

## “Aid Effectiveness and Responsibility of International Cooperation in Education”

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### “Revisiting Aid Effectiveness for Education in the Changing Global Context”

The presentation discusses options for enhancing the effectiveness of education aid by allocating aid more strategically to enhance its impact on national education outcomes as well as on the global Education for All (EFA) goals for 2015 and beyond.

Total Official Development Assistance (ODA) from countries that are members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) was US\$129 billion in 2010. ODA is only one-third of total financial flows from DAC to developing countries; most of the other two-thirds comprise private direct investments. In addition to this financing from DAC countries, ODA from “new” donors is rising rapidly. This is also the case for various types of private flows such as remittances from workers abroad (US\$307 billion in 2009) and funding from philanthropists and foundations.

Over the past decade, the education sector received only about 12% of total DAC ODA. In 2008, 41% of education aid was allocated to basic education, 17% to secondary and 42% to higher education. The comparatively high share for higher education is largely explained by that some major donor countries include as aid funding for foreign students studying in their countries.

In 2008, Sub-Saharan Africa received about 28% of all education aid. The corresponding shares were 18% for East Asia and the Pacific, 14% for Arab States, 12% for South and West Asia, 8% for Latin America and the Caribbean, and 7% for Europe and Central Asia. The remaining 13% were not distributed by country. About 80% of education aid was provided through bilateral channels and 20% by multilateral agencies. Little information is available on how much the education sector benefits from funding from “new” donors.

In discussing aid effectiveness, it is useful to distinguish between two broad types of aid:

- Country-specific aid, i.e., financial and technical assistance delivered directly to countries through bilateral and/or multilateral channels; and
- Global Public Goods (GPG), i.e., services such as aid coordination, technical cooperation, knowledge creation and exchange, collection and disseminating global statistics, etc., facilitated by global and regional GPG agencies and networks.

For country-specific aid we may distinguish between three different aspects of aid effectiveness:

- (i) Allocative Efficiency: The extent to which aid is allocated to purposes and inputs where it has the greatest catalytic impact on national education outcomes;

- (ii) Technical Efficiency: The extent to which aid allocated for a given purpose is (a) delivered efficiently by donors, and (b) used efficiently by recipient countries;
- (iii) Aid Dependency Efficiency: The extent to which aid is allocated in ways that avoid creating aid dependency harmful to self-reliant education development.

For GPG functions we may distinguish between two additional aspects of aid effectiveness:

- (iv) Aid Coordination Efficiency: The extent to which aid is allocated among countries and between country-specific aid and GPG functions in ways that maximize global education outcomes (e.g., progress towards the EFA goals), and
- (v) Global Public Good Efficiency: The extent to which (a) aid is allocated optimally between GPG agencies and networks; and (b) high quality GPGs are delivered efficiently by such agencies and networks.

For most of the last decade, the global aid community attention to aid effectiveness focused almost exclusively on enhancing technical efficiency. This work culminated by the *2005 Paris Declaration on Aid Effectiveness* which adopted targets for improving aid efficiency in five areas: Enhanced national ownership; better alignment of aid on national objectives; enhanced coordination among donors to harmonize procedures and avoid duplication; increased focus on development results; and mutual responsibility for results. Progress towards these targets has been uneven. It has been monitored by the OECD and discussed at four international High-Level Fora on Aid Effectiveness, the latest held in November 2011 in Busan, Korea.

Very inadequate attention has been given to the other four types of aid effectiveness listed above. In particular, while improved technical efficiency is *necessary* to improved aid effectiveness, this alone is not *sufficient* if the aid is not *strategically allocated and used* to maximize impact on education outcomes, or the aid is allocated in ways that limits aid sustainability and progress towards self reliance. Though the level of aid dependency is at worrying high levels in many Sub-Saharan African (SSA) countries<sup>1</sup>, in most developing countries, the vast majority of education funding is from domestic resources. Therefore, aid must be allocated strategically to maximize the impact of total education funding (external *plus* domestic) on education outcomes.

The need to use aid more strategically is reinforced by the increasingly tight aid budgets in traditional donor countries, resulting from the current economic crisis, growing disillusionment about aid effectiveness, unprecedentedly high levels of aid dependency in some countries, and rapid growth in funding from “new” donor countries as well as from a variety of private sources. Moreover, woefully little global attention has been paid to how to enhance the efficiency of GPG agencies and, subsequently, increase the funding of well-performing agencies.

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<sup>1</sup> In 2009, of 48 SSA countries, total aid for all sectors exceeded 10% of GDP in 22 countries and 20% of GDP in five countries. Aid exceeded 5% of GDP in only five countries outside SSA, and 10% only in Afghanistan. In 2006, the share of aid in public education budget was about 25% (median for 40 SSA countries).

The “Busan Partnership for Effective Development Co-operation” calls for a broadening of the international aid debate in order to enhance the attention to more effective use of aid to promote development. This is a welcome switch away from last decade’s (a) single-minded focus on increasing the volume of aid -- although an increase is highly desirable, this should not distract from using effectively the aid that is available, and (b) limitation of the aid effectiveness debate largely to improving technical efficiency. In particular, the “Busan Declaration” emphasizes correctly that it is time to broaden the aid effectiveness debate to give more attention to the challenges of *effective development* driven by strong, sustainable and inclusive growth; governments’ own financing; effective state and non-state institutions; and regional and global cooperation. As noted by the “Declaration”, this requires a rethinking of *what aid should be spent on* and *how* in order for aid to be an effective catalyst for development.

In short, there is an urgent need for the international aid community to progress towards more evidence-based aid allocation and coordination in order for aid to be able to respond more effectively to the major challenges education systems will face in the current decade. Some of these challenges will originate from *within* the system, others from *outside*. The former include “old” challenges such low quality, inequity and persistence of weak institutional capacity as well as poor progress towards key EFA goals such as Early Childhood Care and Education (ECCE), adult literacy and skills development. Other internal challenges include the need to manage effectively the increased pressure on post-primary education, resulting from last decade’s progress towards universal access to primary education, and the increased diversification in the delivery and financing of education.

Challenges from outside the education system include globalization; the growing role of knowledge and innovation in development; the rapidly rising internationalization of higher education and research; unprecedented social change; rapidly changing demography; climate change; and education’s role in translating into reality the desire for more cohesive and equitable societies and for more accountable governments. In fact, increasingly, the pressures for changes in education programs and delivery mode come from outside rather than from inside the system.

A common feature of these challenges is that to address them will require more *evidence-based, knowledge and capacity-intensive* and *politically sensitive* policies than was the case for addressing the challenges faced during the past decade. In turn, to respond, the education system needs to make dramatic progress in building institutions for leadership, accountability and innovation. As noted in the 2008 UNESCO EFA Global Monitoring Report (p.27), “...extraordinary limited attention (has been) paid to strengthen national capacity” and “...countries need much stronger capacity to deal with the political economy of reform and with technical constraints on implementation”. In fact, 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.

The most strategic use of aid to help countries address the above type of challenges *is also evolving rapidly*. First, *country-specific aid* must give higher priority to essential investments for capacity-building (CD) that

often are underfunded in a developing country context of severe budget constraints, where essential short-term urgencies often leave very limited funding for long-term investments. This will require a new CD strategy by both donors and countries, focused on building effective and accountable institutions able to mobilize, strengthen, utilize and retain existing national expertise. In the past, donor assistance for capacity building has often focused on long-term external technical assistance, training abroad and equipment, all mostly tied to services from the donor country. Also, one of the clearest lessons from the past half century is that CD takes time, often decades. In a context where donors increasingly tend to fund what can be measured 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.

Second, higher priority should be given to promoting equity through programs for marginalized groups who – while often large, e.g., almost 50% of adult women in Sub-Saharan Africa and South Asia are illiterate and 67 million children are still out of primary school – have little political voice compared to students seeking entry to post-primary education.

Third, aid must give increased priority to helping improve education quality and relevance. This is essential in order for education to become a more effective tool in addressing the increasing “youth challenge”. This said, *education alone* is not sufficient to turn the “youth bulge” from being a potential danger into an opportunity as done in successful East Asian countries. If education is not coupled with policies leading to growth and employment generation as well as more open and cohesive societies, 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 problems faced by many countries.

However, more evidence-based use of aid is hampered by serious *weaknesses in the global education aid architecture*. To address this weakness is essential to implement the “Busan Declaration’s” call to move “from effective aid to cooperation for effective development”. Increasingly, the effectiveness of aid is likely to be closely associated with the extent to which such aid can foster effective collaboration among countries, including through effective south-south and triangular cooperation. To make this happen, the international community must give much higher priority to reforming global and regional agencies and networks performing Global Public Good functions, and providing adequate funding for well-performing such agencies and networks.

The presentation concludes by proposing some steps towards more evidence-based aid allocation and coordination. This includes analytical work to support consensus-building processes on global aid effectiveness issues, and the development of greater awareness internationally about the need for stronger global political leadership in the education sector<sup>2</sup>.

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<sup>2</sup> This presentation is largely based on the following two publications:

Fredriksen, Birger (2010). “Enhancing the Allocative Efficiency of Education Aid: A Review of Issues and Options”. *Journal of International Cooperation in Education*, Volume 13, Number 2, October 2010.

Fredriksen, Birger (2011). *Education Resource Mobilization and Use in Developing Countries: Scope for Efficiency Gains through more Strategic Use of Education Aid*. The Results for Development Institute, Washington, DC.



# **Revisiting Aid Effectiveness for Education in the Changing Global Context**

Presentation by Birger Fredriksen at

**Japan Education Forum IX**

**“Aid Effectiveness and Responsibility of  
International Cooperation in Education”**

Tokyo, February 7, 2012

# Overview

Discusses key issues in allocating and using education aid more effectively:

1. Summary of **Official Development Assistance** (ODA) from DAC donors\*
2. The complexity of **enhancing aid\*\* effectiveness** at the country and global levels
3. Key emerging **education challenges** 2015 and beyond: Implication for aid priorities
4. Ways of enhancing the **effectiveness of country-specific aid**
5. The need for **more effective global aid coordination** for effective development
6. Steps towards **more evidence-based aid allocation and coordination**

\* DAC = Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD)

\*\* In this presentation, aid = ODA from DAC and non-DAC donors

## 1. The Setting: (a) Total net external funding

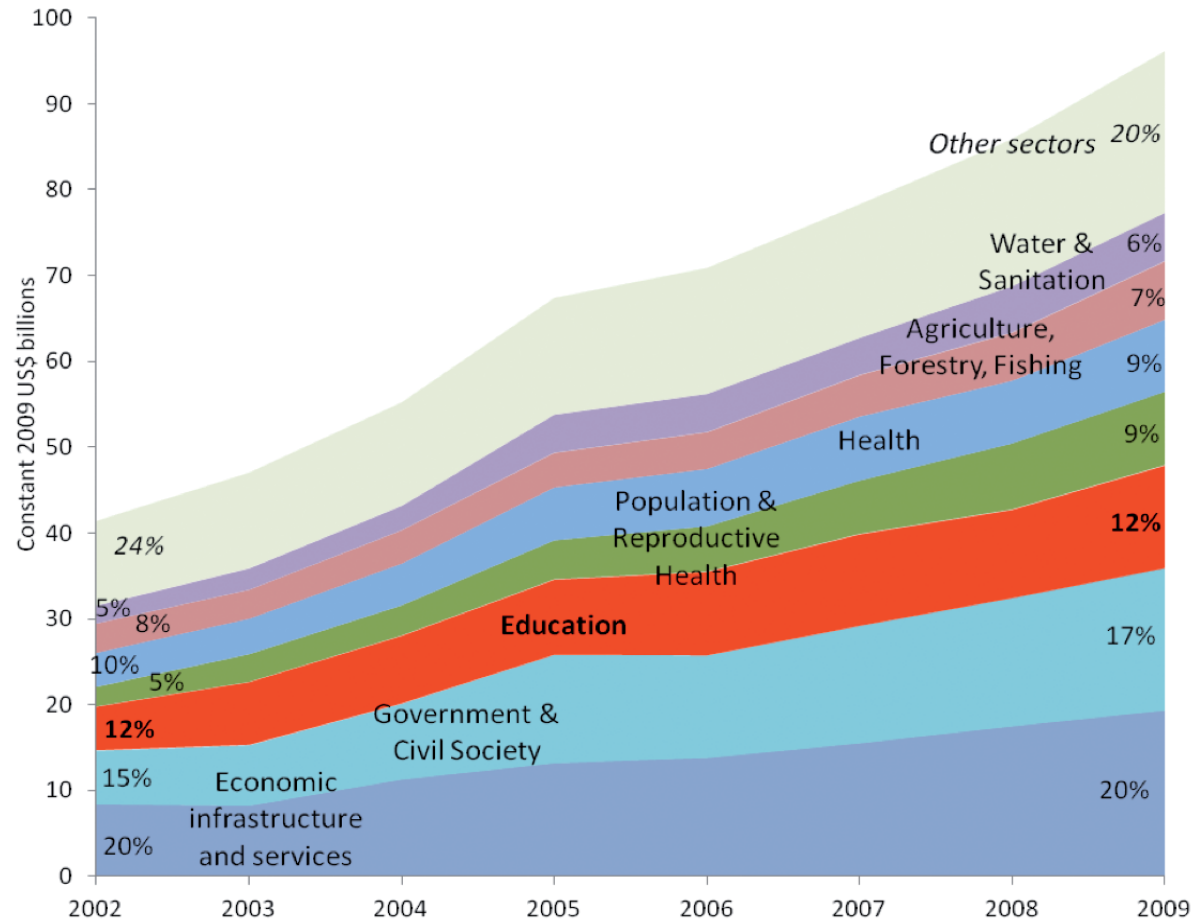
1. **DAC ODA** disbursements all sectors: \$129 billion in 2010, up 6.5% from 2009
  - ODA = only 1/3 of total DAC flows. The share is declining
  - Non-ODA from DAC countries: Largely private direct investments
2. **Non-DAC ODA** rising rapidly:
  - More than 30 non-DAC donors (including 8 OECD countries) provide ODA
  - ✓ **Paucity of data** from key non-DAC donors such as Brazil, China, India, Russia
3. **Private flows:**
  - Remittances: \$307 billion in 2009
  - Philanthropists and foundations
- ✓ **Rising fragmentation**: Need better coordination to ensure that aid allocations make sense in the aggregate in terms of prompting development

Rest of presentation: **Efficient allocation and use of education aid**



# Education's share of aid has remained static over the past decade (disbursements)

(Source: UNESCO EFA Global Monitoring Report. Policy Paper 02, November 2011)



## 1. The Setting: (b) Summary of DAC ODA for education

### 1. Total education aid:

- \$13.4 billion in 2009, up from \$11.3 billion in 2008
- Has remained about 12% of total DAC ODA over the last decade

### 2. Distribution (2008):

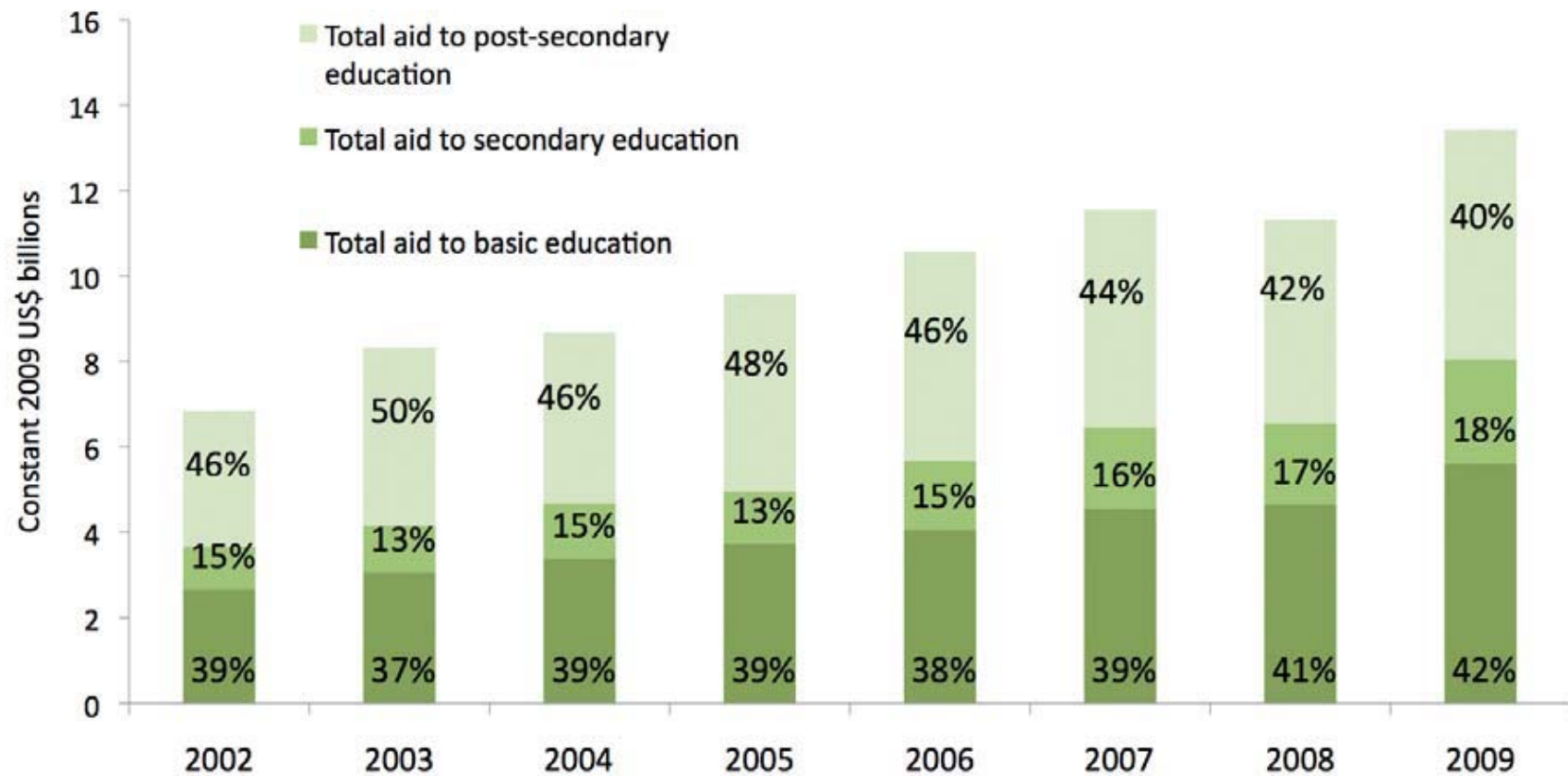
- Sub-Saharan Africa : **28%**; East Asia: **18%**; Arab States: **14%**; South and West Asia: **12%**; Latin America: **8%**; Europe/Central Asia: **7%**; unallocated **13%**
- Basic education: **41%**, secondary: **17%**, higher: **42%**
- Much of aid for higher education spent on foreign students in donor countries
- Bilateral/multilateral aid: **80%/20%**

### 3. Narrow donor base for education aid

- **Basic education (2009)**: 7 donors = 66% of all aid: World Bank (18%); US (12%); UK (11%); EU (8%); France (6%); Netherlands (6%); Japan (5%)
- **Total education** (average 2007-08): 7 donors = 68% of all aid: France (17%); Germany (13%); WB (11%); Japan (8%); Netherlands (7%); UK (6%); US (6%)
- **Little information on “new” donors’** support for education

## Share of aid disbursed to basic education increased little over the past decade

(Source: UNESCO EFA Global Monitoring Report. Policy Paper 02, November 2011)



## 2. Enhancing aid effectiveness: (a) Different aid channels

### 1. Two broad types of aid:

- i. Country specific aid: Financial and technical aid delivered directly to countries through bilateral and/or multilateral channels
  - ii. Global Public Good (GPG) functions: Aid coordination, technical aid, knowledge exchange, etc. facilitated by global and regional GPG agencies and networks
- ✓ Funding of many GPG functions not included in data on ODA

### 2. Synergies between country-specific aid and GPG functions:

- Effectiveness of country-specific aid often depends on effective GPG functions

### 3. Some bilateral aid supports education GPG functions. For example:

- Extra budgetary support for UNESCO and UNICEF
- Trust-funds supporting education managed by the World Bank

## 2. Enhancing aid effectiveness: (b) A multi-faceted challenge

### 1. Effectiveness of country-specific aid depends on:

- (i) Allocative Efficiency: Extent to which aid is allocated to purposes and inputs where it has the **greatest catalytic impact** on national education outcomes
- (ii) Technical Efficiency: Extent to which aid for a given purpose or input is:
  - **Delivered efficiently** by donors
  - **Used efficiently** by the country
- (iii) Aid Dependency Efficiency: Extent to which aid is allocated in ways that avoid creating **aid dependency harmful to self-reliant education development**

### 2. Effectiveness of aid in support of GPG functions depends on:

- (iv) Aid Coordination Efficiency: Extent to which **aid allocation** by country, purpose and type is coordinated to maximizes education outcomes
- (v) Global Public Good Efficiency: Extent to which:
  - Aid is **allocated optimally** between GPG agencies/networks
  - GPG agencies/networks **deliver efficiently** high-quality GPGs

## 2. Enhancing aid effectiveness: (c) Mixed progress

1. **Focus on technical efficiency:** But slow progress towards 2005 Paris Declaration targets on aid harmonization, alignment, ownership, results, mutual accountability
2. **Little attention to allocative efficiency:** Improved technical efficiency not sufficient to achieve effectiveness if aid not strategically allocated to maximize catalytic impact
3. **Very little global attention to:**
  - Aid dependency → Reduces aid sustainability/progress towards self reliance
  - Aid coordination → Causes sub-optimal aid allocation by country, sector, purpose
  - Global Public Goods (GPG) → Limits poor countries' access to global expertise
4. **Global aid debate has focused on aid volume rather than on effective use:**
  - **Need:** More evidence-based aid allocation and coordination
  - **Busan:** Positive change. From effective aid to cooperation for effective development

### 3. Aid effectiveness 2015 and beyond: (a) Emerging education challenges

#### 1. Challenges from **within** the education system:

- **Increased urgency to address old challenges:** Low quality, inequity, exclusion
- **Reaching neglected EFA goals:** ECCE, female literacy, skills development
- **Managing the political economy of budget trade-offs:** Increasing challenge of achieving EFA for excluded groups while expanding post-primary education
- **Managing more diversified systems:** Increased role for non-state providers

#### 2. Challenges from **outside** the system:

- **Growing role of knowledge and innovation in development** → Major impact on needs for skills and “change agility” to compete in global knowledge economy
- **Unprecedented societal change:** ICT; demography; strive for more cohesive and equitable societies; more accountable governments; climate change; environment
- **Rising internal/international migration** → Urbanization; “brain drain”/ “brain gain”

### 3. Aid effectiveness 2015 and beyond: **(b) Implications for aid priorities**

1. **Two broad types of aid** (slide 7): Country specific and Global Public Good functions

2. **Guiding principles for enhancing aid effectiveness for both types:**

- In most countries, the vast majority of education funding is from domestic resources
- Thus, the **comparative advantage of aid** is to help build:

(i) **Strong and sustainable national institutions** able to enhance impact of total education funding (external + domestic) on education outcomes

(ii) **More effective and better financed global systems** for GPG functions

(iii) **Mechanisms to enhance synergy** between country specific aid and GPG functions

→ **Overarching priority next decade:** Building **inclusive** and **sustainable systems** responding to long-term national economic, social and cultural development needs



#### 4. More effective country-specific aid: (a) **Comparative advantage of aid**

##### 1. **Severe budget constraints** complicates political economy of budget trade-offs:

- Between short-term urgencies and longer-term investments
- Between populations with different strength of political voice and vulnerability

##### 2. **In this context**, not symmetric fungibility between aid and domestic funding:

- **Aid** can substitute for **domestic funds** for most purposes
- **But domestic funds** will prioritize (i) short-term urgencies/salaries over longer-term investments, and (ii) vocal groups over marginalized groups with little voice

##### 3. **Comparative advantage of aid**: Additional funds for underfunded priority needs:

- **Inclusive and sustainable systems** responding to long-term development needs
- **Policies and programs** for marginalized populations
- **South-south/triangular cooperation** to enhance peer learning and sustainability

#### 4. More effective country-specific aid: (b) Aid priorities

1. **“Soft investments” for Capacity Development (CD)** to develop systems, e.g.:
    - **Knowledge-base** for evidence-based decision making
    - **Expertise** to formulate, implement and monitor policies; and to evaluate outcomes
    - **Political capacity** to build consensus on policies and budget trade-offs; apply merit-based staffing policies; set service-delivery standards and exercise accountability
  - ✓ **Need new CD strategy:** Build effective and accountable institutions able to mobilize, strengthen, and retain national expertise, including through south-south cooperation
  2. **Investments to improve quality of delivery:** Learning materials; staff development; systems to improve accountability of teacher and school management for results
  3. **Equity:** Out-of school youth; disabled; girls/women rural/informal economy workers. More difficult as groups with stronger voice push for post-basic education
  4. **Counter-cyclic budgetary support** during crisis to protect poor and past gains
- ➔ **Increasing role of aid:** Promote equity, poverty reduction, south-south cooperation

#### 4. More effective country-specific aid: (c) Mitigate aid dependency risks

##### 1. Aid to Sub-Saharan Africa (SSA) unprecedented high and for long period:

- In 2009: Of 48 countries, aid exceeded 10% of GDP in 22 countries and 20% in 5. Aid exceeds 5% in only 5 non-SSA countries, and 10% in only one (Afghanistan)
- Share of aid in public education budget: **25%** in 2006 (median for 40 SSA countries)
- Aid for basic education (2008) in SSA: \$1.6 billion. UNESCO estimates \$10.6 billion needed annually 2008-15 to reach EFA. **What are dependency implications?**

##### 2. For same level of aid, ways to mitigate dependency and enhance self reliance:

- Avoid substituting for domestic funding. More poverty-focused → more additionality
- Prioritize severely underfunded inputs where aid has comparative advantage
- Enhance predictability: Less than half of aid promised for SSA at 2005 G-8 delivered
- Use volatile aid for less risky purposes → Investments rather than salaries
- Avoid uses that weaken institutions by creating corruption; low ownership; disincentives for domestic resource mobilization

## 5. More effective global aid coordination: (a) Distribution among countries

### 1. Education aid is unevenly distributed by regions and countries. In 2008:

- Aid per primary school child: \$13 in SSA and Arab States; \$6 in LA; \$4 in Asia
- In SSA, 10 low-income countries received less than \$6 per child, 7 more than \$40
- ✓ 80% of increase in aid in 2009 for 4 countries: India, Pakistan, Ethiopia, Vietnam

### 2. Increase impact of aid on EFA by giving higher aid priority to:

- Well-performing countries which are “off-track”
- Post-conflict/”fragile states”. Means more “needs” than “performance-based” aid

### 3. Ongoing changes in bilateral aid policies will change country distribution:

- More support for “fragile states”
- Some donors (Denmark, Netherlands, Norway, UK) limit recipients of bilateral aid. Could increased gap between “donor darlings” and “donor orphans”

### 4. Change in aid policy to reflect change in geography of poverty: Two decades ago, 93% of poor lived in low-income countries. Now 72% in middle-income countries

## 5. More effective global aid coordination: (b) GPG functions

1. **To reap benefits of knowledge revolution:** Need GPG institutions to promote:

- More evidenced-based decision making through capacity-building, technical support knowledge-sharing; comparative studies; cross-country cooperation/peer learning
- Economies of scale: About 45 developing countries less than 1 million inhabitants

2. **BUT many obstacles to mobilizing funding for GPG functions:**

- “Free rider problem” → General problem in financing goods with positive externalities
- Difficult to measure GPG outputs → Donors fund what can be measured in short-term
- Inefficient GPG institutions: Vicious circle → Resistance to reform limits funding
- Declining technical expertise in aid agencies → Serious issue; little attention

3. **Overall effectiveness of aid likely to improve if international community:**

- Give higher priority to reforming and funding adequately GPG functions
- Strengthen the technical expertise of aid agencies to give high-quality aid

## 5. More effective global aid coordination: (c) Education aid architecture

Present aid priorities and architecture increasingly respond to yesterday's challenges:

### 1. Aid must be used more strategically and flexible to address evolving priorities

- Growing need for more knowledge, innovation and capacity intensive education policies and programs to respond to rapid global economic and social change
- Help close widening gap between countries and regions as well as within countries
- Facilitate south-south/triangular cooperation for peer learning/knowledge exchange

### 2. Meeting challenges will require stronger global education sector leadership

- DAC donors face (i) New aid demands on declining budgets (climate; food security); (ii) rising disillusion about aid effectiveness; (iii) competition from “new” players
- More funds for GPG agencies depends on increased credibility and ability to reform. Need higher quality services, less turf, more cooperation, more division of labor
- “New” donors: Coordination challenges, but opportunities for funding and learning

## 6. Steps towards more evidence-based aid allocation and coordination

### 1. Must build consensus on global aid effectiveness issues such as how to:

- Ensure aid is used where it has **comparative advantage** in each country context
- Achieve more **strategic allocation of aid** by country, purpose, type of aid
- Enhance aid **predictability, additionality, and sustainability**
- Reform and fund **GPG agencies** to provide high-quality GPGs
- Improve the **coordination capacity** of the global education aid architecture
- Strengthen **aid agencies' technical expertise**

### 2. To achieve this requires greater awareness of the need for:

- More **evidence-based aid allocation by donors**
- Stronger **global political attention to education** reflecting high national priorities
- **Mechanisms and funding** for translating awareness into political will and action
- → **Overarching constraint: Weak global political education sector leadership**