer. Hence, increased support for the best of such institutions to strengthen their role as knowledge-exchange and change agents could offer a high return in terms of increased effectiveness of resource use in the education sector. For example, professional networks among journalists, parliamentarians, parent/teacher organizations, national NGOs, etc. can act as key levers and motivators for change. They can also play key oversight roles with respect to the quality of public education service delivery at the national and local levels.

**Step 3: Providing target funding to priority areas at the country level**

Most low-income countries made major education progress during the last decade. However, three areas stand out as areas where slow progress constrains the ability of education to perform its transformative role in society: (i) Development of effective institutions, (ii) Addressing the neglected EFA goals, and (iii) Providing education to children caught in conflict situations. These areas would be strong candidates for linking increased technical support to develop policies and programs with targeted additional funding to jumpstart/scale up the implementation of programs and build momentum for rapid improvements.

As discussed in Section 2, ineffective institutions is a major constraint on the ability of countries to prepare and implement the policies and programs needed to address the challenges countries will face over the next decade. And the limited progress in providing, respectively, ECCE, female literacy programs and learning opportunities for out-of-school children (40% of the 67 million who are out-of-school are in conflict/post-conflict countries), severely constrains the effectiveness of education in promoting greater equality in life chances and more prosperous, healthy and peaceful societies. Therefore, because these high priority areas receive very little domestic and external funding at present, more aid would provide a high degree of additionality. Other priority areas – TVET, secondary and higher education, quality improvements – are not included here for extra attention because they form part of most education sector programs and will be supported through the normal channels for providing aid. This is normally not the case for female literacy, ECCE and education for out-of-school youth.

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61 Abdullah et al. (2010) reviews the work of one of these centers located in Malaysia.
62 Donors commit to support capacity building of: “… development actors – parliaments, central and local governments, CSOs, research institutes, media and the private sector – to take an active role in dialogue on development policies and on the role of aid in contributing to countries’ development objectives” (paragraph 13b).
Concluding Remarks

This paper calls for the international aid community to launch a proactive process to promote more evidenced-based allocation and use of education aid to enhance its catalytic impact on national and global education outcomes. Notwithstanding the considerable EFA coordination efforts led by UNESCO, and the work under the Fast Track Initiative to mobilize more financial support for EFA, inadequate global attention is paid to monitoring the extent to which aid allocation decisions by individual donors add up to anything like an “optimal” distribution of total education aid by e.g., education level, purpose and country to maximize its impact. Also, much more needs to be done to extend the coordination process to include education aid provided by “new” donors, NGOs, foundations and other private sources.

Aid budgets in DAC countries are growing tighter, there is growing disillusionment about aid effectiveness, and various types of non-ODA funding are growing rapidly. Furthermore, there is a growing gap between, respectively, the need for the type of high-quality global public goods needed to address the coming decade’s education challenges and the technical and financial ability of regional and global public good agencies and networks to provide them. These are some of several trends that reinforce the need to strengthen the capacity of the global education aid architecture to ensure that the allocation and use of aid evolve to reflect the evolving comparative advantage of aid in helping countries address these challenges.

Since the 2000 Dakar Education Forum, there has been much focus on the need for low-income countries to develop better quality sector plans, more evidenced-based decision-making processes, and stronger implementation capacity. Much progress has been made. However, the same degree of attention has not been paid to the potential for increasing the catalytic impact of education aid through better quality decision-making and follow-up on aid allocation and coordination matters by donor countries and agencies. To do so should be the next phase in the ongoing struggle to enhance the effectiveness of education aid.
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