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THE EVOLVING ALLOCATIVE EFFICIENCY OF EDUCATION AID:

A REFLECTION ON CHANGES IN AID PRIORITIES TO ENHANCE AID EFFECTIVENESS

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

Birger Fredriksen

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Acronyms

AAA	Accra Agenda for Action
ADEA	Association for the Development of Education in Africa
CF	Catalytic Fund, Fast Track Initiative
CSO	Civil Society Organization
DAC	Development Assistance Committee
DFID	Department for International Development, UK
DgCiD	Direction générale de la coopération internationale et du développement, France
ECCE	early childhood care and education
EFA	Education for All
EFA GMR	Education for All Global Monitoring Report
EFA-HLG	High-Level Group on Education for All
EPDF	Education Program Development Fund, Fast Track Initiative
EU	European Union
FTI	Fast Track Initiative
GER	gross enrollment ratio
HIPC	Highly Indebted Poor Country
HLM	High Level Meeting (EFA mechanism)
IIEP	International Institute for Educational Planning, UNESCO
MDG	Millennium Development Goal
ODA	official development assistance
SSA	sub-Saharan Africa
TA	technical assistance
UIS	Institute for Statistics, UNESCO
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UPE	universal primary education

Preface

The eighth meeting of the High-Level Group on Education for All (EFA-HLG) (Oslo, December 16 - 18, 2008) presents a crucial opportunity for world leaders to reassert the importance of education and drive home key messages for global audiences pertaining to the achievement of the Education For All (EFA) goals. The EFA-HLG serves as the focal point for political commitment, as well the technical and financial resource mobilization, needed to achieve the EFA targets.

This year is pivotal for the EFA movement - it is the midpoint between the year 2000, when developing and donor countries alike reinforced their commitment to the six goals of EFA, and the year 2015, the target year for the achievement of these goals. It is also the midpoint for the education Millennium Development Goal (MDG): universal primary school completion. Most importantly, it is the last chance to begin first grade for children expected to complete sixth grade by 2015. And finally, the current financial crisis poses new risks in terms of shifting priorities and budgets away from education at a time when resource mobilization for education is the most critical.

The World Bank welcomes the partnership with the Norwegian government in preparing for the Oslo event and appreciates the collaboration to deeply examine issues concerning the financing of education and aid effectiveness. “The Evolving Allocative Efficiency of Education Aid: A Reflection on Changes in Aid Priorities to Enhance Aid Effectiveness” takes a close look at evolving aid priorities at the midpoint of the EFA movement. This paper explores how allocation of education aid may need to change to ensure that aid is allocated to the purposes where it can be most effective in maintaining the momentum to achieve the EFA goals suggests elements of an action plan to improve the allocative efficiency of education aid.

*Robin S. Horn
Acting Education Sector Director
Human Development Network, World Bank
November 2008*

Executive Summary

At the mid-point to 2015, most developing countries and their external partners can take pride in remarkable progress towards the Education for All (EFA) goals agreed at the 2000 Dakar World Education Forum. The progress towards universal primary education (UPE) is particularly remarkable and can largely be explained by such factors as stronger political will in favor of education, more effective education policies and programs, and increased domestic and external financing for education.

As a result of these and other developments, the context in which education aid operates at both the country and international level has changed markedly since 2000. This paper, which focuses on sub-Saharan Africa (SSA), explores **how *priorities for allocation of education aid*¹ may need to evolve during the second half of the 2000–2015 period to ensure that aid is allocated to the purposes where it can be most effective.**

In many cases, the desired change in aid allocation is already underway, so it is a question of accelerating the pace of change. However, in certain cases, the aid community will need to rethink its priorities and reallocate aid to purposes that can enhance its impact. Increased priorities for certain purposes will in turn impact both the type of aid likely to be most effective (e.g., technical versus financial aid) and the modalities for delivering this aid. If future aid budgets grow, a higher priority could be achieved by allocating more of the increase to these purposes. However, should aid budgets stagnate (e.g., as a result of the current financial crisis), a reallocation between purposes should be considered.

Four Dimensions of Analysis

The paper proposes that education aid effectiveness must be analyzed within four interrelated dimensions:

First, the effectiveness of education aid must be analyzed within a holistic framework that considers how aid can help maximize the impact of total domestic and external education spending and cover all levels and types of education. For example, in 2006, aid accounted for only about 13 percent of total public education spending in sub-Saharan Africa (it accounted for an even smaller share of total education spending, which includes private domestic spending). Therefore, *efforts to improve aid effectiveness must consider how aid can be allocated to enhance the effectiveness of total education spending.*

Past experience shows that to make EFA financially and socially sustainable, a national economy must be able to generate (i) the *funding* needed both to maintain EFA, once it is

¹ As used in this paper, “education aid” includes all official development assistance (ODA), both technical and financial. The terms “technical aid” and “technical support” are used interchangeably to denote activities such as policy advice, analytical work, knowledge exchange, “south-south” cooperation, capacity building, and national consensus building on policies and strategies. As used here, the two terms include support provided by regional and global institutions. “Technical aid” should not be confused with traditional long-term resident technical assistance.

attained, and provide further training opportunities; and (ii) the *jobs* demanded by graduates. These achievements in turn require an education and training system capable of responding effectively to the growing social demand for post-primary education, as well as the demand for skilled labor from an increasingly globalized and knowledge-based economy. In short, to effectively allocate aid so that it reaches and sustains EFA goals, the donor community must consider how aid can be used effectively *throughout the education and training system* to respond to these demands. While achieving EFA should remain the overarching priority for education aid, focusing on EFA alone is not enough.

Second, the type of aid required to help countries address their education challenges **is becoming increasingly intensive in terms of knowledge and technical expertise.** This need is, moreover, pressing at a time when the aid community's capacity to provide high-quality technical aid and "global public education goods" is declining. This paper calls for urgent attention to this issue, both because this lack of capacity constrains the effectiveness of domestic and external education financing and because it limits the access of poor countries to global knowledge assets, and thus their ability to adapt and apply such knowledge effectively to their respective national contexts.

Third, and related to the preceding two propositions, **aid has a comparative advantage in funding certain high-impact inputs** that may not be adequately funded in the absence of aid. These inputs include policy advice, analytical work, piloting of innovations, knowledge exchange, capacity building of local and regional institutions, and consensus building among education stakeholders. Thus, aid and domestic funding (including aid provided through budget support) are not fully *fungible* in the sense that if targeted aid is not available, domestic funding may not adequately finance such inputs.

Fourth and most important in terms of this paper, **the effectiveness of education aid can be enhanced by changing its allocation.** As reflected in the "Paris Declaration" of 2005 and the recent "Accra Agenda for Action," the *technical efficiency* of the delivery and use of aid has received much-needed attention in recent years. This enhanced efficiency has taken the form of improved aid modalities, coordination and "harmonization," as well as the fostering of improved ownership and governance among recipient countries. Much less attention has been given to the *allocative efficiency* of the aid provided, that is, to ensuring that aid is allocated to the purposes that will be most effective in enhancing education outcomes. This aspect of aid effectiveness needs more attention in the current debate. Not much can be gained from delivering aid more efficiently if the aid is not used sufficiently to achieve high-impact tasks.

Changes in the Context of Aid and their Impact on Aid Priorities

1. The growing role of knowledge in development. This trend started before 2000 but has accelerated as the "knowledge economy," globalization, and the revolution in information technology have grown in importance. A country's capacity to harness, adapt, and apply knowledge to its particular national context is becoming increasingly critical to its ability to achieve sustained growth and poverty reduction.

Possible impact on education aid priorities. Past experiences from present-day successful middle- and high-income countries show that various types of *education aid* (e.g.,

support for analytical work and policy development, improvements in the quality of technical education, the teaching of mathematics and science in primary and secondary schools) can play an important role in helping countries develop the capacity to create, adapt, and apply knowledge. These types of aid can also improve the diffusion and absorption of technology, and thus improve productivity. Country assistance strategies must therefore give increased attention to how education aid can help countries benefit from, and contribute to, global knowledge assets.

2. Rapid progress towards universal primary education (UPE). Enrollment in SSA grew by 42 percent between 1999 and 2006, resulting in a rise in the Gross Enrollment Ratio (GER) from 78 to 95 percent. This is remarkable growth, given the stagnation of the previous two decades. However, while more than 90 percent of all children now enter school in the region, less than two-thirds are likely to complete the primary cycle, and of these, only half master the skills and knowledge they were expected to acquire. And while major strides have been made towards UPE, progress has been uneven towards the other five EFA goals. Progress towards UPE has also been uneven among countries and has created strong pressure on secondary education in the successful countries.

Possible impact on education aid. Recent developments suggest a shift in focus is needed to reach overall EFA goals by 2015. Specifically,

- the focus on expanding access to primary education needs to shift in favor of improving access for out-of-school children and enhancing education quality so that primary education becomes truly universal and meets basic quality standards;
- the single-minded focus on UPE needs to broaden so as to give higher priority to the other five EFA goals;
- while maintaining the overarching priority of EFA, higher priority needs to be given to post-primary education, initially focusing on the development of sustainable policies (essential for progress towards making EFA financially sustainable as well); and
- greater attention needs to be given to “off-track” countries, especially fragile states (which receive only 20 percent of education aid but where half of school-age children are not in school).

3. Enhanced priority for education at the national and international level. Public education budgets in SSA grew on average by 9.3 percent a year between 1999 and 2006, compared with 1.1 percent a year between 1980 and 1999. The increased growth rate was due partly to resumed economic growth (5.2 percent per year) and an increase in the share of GNP allocated to education (from 3.6 percent to 4.7 percent). Education aid grew on average by 15.8 percent a year between 1999 and 2006, but its growth was irregular and tapered off towards the end of the period.

Possible impact on education aid. The recent encouraging increase in domestic and external education financing gives rise to the following questions:

- Has the strong increase in domestic public funding changed the comparative advantage of aid? In particular: Has it *increased the relative scarcity of technical compared to*

financial aid? Has it *increased the priority for technical support in the form of “global public education goods”?*

- Between 1999 and 2006 the share of aid in total public education funding in SSA increased from below 9 percent to about 13 percent. In some countries, however, the share exceeds 20 percent. What changes in aid allocation could help limit the risk of creating harmful aid dependencies in the education sector and enhance the long-term sustainability of education aid?

4. Changes in the architecture of global education aid. Recent changes in how international education aid is administered include (i) the establishment of mechanisms to monitor commitments made at the Dakar Forum, including the definition of UNESCO’s leadership role, organization of annual EFA High Level Meetings (HLMs), and the creation of the EFA Global Monitoring Report (GMR); (ii) enhanced cooperation and harmonization among donors within the framework of the Paris Declaration; (iii) new cooperation and financing mechanisms stemming from the Fast Track Initiative (FTI); (iv) increased use of both multisectoral operations and budget support, and (v) shift in aid agency staff from headquarters to field offices.

Possible impact on education aid. These changes represent major improvements in the architecture of education aid. However, the very nature of these processes means that these improvements are a work in progress that needs to continue. With respect to improving the *impact of education aid*, this may include the following type of actions:

- Explore whether the format and function of the High-Level Group on Education for All (EFA-HLG) meetings and the relation between these meetings and the Fast Track Initiative (FTI) need to evolve and, if so, in what way. In particular, *can more be done to ensure follow-up* on the agreements reached at the annual HLMs and the findings of the Global Monitoring Reports? Should the meetings and reports and/or FTI allocations give more attention to the allocative effectiveness of education aid?
- Ensure that “lead donors” chosen at the country level to coordinate interaction between donors and the government have the technical capacity required to conduct high-quality sector policy dialogue; and
- Consider how the new instruments of the FTI, including the Catalytic Fund (CF) and the Education Program Development Fund (EPDF) need to evolve in response to changes in the aid environment. FTI partners are already in discussions, for example, regarding modalities through which the FTI process can support “fragile states,” such as an “Education Transition Fund.” While the EPDF can continue to support program preparation at the country level, perhaps it can also increase its potentially important role in promoting global public education goods.

5. Decline in the capacity of the aid community to provide technical aid. The four preceding trends are increasing the need for *technical education aid* at precisely a time when the aid community’s capacity to provide it seems to be declining. The ability of aid agencies to provide global public education goods remains weak, and their technical assistance tends to be very fragmented with poor quality control. The move towards multisectoral operations and general budget support—while generally positive—has tended to reduce aid agency budgets for education specialists and to shift responsibility for education sector dialogue to

generalists and macroeconomists. At the same time, the move towards budget support has reduced the access of education ministries to aid-financed technical support. Past efforts to develop capacity in the education sector in SSA, on the other hand, have generally not been effective.

Possible impact on education aid. The aid community needs to:

- assess whether global public education goods are not severely underfunded. What should the level of funding be, and how well do the institutions established to supply these global public goods perform this function?
- work together to ensure that aid agencies have the capacity to provide quality advice on macro and inter-sectoral linkages, as well as in-depth dialogue on education sector issues, when providing budget support. In addition, these agencies may need to use separate targeted instruments to ensure that countries which receive most of their education aid through budget support also have access to aid-financed, high-quality technical support; and
- develop *more effective modalities for building sustainable capacity* in the education sector. There is considerable agreement on what needs to be done; the challenge is to develop cost-effective methods of providing the required support.

Recommended Actions

1. Enhance the capacity of global institutions to deliver high-quality global public education goods.
2. Strengthen international capacity and mechanisms to provide technical support to the education sector, especially to low-income countries.
3. Translate those parts of the “Accra Agenda for Action” with particular relevance to education into concrete actions, with identified implementation and funding mechanisms.
4. Review aid allocation at the country level for new aid programs to ensure that it is allocated to purposes that will have the highest impact.
5. Develop a strategy, together with implementation and funding mechanisms, to support “fragile states.”
6. Give more attention to allocating aid to purposes that enhance its sustainability and limit the risk of creating harmful dependencies.

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

Introduction

At the mid-point to 2015, most developing countries and their external partners can take pride in remarkable progress towards the Education for All (EFA) goals agreed at the 2000 Dakar World Education Forum. This is particularly true for the progress towards universal primary education (UPE), especially when compared with that realized after the 1990 Jomtien World Conference on Education for All.²

This progress is explained by improvements in many of the conditions that govern education development. As a result, the context in which education aid operates, at both the country and international level, has changed markedly since 2000. This paper explores how the *priorities for aid allocation* may need to evolve during the second half of the period 2000–2015 to ensure that aid is allocated to purposes that can most effectively help maintain the momentum gained since 2000. The impact of five broad trends will be discussed: (i) the growing role of knowledge in development; (ii) rapid progress towards UPE; (iii) enhanced priority for education at the national and international level; (iv) changes in the architecture of global aid; and (v) a decline in the capacity of the aid community to provide technical aid.

In analyzing the impact of these changes, this paper aims to stimulate discussion in the aid community around four propositions:

First, the effectiveness of education aid must be analyzed within a holistic framework that considers how aid can help maximize the impact of total domestic and external education spending and cover all levels and types of education. For example, in 2006, aid accounted for only about 13 percent of total public education spending in sub-Saharan Africa (it accounted for an even smaller share of total education spending, which includes private domestic spending). Therefore, *efforts to improve aid effectiveness must consider how aid can be allocated to enhance the effectiveness of total education spending.*

Past experience shows that to make EFA financially and socially sustainable, a national economy must be able to generate (i) the *funding* needed both to maintain EFA, once it is attained, and provide further training opportunities; and (ii) the *jobs* demanded by graduates. These achievements in turn require an education and training system capable of responding effectively to the growing social demand for post-primary education, as well as the demand for skilled labor from an increasingly globalized and knowledge-based economy. In short, to effectively allocate aid so that it reaches and sustains EFA goals, the donor community must consider how aid can be used effectively *throughout the education and training system* to respond

² During the six-year period 2000–2006, primary school enrollment in sub-Saharan Africa (SSA) grew by 36 percent, compared to 12 percent during the six-year period 1990–1996. The corresponding figures for South and West Asia were 20 percent and 15 percent, respectively.

to these demands. While achieving EFA should remain the overarching priority for education aid, focusing on EFA alone is not enough.

Second, the type of aid required to help countries address their education challenges **is becoming increasingly intensive in terms of knowledge and technical expertise.** This need is, moreover, pressing at a time when the aid community's capacity to provide high-quality technical aid and "global public education goods" is declining. This paper calls for urgent attention to this issue, both because this lack of capacity constrains the effectiveness of domestic and external education financing and because it limits the access of poor countries to global knowledge assets, and thus their ability to adapt and apply such knowledge effectively to their respective national contexts.

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Four and most important in terms of this paper, **the effectiveness of education aid can be enhanced by changing its allocation.** As reflected in the "Paris Declaration" of 2005 and the recent "Accra Agenda for Action," the *technical efficiency* of the delivery and use of aid has received much-needed attention in recent years. This enhanced efficiency has taken the form of improved aid modalities, coordination and "harmonization," as well as the fostering of improved ownership and governance among recipient countries. Much less attention has been given to the *allocative efficiency* of the aid provided, that is, to ensuring that aid is allocated to the purposes that will be most effective in enhancing education outcomes. This aspect of aid effectiveness needs more attention in the current debate. Not much can be gained from delivering aid more efficiently if the aid is not used sufficiently to achieve high-impact tasks.

The paper is organized as follows. Section 1 discusses the respective concepts of *technical* and *allocative efficiency* and why aid and domestic resources are not fully fungible with respect to financing certain high-priority inputs. Section 2 reviews how aid priorities may need to evolve during the second half of the period 2000–2015 to ensure that education aid is used where it will have the greatest impact. Finally, Section 3 suggests elements of an action plan to improve the allocative efficiency of education aid.

1. Effective Utilization of Education Aid

Over the last decade, the global debate on official development assistance (ODA) has focused on two areas: *reversing the decline in the volume* of ODA in the 1990s and *improving aid effectiveness*. This focus has also applied to the debate on ODA for education.³

The research on aid effectiveness, including that of education aid,⁴ is extensive, yet sometimes yields contradictory conclusions. For the purpose of this paper, suffice it to note that, since the late 1990s, total ODA as well as ODA for education (see section 2.3) has grown, albeit more slowly than promised in the 2002 Monterrey Consensus and the 2005 Gleneagles Declaration. One factor that likely contributed to the resumption of growth is a better understanding of the conditions affecting aid effectiveness. Thus, while differences remain regarding how aid specifically enhances, for example, economic growth or education development, the behavior of donor nations suggests that they believe that key constraints on aid effectiveness are being addressed and that, on balance, the positive impacts of aid outweigh the costs.

However, removing these constraints is still a work in progress. For example, after a summary review of the literature of aid effectiveness, Rogers (2008, 7–8) concludes that aid may have contributed to the substantial progress towards EFA achieved in recent years. He also notes that this literature provides insights into barriers to aid effectiveness and how to address them. The latter solutions include (i) ensuring that aid is additional to, rather than a substitute for, domestic funding; (ii) reducing aid fragmentation through increased harmonization of donor efforts; (iii) limiting the volatility of aid, especially by using aid to smooth volatility in domestic financing, (iv) ensuring that aid translates into improved service delivery at the school level; and (v) promoting improved monitoring and evaluation systems.

1.1 *Technical Efficiency of Education Aid*

The term *technical efficiency* denotes the effectiveness by which a set of inputs are used to produce outputs. The concept neither takes into account whether the inputs are the best inputs that can be used to produce the outputs, nor whether the outputs are the best outputs to be produced. If this concept is applied to the delivery and use of education aid, donors have worked to deliver aid more efficiently through such measures as better coordination and harmonization, more efficient aid instruments, strengthening country ownership, developing institutional capacity, and improving governance.

The 2005 “Paris Declaration on Aid Effectiveness,” endorsed by more than one hundred donors and developing countries, constitutes an important milestone in this work. The

³ Please see the definition of “technical aid” and “technical support” in footnote 1.

⁴ Dreher, Nunnenkamp and Thiele (2008) report the findings of an extensive study of aid effectiveness in primary education, which covers almost 100 developing countries over the period 1970–2004. The authors contend that the findings “suggest that higher per capita aid significantly increases primary school enrollment” (308).

Declaration's 56 commitments are designed to foster stronger ownership in recipient countries and channel aid through their national systems; improve governance and institutional capacity in recipient countries; ensure greater aid predictability; and reduce aid fragmentation through greater coordination and harmonization among donors. All these concerns are highly relevant to education aid.

The commitments of the Paris Declaration are to be implemented by 2010; progress at the mid-point between 2005 and this year was assessed at the "Accra High Level Forum on Aid Effectiveness" held in Ghana in September 2008. The "Accra Agenda for Action" (AAA) agreed at the forum concluded that both developing countries and donors have made progress in improving aid effectiveness, but that the pace of progress is too slow and without further reform and faster action, the 2010 commitments will not be met (AAA, paragraph 6).

1.2 *Allocative Efficiency of Education Aid*

Applying the term *allocative efficiency* to education aid means asking whether the aid provided to a country is used where it will be most effective in promoting the development goals of that country. In other words, allocative efficiency means (i) defining the goals of the aid (e.g., to expand enrollment, improve learning outcomes and/or some broader concept of outcomes, such as enhancing the contribution of education to economic growth); (ii) for the goal(s) chosen, determining how the aid will be allocated to *sectors* and *purposes within sectors* that will have the greatest impact in achieving these goals; and (iii) whether the type and quality of aid provided (e.g., financial, technical, support for "global education goods") are the most effective available for reaching desired outcomes.

The relative neglect of allocative aid efficiency may be changing, at least in some respects. First, as regards allocation *by sector*, a higher priority has been given in recent years to infrastructure, health and, more recently, agriculture and finance. While education in general has figured high on the aid agenda, its share of total ODA has remained relatively unchanged over the last decade, hovering around 9 percent. Second, there is increasing interest in allocating *education aid* so as to improve outcomes, be they learning outcomes or broader outcomes, such as poverty reduction and economic growth.⁵ In addition, education aid has for years been used to promote some key development outcomes related to empowering women and improving family welfare (e.g., through girls' education). Finally, some of the objectives of the Paris Declaration are intended to increase the allocative efficiency of education aid.

⁵ For example, a review by Hanushek and Wössmann (2007) concludes that: "... the existing research evidence provides strong reasons to believe that quality of education is causally related to economic outcomes" (20). Similarly, a study of education in the Middle East and North Africa region concludes that the region "has not capitalized fully on past investments in education" and countries need to give more attention to "incentives and public accountability, besides the education process itself," as well as to "closing the gap between supply of educated individuals and labor demand" (World Bank 2008a, 2–3).

1.3 *The Comparative Advantage of Aid over Domestic Funding*

Experience suggests that aid may be particularly important in financing certain types of high-impact education investments that may not be adequately funded in the absence of aid or in the event that all education aid is provided as general budget support.

Areas in which aid may have a comparative advantage

Capacity to develop and implement evidenced-based policies. Many aspects of education sector policies are based more on tradition, belief and, sometimes, misconception than on rigorous evidence, even when such evidence is available.⁶ Developing and implementing more evidenced-based education policies is important for enhancing the effectiveness of both domestic and external funding and requires the capacity to conduct national studies, tap into global knowledge assets, and adapt them to the national context. This type of funding plays an important global public good function because it facilitates the access of countries to global knowledge assets and promotes “cross-fertilization” (see below).

Innovation. Aid often plays a determining role in helping countries pilot and innovate education policies and programs adapted to local conditions. For example, an evaluation of aid for basic education in four countries (Bolivia, Burkina, Uganda, and Zambia) concluded that “...project support for basic education has played an important role in supporting innovation and the development of new practices” (Netherlands Ministry of Foreign Affairs 2003, 96). Similarly, based on a review of case studies for 26 SSA countries, Marope and Sack (2007, 16) concluded that “...substantial technical and financial support from international development agencies has been crucial to the achievements reported.”

Support for specific reforms. Closely related to the above, aid designed to promote EFA has in recent years been used more deliberately to enhance learning outcomes. This focus follows an increasing realization that universal completion of primary education cannot be achieved without major improvements in outcomes. For example, a recent evaluation of the World Bank’s support for primary education recommended that “[p]rimary education efforts need to focus on improving learning outcomes, particularly among the poor and other disadvantaged children” and that “[e]fforts are urgently needed to improve performance of sector management in support of learning outcomes” (World Bank 2006, xiii).

To achieve these goals, donors have increased their support for analytical work on the determinants of learning outcomes and the development of tools to measure education performance. This support goes well beyond focusing on the impact of traditional inputs. Examples include evaluations of the impact of school-based management on learning outcomes (World Bank 2008b), development of tools to improve decentralized school management (World Bank 2008c), conducting tracking surveys to limit leakage in the transfer of resources to schools, and helping countries develop transparent systems for

⁶ An illustration is the strong reservation expressed in regional meetings by some senior education officials from Francophone SSA countries to research findings concluding that repetition is at best ineffective in addressing low performance, see Bernard et al. (2005). Since independence, repetition has remained high in many of these countries, reflecting practices (now long abandoned) in the former colonial power. The median percent of repeaters in primary education was 27 percent in 1970, 26 percent in 1990 and 19 percent in 2005 in Francophone SSA countries compared to 3 percent, 5 percent and 6 percent for the same years in Anglophone countries.

managing funds at the school level (as DfID did in Kenya to support the abolition of school fees in 2003). Much of this work would not have been done without targeted financial and technical aid.

Cross fertilization. Innovation is often stimulated by learning from other countries, often via various types of knowledge exchange, and experience shows that this type of activity is more easily funded through aid than domestic budgets. Learning from others is crucial for a sector such as education. The development of good education policies is hardly an exact science, and failed reforms often have major human, development, and cost implications. History is rich in examples of the importance of learning from other nations and cultures. In fact, the development of higher learning throughout the world has been one of cross-fertilization: Arab-European in the 12–14th centuries; and both European-Japanese⁷ and European-U.S. in the 19th century. More recently, countries such as Korea, Ireland, Singapore, Thailand, and Vietnam have used aid very strategically to develop their education systems.⁸

Poverty-focused programs. Most children not enrolled in primary education are from poor families, live in rural areas, and are predominantly female, orphaned, or disabled (see Section 2.2). In countries struggling to reach EFA, these groups benefit less from public education spending than more well-off groups, urban residents, and children with parents. The latter are easier to reach, less likely to require costly, targeted programs, and have a stronger “political” voice. Most donor strategies prioritize poor and vulnerable groups; therefore, donors need to ensure that this priority is reflected in the way their aid is allocated and used.

Support for non-salary inputs. In very resource-constrained situations, a very high share of public education budgets is used for teacher salaries, resulting in few funds for teaching materials and quality inputs other than teachers. Traditionally, aid has helped mitigate this bias by focusing on non-teacher inputs, although the trend towards budget support is changing this focus.

Advocacy. The promotion of EFA and girls’ education are good examples of the constructive advocacy role of aid, a role that is conducted by both national and international agencies.

“Fungibility” between aid and domestic funding?

The question of “aid fungibility” is usually discussed in terms of whether increased aid for a given sector will lead recipient governments to shift domestic funding to other sectors, thereby reducing their own funding for the sector.⁹ However, it is also relevant to ask whether the *absence or reduction in aid will be replaced by domestic funding*. There are reasons why aid and domestic funding (including aid provided as general budget support) are *not fully*

⁷ Emi (1968) describes the high priority that Japan in the Meiji era (starting in 1868) gave to acquiring foreign technical knowledge, mainly through use of foreign experts and training abroad.

⁸ See Fredriksen and Tan (2008). With respect to Ireland, O’Hare (2008) underlines the important role played by the interaction of international and national ideas in reforming the Irish education system since the 1950s. For example, of the 12 major sources of influence listed by O’Hare for the period 1958–1995, four are OECD or European Union (EU) education studies, one is Ireland’s admission to the EU, and one is EU funding (330).

⁹ See Rogers (2008, 7). See also Swaroop and Devarajan (1999).

fungible with respect to funding certain types of activities, especially those described in the preceding subsection of this paper. When targeted aid is not available, moreover, these activities may not be adequately funded by domestic resources for a variety of reasons, as explained below.

Internal budget processes. In most developing countries, severe budget constraints mean that few resources are available for funding the type of “soft” investments discussed in the previous subsection, which are needed to develop and implement difficult policy reforms. Even when aid is available through general budget support, ministries of education often find it difficult to mobilize it for this type of investment through the national budget process. One problem is the difficulty of allocating more resources for one ministry than for another for “soft” investments. In addition, when aid is provided as budget support, the opportunity costs of many such investments may appear too high (they yield benefits only in the long term), given immediate demands on tight budgets. Especially for countries where budget support is the main vehicle for education aid, experience therefore suggests that well-targeted, complementary funding should support this type of investment.¹⁰

The “political economy” of reform in slow-growing economies. One important lesson from successful countries is that strong political commitment is a pre-requisite for successful implementation, especially of politically difficult reforms. It is easier to mobilize this kind of commitment in fast-growing economies that generate the extra resources needed to finance reforms than in slow-growing economies where the resources needed must be reallocated from other purposes. This type of “political economy” constraint is an important (and often neglected) factor in explaining why education reforms often have lagged in Africa compared to other regions.¹¹ Well-targeted aid may help relieve this constraint.

Weak institutional capacity. There is often a vicious circle whereby weak capacity results in insufficient attention to capacity development. For countries operating under very tight budgets, it can be difficult to prioritize capacity building over short-term urgencies that may even determine a government’s political survival.

In summary, two points deserve to be emphasized. First, there are a number of areas important to the development of education which, for a variety of reasons, may be more easily funded by aid than domestic budgets. Whether or not targeted aid instruments are needed to ensure such funding will depend on the local context, including whether aid channeled through budget support can be mobilized for such uses in a given country’s budget process. Second, much of the kinds of investments discussed above require substantial technical expertise. (See Section 3.5 for a discussion of the capacity of aid agencies to provide high-quality technical aid).

¹⁰ The 2008 “Secondary Elementary Education Project” for India (supported with \$600 million from IDA and about \$375 million from DfID and the EU) provides a good illustration of how targeted funding for technical aid can be provided through a Technical Cooperation Fund. In India, this Fund consists of about \$10 million financed by DfID to help build capacity in the areas of learning assessments and impact evaluations.

¹¹ For example, average GDP per capita in SSA (excluding South Africa) *declined* in real terms by more than one-third over the period 1970–1997, compared to an *increase* of 55 percent in Latin America, 88 percent in South Asia, and 355 percent in East Asia (World Bank 2000, 8).

2. Changes in the Context of Aid and their Impact on Aid Priorities

This section highlights how five national and international trends have altered the *allocative efficiency* of education aid and suggests areas where a higher priority may enhance the overall impact of such aid. Some of these trends, listed below, started before the 2000 Dakar EFA Forum and have since been reinforced:

- the increasing role of knowledge in development;
- enhanced political and budgetary priority for education;
- rapid progress towards universal access to primary education;
- changes in the architecture of international aid; and
- changes in aid instruments.

In general, the first four trends tend to increase the need (though not necessarily the effective demand) for technical support and global public education goods, while the last trend seems to reduce the international community's capacity to provide such support.

2.1 *The Growing Importance of Knowledge in Development*

While knowledge has long been recognized as a key factor in the development process, its importance has risen dramatically over the last couple of decades. Its rise has been caused by many factors, including a greater understanding of the role that knowledge plays in economic growth (as reflected in modern economic growth theory¹² and the ability of countries to compete successfully in the globalized, increasingly knowledge-based economy). For example, an extensive study of “Knowledge and Innovation for Competitiveness in Brazil” found that the new global ‘knowledge economy’ has played a key factor in Brazil’s comparatively low growth over the last two decades. “Brazil, despite its relatively successful implementation of adjustment policies in the mid-1990s, was not prepared to compete...In the new paradigm for middle-income countries, knowledge—not natural resources or cheap labor—increasingly constitutes the core of a country’s comparative advantage” (Rodrigues et al. 2008, 2).

The impact of the increased preeminence of knowledge in the life of individuals and nations is evident everywhere and can be seen clearly in the increased attention given to education, training, and research and development policies in electoral debates in rich and poor countries alike. The concept of “knowledge” covers many aspects. At the individual level, it includes the knowledge and skills that allow an individual to compete successfully in the labor market and enjoy upward social and economic mobility. At the national level, the concept is more complex. As used in this paper, the concept of “knowledge” is very broad, including development, adaptation, and application of new technology in the economy, as well as the capacity to develop evidenced-based government policy. It includes, among other things, a country’s ability to (i) create new knowledge, (ii) acquire knowledge from abroad

¹² Warsh (2006) discusses how knowledge has gradually been integrated into economic growth theory.

and adapt it as needed to national conditions, and (iii) disseminate and effectively apply knowledge, whether developed at home or acquired from abroad. As well demonstrated in the abovementioned study of Brazil, the ability to apply and absorb knowledge in the economy in turn depends crucially on the skill level of the work force, ranging from cutting-edge technical skills to basic literacy and numeracy. The quality of math and science teaching in primary and secondary education is particularly important.

To what extent has increased consensus on the role of knowledge in development impacted the allocation of development aid? What would a development assistance strategy that approached development *from a knowledge perspective* look like? The answer to this question is complicated.¹³ It is also context and time specific and goes well beyond how to allocate *education aid*. For example, aid played a major role in facilitating the development, adaptation, dissemination and use of the knowledge that made the “green revolution”¹⁴ possible and is currently playing a key role in developing strategies to address health issues of particular relevance to developing countries. The recognition of the need to learn from other countries is, moreover, currently played out in the worldwide struggle to address the financial crisis that began in late summer 2008.

Given the role of education and training in creating, adapting, and transmitting knowledge, it should be particularly important to recipient countries and aid agencies alike to review how well *education aid* helps countries both contribute to and benefit from the knowledge revolution. This role may be particularly important in low-income SSA countries where (i) the modern private industry sector is weak and plays a minor role in knowledge creation and diffusion, (ii) the knowledge base often is poor and acquiring and adapting new knowledge from abroad is often more important than in economically more advanced countries, and (iii) aid can play a key role both in developing the capacity of the public sector to create, acquire, and adapt knowledge, as well as in improving the skill level of the labor force to absorb new knowledge.

It is important that countries find the right balance between using aid to develop *new knowledge* and to acquire and adapt *existing knowledge*, whether sourced domestically or abroad. In the words of Walsh (2006, xvii), “Managing the tension between these ends—furthering the growth of knowledge while ensuring that its benefits are widely shared—is a responsibility of governments every bit as important as monetary and fiscal policy.” Again, what it takes for a government to perform this role well goes far beyond the education sector. Nevertheless, *education aid* can help countries develop their capacity to play this role. More generally, international institutions play an important global public good role in facilitating knowledge creation and exchange¹⁵ by strengthening their own and their client countries’ capacity to sift through international experience, extract relevant knowledge, pilot and adapt it as needed, and make the outcomes available to potential users. Yet as discussed in Section 2.5, the capacity of such institutions to perform this function well seems to be declining.

¹³ See World Bank (1999).

¹⁴ See World Bank (1999, 130–32, 2007, 159–60).

¹⁵ The importance of this role is underlined in World Bank (1999, 130–43). The Independent Evaluation Group of the World Bank recently completed an evaluation (not specific to education) of Bank efforts to use knowledge to improve development effectiveness (see World Bank 2008b).

2.2 Rapid Progress towards Universal Primary Education (UPE)

Recent progress towards UPE has been remarkable, especially in SSA, where enrollment grew by 42 percent (5.2 percent annually) between 1999 and 2006. South and West Asia also experienced rapid growth during this period (22 percent), especially India (25 percent). This growth in enrollment resulted in an increase in the GER from 78 to 95 percent in SSA, 93 to 112 percent in India, and 90 to 108 percent in South and West Asia. For SSA, this level of growth has not been seen since the 1960s and 1970s, when GER grew from about 40 percent in 1960 to 80 percent in 1980 (a 6.2 percent annual growth in enrollment). However, growth in SSA stagnated over the next two decades, with GER reaching a low of 72 percent in 1992 and regaining its 1980 level only in 2000. As a result, the number of SSA countries with a GER above 100 percent declined from 16 (accounting for 50 percent of the school-age population) in 1980 to 7 (accounting for 7 percent of the population, mostly in South Africa) in 1995.

In terms of education aid priorities to reach the 2015 EFA goals, this progress suggests a change in focus in four areas: (i) a shift from support for general access expansion to a more targeted focus on access for children not yet enrolled, as well as on quality improvements to ensure that primary education becomes truly *universal* and meets *basic quality standards*, (ii) a shift from a single-minded focus on UPE to a more holistic focus on all EFA goals, (iii) a shift from accomplishing EFA goals alone to increasing demand for post-primary education; and (iv) a shift in donor focus from “on-track” to “off-track” EFA countries.

The shift from access to quality and equity. More than 90 percent of all children in SSA enter grade 1. However, less than two-thirds of those who enter complete the primary cycle, and of these, only about half master the skills and knowledge they were expected to acquire. Low-quality education is a major factor in explaining both high dropout rates and low learning outcomes. Therefore, the two most important challenges in reaching universal primary completion have become enrolling those now excluded and improving educational quality for all pupils. The “dual importance” of quality and equity in reaching the EFA goals is underlined in the 2008 EFA Global Monitoring Report.

As regards *equity*, children who do not enter school are largely from poor families, live in rural areas, and are predominantly female, orphaned, or disabled. A study based on a large collection of household datasets concludes that inequality in school enrollment associated with family income is typically larger than inequality associated with rural/urban residence, gender, or orphanhood.¹⁶ In addition, the study notes that disability—while affecting only a small part of the population—is associated with very large education deficits. The study also shows large variations between countries in the way inequalities between rich and poor affect school admission and dropout rates. This suggests that the interventions needed, on both the demand and supply sides, to attract out-of-school children to school need to be tailored closely to country conditions. As discussed below, this priority has implications for the type of aid needed.

¹⁶ Filmer (2008). The study used over 2,002 datasets from 85 countries.

An important *supply constraint* (e.g., lack of or incomplete schools, long walking distance to schools, lack of adapted options for children of nomadic families) is clearly illustrated by the large enrollment increases achieved by certain low-enrollment countries that have sharply increased their supply of schools in recent years (e.g., Chad, Ethiopia, Mali, and Niger).¹⁷ However, as supply increases, actions to stimulate *demand* will become increasingly important, to reduce both direct costs and opportunity costs to families. As discussed in Section 2.3, stagnation in the education sector in SSA in the 1980s was closely associated with an increase in school fees levied to supplement a decline in public financing per pupil. Conversely, the large enrollment increases associated with fee abolition in many countries in recent years show how sensitive the enrollment decisions of poor parents are to these fees.¹⁸

With respect to *quality*, given the low level of learning achievement in many low-income countries, improving the quality of the learning process is likely to be *the single most difficult challenge to reaching universal primary completion*. In the words of the 2008 GMR: “[I]mproving quality, a concern of countries everywhere, may well be the defining global education challenge of the 21st century” (UNESCO 2007, 34). As discussed by Verspoor (2005), success in SSA will require a complex set of interventions to improve traditional school inputs, as well as management and accountability for resource use and learning outcomes at the classroom, school, and system level.¹⁹ For example, within most African countries, there are marked differences both in resource allocation per pupil among schools and in learning outcomes for the same resource endowment per pupil (Mingat, 2003).

Finally, even well-endowed and well-managed schools cannot prevent dropouts or ensure effective learning if children are hungry, need to work long hours at home, walk far to get to school, or have illiterate parents. Making education more accessible to poor population groups must be a priority. Cost-effective interventions to achieve this goal do exist, for example, improving nutrition through school feeding and micronutrient programs; limiting walking distance by establishing smaller, multigrade schools; reducing the need for child labor, especially for girls, through labor-saving devices such as drilling wells; and providing adult literacy courses.

In terms of impact on education aid, *a much larger volume of technical support for capacity building* is one type of support required to address the above challenges. To develop, pilot, and implement cost-effective targeted policies and programs adapted to a specific national context while drawing on international experience requires more knowledge and capacity than the policies that have supported expansion in access in recent years, which has largely

¹⁷ World Bank (2005a) for Ethiopia; World Bank (2004b) for Niger; World Bank/Pôle de Dakar (2005) and (2006) for, respectively, Chad and Mali.

¹⁸ It is difficult to identify the direct impact of the abolishment of school fees on enrollment, since fee abolition often occurs as part of more comprehensive reforms. However, while other parts of an education reform package generally take time to implement, the impact of fee abolition is immediate. Therefore, the impact of fee abolition is well illustrated by the strong increase in *total primary school enrollment* one year after countries abolish fees: 11 percent in Lesotho (75 percent in grade 1), 12 percent in Mozambique, 14 percent in Ghana, 18 percent in Kenya, 23 percent in Ethiopia, 23 percent in Tanzania (43 percent in grade 1); 26 percent in Cameroon (59 percent in grade 1), 51 percent in Malawi, and 68 percent in Uganda. See Fredriksen (2008, 4).

¹⁹ See World Bank (2008c) for a review of experience with using school-based management methods (i.e., greater school and teacher autonomy and accountability) to improve instruction and learning quality.

been achieved by building classrooms and providing (often) poorly trained and ill-supported teachers.

Shift from UPE to other EFA goals. The six EFA goals are: (i) expansion of early childhood care and education (ECCE), (ii) achieving UPE, (iii) development of learning opportunities for youth and adults; (iv) a 50 percent improvement in adult literacy by 2015, especially for women; (v) eliminating gender disparities in primary and secondary education; and (vi) improving all aspects of the quality of education, especially in literacy, numeracy, and essential life skills.

While major strides have been made towards UPE, progress has been uneven towards the other five goals. In particular, progress towards goals (iii) and (iv) above has been poor. Is it now time for aid to give higher priority to these other EFA goals? ECCE and female literacy are recognized as important elements of any comprehensive strategy to reach UPE. Beyond that, the persistent low adult literacy rate in SSA and South and West Asia (around 60 percent) negatively impacts many other aspects of economic and social development. The low literacy rate of females (about 50 percent in both regions) is of particular concern, given the impact of literacy on enhancing the status of women, improving family health, and speeding up the demographic transition. Similarly, the role of training—especially in the non-formal economic sector—and “second-chance education” to help youth find gainful employment are very important areas that are generally neglected in both national education strategies and education aid.

In short, giving higher priority to EFA goals other than UPE would enhance the overall effectiveness of education aid in several ways. First, it would help maintain progress towards UPE by bringing children into the education system that are not yet enrolled and by improving quality (i.e., improving ECCE and female literacy). Second, it would accelerate overall progress towards EFA, as measured by the GMR’s “EFA Development Index,” which includes all six EFA goals. Finally, as indicated above, it could enhance education’s contribution to other economic and social development goals.

Increasing demand for post-primary education. Recent studies have stressed the urgent need for SSA to develop sustainable policies for the expansion of secondary education, both to respond to increasing social demand and to develop the skills demanded by the economy (see Verspoor and others 2008). Furthermore, to successfully join the knowledge-based global economy, SSA must also revitalize higher education, especially by prioritizing quality improvements and the labor market relevancy of all programs.

The purpose of raising these issues here is to emphasize that *sustainable policies for post-primary education are essential even to maintain progress towards EFA*. First, such policies are required to limit the risk that increasing demand for post-primary education will squeeze budgets for EFA. Those not yet enrolled in primary schools have little political clout; those knocking on the doors of post-primary education can bring down governments. Second, to make EFA financially and socially sustainable requires an economy that generates both the *funding* needed to maintain EFA, once attained, as well as further training opportunities, and the *jobs* demanded by graduates. These goals in turn require an education system capable of responding effectively to growing social demand for post-primary education and the demand for skilled labor.

In short, the budgetary trade-offs required to sustain EFA are complex and demand a holistic approach, both with respect to education financing and to the allocation of aid to where it can be most effective *throughout the education system*.

Shift in focus towards “off-track” countries. The share of total education aid allocated to a given country is the outcome of a complex set of priorities and processes. These include the country and sub-sector priorities for the education aid of individual donors (often decided by national parliament), the priorities of the recipient country, and global agreements on aid priorities (such as EFA). In addition, over the last decade, aid allocation has increasingly become performance-based, favoring “well-performing” countries that can effectively “absorb” more aid. Other, less well-performing countries have been provided technical support to improve the quality of their education policies and programs.

To achieve the global EFA goals, *higher priority must now to be given to assisting “off-track” countries*. A strategy to do so must, however, address complex issues. For example, performance-based aid was designed to improve aid effectiveness. On balance, it has worked well and should remain part of any revised strategy. Some “off-track” countries are performing well, but are off track because of historic reasons, e.g., Burkina Faso, Ethiopia, Mali, and Niger all had less than 10 percent primary school enrollment in 1960. These countries should continue to receive performance-based aid even if they do not achieve EFA by 2015. The most difficult problem is how to support “fragile” states.²⁰ According to Save the Children (2008, vii), such states have half of the world’s out-of-school children, but receive only one-fifth of total education aid. Apart from other good reasons for helping these children enjoy their right to education, global EFA goals clearly cannot be attained without their becoming enrolled.

The “Accra Agenda for Action” states: “We will work to address issues of countries that receive insufficient aid” (paragraph 17c). The partners of the Fast Track Initiative (FTI) are already making efforts to define a possible special “Education Transition Fund” to support fragile states. All this suggests that countries which for various reasons remain “aid orphans” should receive a higher priority for education aid in the future.

2.3 *Increased Public Domestic and External Financing of Education, 1999–2006*

As shown in the previous section, progress towards UPE since 2000 has been particularly strong in SSA. While it is difficult to determine exactly what role the increase in public financing has played in explaining this growth, there can be no doubt that this role has been very important. In particular, raising public education budgets has made possible an increased supply of education in under-served areas and has stimulated demand by reducing school fees. The rise in education budgets reflects increases in both international aid and domestic financing. This section assesses the magnitude of these increases and explores how the dependency of SSA on education aid has changed during the 1999–2006 period.

²⁰ The DAC has identified 35 such states. Focusing on fragile states may be consistent with Collier’s call “[T]o redefine the development problem as being about the countries of the bottom billion, the ones that are stuck in poverty” (Collier 2007, 190); however, most of the SSA countries that are performing well in terms of EFA are also “bottom billion” countries.

Domestic funding. Two factors have combined to considerably increase domestic public education funding in SSA during this period:

- increased *political priority for education*, as reflected in (i) greater public spending measured in terms of the share of GNP allocated to education²¹ (in 2006, this share appeared to be about one percentage point above the 1999 level of 3.6 percent²²), and (ii) better-prepared education programs, including major reforms to improve the allocation, efficiency, and use of resources; and
- resumption of *economic growth*, seen in an average annual GNP growth rate of 5.2 percent over the period 1999–2006.²³ This average compares to 2.3 percent per year during the period 1980–1999, reflecting the economic crisis that hit SSA in the mid-1970s (which resulted in a decline in GDP per capita by 36 percent during the period 1970–1997).

The combination of these two factors resulted in an average annual increase in public education spending of about 9.3 percent between 1999 and 2006,²⁴ compared to around 1.1 percent over the period 1980–1999.²⁵ During the earlier period, both primary enrollment and the population of primary school age grew only by 2.5 percent a year. To compensate for the reduction in public financing per pupil, many countries introduced school fees (see Fredriksen 2008). The combination of reduced public financing and increased private costs was a major cause of the decline in the GER in the 1980s (see below). In addition, as mentioned in Section 1.3, the long-term decrease in education financing made the political economy of education reform very difficult in SSA. For example, it caused a long-term decline in real teacher salaries in most countries and limited the resources available to finance reform.²⁶

Education aid. There has been a welcome resumption in the growth of external education aid to SSA in recent years, especially after the decline of the 1990s. Measured in constant 2006 U.S. dollars:

- Total annual education aid *disbursements* to SSA (excluding South Africa) rose from \$854 million in 1999 to \$2.397 billion in 2006, or on average, 15.8 percent

²¹ The 2008 GMR notes that: “Countries making significant progress towards universal enrollment in primary education have tended to increase their education expenditure as a share of GNP. In countries where the progress has been slower, the share has decreased” (UNESCO 2007, 8).

²² This was the median GDP growth rate for SSA. The data on the share of GNP devoted to education are quite uncertain. The 2007 GMR cites 4.6 percent for 2004; the 2008 GMR gives 5 percent for 2005; and the 2009 GMR, 4.4 percent for 2006. Given this fluctuation, this paper uses the estimate for 2006 (4.7 percent), based on the mean of these three observations.

²³ The figures on GNP, education financing, and aid quoted for SSA exclude South Africa (SA). In 2006, SA accounted for 38 percent of the total GNP of SSA, 4 percent of its education aid, and 6 percent of its population.

²⁴ Calculated on the basis of GNP data from World Bank (2008e) for 1999, and World Bank (2008f) for 2006, using appropriate deflators to convert to constant 2006 prices.

²⁵ Calculated on the basis of GNP data from World Bank (2008e, 28) and data on median share of GNP devoted to education in 1980 (4.5 percent) from World Bank (1988, 138), and in 1999 (3.6 percent) from UNESCO (2008).

²⁶ The combination of the 36 percent decline in GDP per capita in SSA between 1970 and 1997 and the decline in primary school teacher salaries (expressed in per capita terms: from 8.6 times per capita GDP in 1975 to 4.4 times per capita GDP in 2000, see Mingat 2004) caused a major deterioration in teacher salaries.

annually. This high rate is partly explained by low disbursement at the start of the period; annual growth between 2003 and 2006 was only 4.0 percent.²⁷

- Total education aid *commitments* increased from \$2,043 million in 1999 to \$2.709 billion in 2005 and \$3.731 billion in 2006, or 9.0 percent annually between 1999 and 2006. Compared to disbursements, aid commitments show large annual fluctuations because they are registered in the year they are made, even though disbursements are normally made over several years. The 9.0 percent annual growth rate was thus affected by a sharp increase between 2005 and 2006. Between 2000 and 2005, there was no clear trend in donor commitments, which fluctuated from a low of \$2.230 billion in 2001 to a high of \$3.035 billion in 2003, with average annual growth of only 1.7 percent during the five-year period 2000–2005.

Thus, while the international community is still struggling to meet the commitments it made in Dakar, there has been a considerable though uneven increase in both commitments and disbursements. However, given that aid *disbursement* in 2006 was only about 13 percent of total public education financing in SSA,²⁸ it is clear that the dominant element in determining total education financing is—as it should be—domestic financing.²⁹ Therefore, the question is: How has the rapid increase in domestic public education financing impacted the comparative advantage of education aid? In particular, one needs to ask: Has the rapid increase in domestic public funding reduced the *relative scarcity* of external financial support, as compared to technical support? This question will be discussed in Section 2.5.

Does increased aid risk creating harmful aid dependencies? The focus on increasing the volume of education aid since the Dakar Forum is normal, given the decline in such aid during the 1990s and the severe squeeze on public education budgets discussed above. Less attention has been given to issues related to risks of *aid dependency* and the *sustainability* of increased aid. These types of risks should be explored, not because more aid is not desirable, but because such analysis may help both developing countries and donors better handle the risks associated with increased aid. For example, aid may be used more strategically to reduce, or “grow out of” future aid dependency, or it may be used in ways that limit the potential risks associated with such dependency. These risks range from fear of external “interference”

²⁷ All data on education aid taken from UNESCO (2008).

²⁸ Given the paucity of data explained earlier in this paper, 13 percent simply represents an order of magnitude. Total public education financing is derived by multiplying the median share of GNP allocated to education by total GNP for SSA (excluding South Africa) in 2006. The median share of GNP shows large annual fluctuations: 4.6 percent in 2004, 5 percent in 2005, and 4.4 percent in 2006. Applying each of these three values results in an estimate of disbursed aid as a share of total education financing in 2006, ranging from 12.2 percent (based on a 5 percent medium share of GNP) to 13.8 percent (based on a 4.4 percent median share of GNP). A second uncertainty is whether all external aid is included in the reported share of GNP used for education. If not, the estimate of total financing would increase and the share of aid in the total would decrease. The above estimates assume that all aid is included. Using the other extreme assumption, where no aid is included, the estimated percentage of external aid in total education financing declines to a range between 10.9 and 12.2 percent.

²⁹ As will be discussed in the paragraphs that follow, this average for SSA masks considerable differences between countries in the region. It is also considerably higher than the share of aid in public education financing in other developing regions.

in domestic policies³⁰ to the potential problems arising from dependence on (often unpredictable) aid to finance politically sensitive expenditures, such as teacher salaries.

As shown above, aid disbursements have grown faster over the 1999–2006 period (15.8 percent annually) than domestic funding (9.2 percent annually), although the former started from a low base and the latter is very high historically. The share of international aid in total public education funding has therefore increased from around 8.6 percent in 1999 to about 13 percent in 2006. To what extent has this increase risked creating harmful dependencies on education aid? The answer depends on many factors, including:

- i. Historically, a share of 13 percent of international aid in total public education funding in SSA is not very high. Corresponding estimates from the 1981–1983 period range from 7 percent to 13 percent, depending on what is counted.³¹ Thus, *on average*, this share is of the same magnitude as before the decline of aid in the early 1990s. However, the average does mask differences between countries. For example, aid accounted for more than 20 percent of total public education spending in 2004 in five of the 20 SSA countries for which data were available (UNESCO 2006, 95).
- ii. How large is the volume of external aid compared to the funding required to reach EFA goals? A study conducted in 2002 for the Fast Track Initiative (FTI) estimated that for SSA countries to reach universal primary school completion by 2015, they would need aid equal to about 42 percent of their primary education budget in that year (Bruns et al. 2003). Other studies (e.g., UNESCO 2002), estimated that a much higher level of aid would be needed. Assuming that 50 percent of public education budgets are devoted to primary education (the FTI target), the above estimate would imply that 21 percent of total education financing in SSA would need to be financed by aid in 2015.³²
- iii. The evolution of the share of international aid in total public education budgets depends crucially on the development of domestic funding. In statistical terms, about 60 percent of the growth in domestic funding of education in SSA between 1999 and 2006 was explained by economic growth, and about 40 percent by an increase in the share of GNP allocated to education. While there is still room in many SSA countries to further increase this share, the share of GNP devoted to public education funding in SSA is, on average, similar to that in Latin America, and higher than that in East and South Asia. Therefore, the extent to which SSA can maintain and accelerate its recent high rate of economic growth is likely to be the dominant factor in the future development of public domestic education funding and, thus, in the development of aid dependency.

³⁰ To cite an example from a recent UNESCO report (2006, 98): “The Government of India refused the offer of a substantial amount of aid for primary education until 1993 because of concerns that it would lose sovereignty over policy decisions. Even after that, aid was less than 2 percent of total expenditures on primary education.”

³¹ See World Bank (1988, 102–105).

³² One way of assessing whether this share of external aid is “high” is to compare it to the share of aid in other sectors. For example, for 25 SSA countries, ODA constituted, on average, 28 percent of agricultural funding (but more than 80 percent in Mozambique, Niger, and Rwanda). See World Bank (2007, 257). However, the dependency impact of this aid must take into account that the education sector receives a higher share of the government budget than most other sectors.

This dependency will, of course, also depend directly on what happens to education aid, especially as a result of the current financial crisis.

- iv. For the same level of aid, the extent to which aid represents a “dependency risk” depends on what it finances. For example, increased use of aid to finance teacher salaries would mean that an abrupt reduction in aid could interrupt their regular payment. This could pose political risks, including strikes, which could negatively affect students and deteriorate the impact of earlier aid. One way to lessen this risk would be to increase the predictability of aid. But this goal needs to be weighted against other objectives, such as making aid more “performance based.” Another approach would be to use more aid to finance items the interruption of which would cause less political risk (e.g., adult literacy programs, equipment, technical support, south-south cooperation). There are also inputs for which domestic financing may be easier to mobilize than for other purposes (e.g., primary school construction in the form of in-kind support, such as labor and local materials). Therefore, while popular among donors and recipient countries alike, the use of aid to construct primary schools may not suit its comparative advantage.
- v. Support for capacity building also impacts dependency in various ways, depending on the type of aid provided. For example, to the extent that the long-term technical assistance (TA) common in earlier periods tended to substitute for rather than build national capacity,³³ this type of aid tends to increase dependency. On the other hand, strategic use of TA and training to build national capacity (as has been done in many East Asian countries) could lessen dependency and reduce the need for future aid.

In short, the risks of aid dependency and sustainability associated with increased external education aid depend closely on whether renewed economic growth in SSA can be sustained. This growth in turn depends on many factors, including whether countries can develop education and training systems that respond better to national economic and social development needs. Countries and aid agencies therefore need to give more attention to the question of how aid can be more strategically allocated and used to achieve this objective.

2.4 *Changes in the Architecture of International Education Aid*

The last decade has seen major changes in both the management of education aid and the delivery modalities for such aid. Many of these changes are direct follow-ups to the Dakar Forum. In fact, these follow-ups are much more innovative and extensive than those that followed the 1990 Jomtien Conference.³⁴ Other changes have resulted from concerted actions by donor and recipient countries to enhance the technical efficiency of the delivery and use of aid in *all* sectors, including education.

³³ In the period 1981–1983, TA constituted 58 percent of bilateral aid and 44 percent of total aid to SSA , see World Bank (1988, 105).

³⁴ The 2008 EFA GMR notes that: “Indeed, there have been many more initiatives associated with EFA since Dakar than in the decade between Jomtien and Dakar” (UNESCO, 2007, 27).

Five major changes in the architecture of international aid will be highlighted below: (i) the establishment of mechanisms to monitor both financing commitments and progress towards EFA goals; (ii) enhanced cooperation and harmonization among aid agencies; (iii) the creation of new financing mechanisms to support EFA; (iv) changes in aid instruments that facilitate closer sectoral integration; and (v) a shift in agency staff from headquarters to field offices.

Monitoring Mechanisms. Innovative mechanisms have been established to monitor commitments made at the Dakar Forum by both developing and donor countries. In particular, the leadership role of UNESCO in coordinating the monitoring process has been defined, including the organization of annual EFA High-Level Meetings and the housing of the team that prepares the EFA Global Monitoring Report (GMR). The latter report has become an undisputed success in providing high-quality analysis of progress towards EFA goals and the scaling up of donor financial support for EFA. Progress towards poverty-related policies, programs, and indicators (including EFA targets) is also tracked in numerous other reports prepared by multilateral and bilateral aid agencies, leading international NGOs, and academic institutions. Finally, as discussed further below, the Fast Track Initiative (FTI) is another important new follow-up mechanism.

As must be expected, this progress in establishing new monitoring mechanisms has created challenges to, as well as opportunities for, improving the effectiveness of education aid. One can pose the questions, for example:

- Do the *role, format, and function* of the High-Level Meetings (HLMs) need to evolve and, if so, in what way? Can more be done to *ensure follow-up* on agreements reached at the annual HLMs? What should the relationship of these meetings be with FTI meetings? Should the HLMs and FTI aid allocations give more attention to the *allocative effectiveness* of education aid?
- How can the excellent analysis provided annually by the GMR be used more systematically to *guide follow-up actions* by countries and agencies?

Enhanced cooperation, harmonization, and country ownership. Increasing country ownership to aid programs has been an important element of recent efforts to enhance cooperation and harmonization among donors. These efforts are also a work in progress; from the perspective of improving the *allocative efficiency* of education aid, two concerns deserve attention:

- Enhanced donor cooperation has led to selection of a “lead donor” to coordinate interactions between donors and the government at the country level. This is a positive development, provided that the lead donor has the technical capacity to conduct high-quality policy dialogue. The “Accra Agenda for Action” promises: “Donors will pay more attention to delegating sufficient authority to country offices and to changing organizational and staff incentives to promote behavior in line with aid effectiveness principles” (AAA, paragraph 23d). For this change to have the desired impact, donors must agree on the education expertise that is needed for a given country office to take on this role. Too often, the lead donor role is handled by generalists covering several sectors.

- As regards ownership, there has probably been more progress in harmonization among donors than in aligning donor systems to national systems. Much aid is still provided through projects that operate in parallel to these systems. To improve the allocative efficiency of aid, it is important that all education aid reflect the priorities established by national sector programs.

New financing mechanisms. Creation of the FTI, including the Catalytic Fund (CF) in 2002 and the Education Program Development Fund (EPDF) in 2006, has added innovative new dimensions to education aid in at least three respects. First, the FTI partnership provides a forum for better coordination and harmonization among donors on EFA policies, programs, and financing, as well as better cooperation between donors and recipient countries. Second, joint FTI assessments offer a structured framework for assessing financing gaps in EFA programs of recipient countries.

Third, the two FTI funds are important, complementary new instruments for donors to *jointly* support EFA. By helping countries improve the quality of their education policies and programs, EPDF promotes better use of existing resources and better mobilization of new resources. Moreover, by supporting policy dialogue, together with knowledge generation and sharing at the regional level, EPDF also serves a global public good function. And it could become an important instrument in responding to what this report suggests is a severe under-funding of that function. Finally, the CF provides a new way for donors to bridge financial gaps in country programs without having to develop their own bilateral programs.

Regarding the allocative efficiency of education aid, the FTI and its funds offer challenges and new opportunities including:

- ***FTI assessments:*** These assessments still need perfecting and the issue of whether they can replace some individual donor assessments needs to be explored.
- ***EPDF:*** The governance, management, and implementation modalities of the EPDF must continue to be refined in order to ensure that it responds in a timely and flexible manner to country demands for program preparation support (its primary function) *and* fulfills the potentially important role of promoting global public goods (e.g., facilitating policy dialogue and knowledge generation and exchange at regional and global levels). The latter role includes helping avoid duplication in regional and global work and promoting synergy between activities supported by individual FTI partners.
- ***CF:*** The experience of this fund is evolving and this report will only raise one challenge of particular relevance to the allocative efficiency of education aid: Is the original objective of this fund (filling funding gaps that cannot otherwise be filled through normal aid processes) still valid? The CF could evolve in different directions (e.g., become a larger, global fund or, given good progress towards UPE, shift its focus to “off-track” countries through 2015, or support EFA goals other than UPE).

Change in aid instruments that facilitate closer sectoral integration. The last decade has seen good progress in bringing the education sector out of its silo and integrating its policies and

programs more fully with those of other sectors, including those relating to the economy. Part of this progress is directly related to agreements concluded at the Dakar Forum and implemented through various “flagship programs,” as well as follow-ups related to the Millennium Development Goals. However, the main driving force behind this progress has been multisectoral programs, such as poverty reduction programs and debt relief under the Highly Indebted Poor Country (HIPC) Initiative, the general move towards multisectoral operations, and, in particular, greater use of budget support instruments.

The switch from project to budget support represents a particularly important change. Relying on the budget and administrative processes of individual countries has many advantages over aid provided via projects, especially projects that operate in parallel to these processes. These benefits include strengthening national ownership, developing the capacity of national institutions, and elevating the discussion of key education issues to a higher political level within national governments. This approach also has the potential to enhance the attention paid to macro and inter-sectoral issues, including within aid agencies. However, as discussed in Section 2.5, one concern for the education sector is that the shift towards multisectoral operations has often led to cuts in agency budgets for education specialists, as well as shifted responsibility for education sector dialogue to generalists or macroeconomists.

Shift in agency staff from headquarters to field offices. There is an ongoing shift in donor agency staff from headquarters to country-based locations, whether such staff is recruited internationally or locally. This trend is not well documented, but seems marked in several agencies. It is a positive development, provided staff in country offices has the technical expertise and experience required to provide high-quality advice, including the ability to access further technical support within their agencies. When this is not the case, this development may respond less well to the increasing need of client countries for interlocutors in local partner offices who can anchor their advice in sound international knowledge.

2.5 *Decline in the Aid Community’s Capacity to Provide Technical Support*

The trends discussed above increase the need for technical aid that can help maintain the momentum of recent education progress. This section highlights a fifth trend that is reducing the international community’s capacity to respond effectively to this need. The developments that define this trend include: (i) low aid agency capacity to deliver global public education goods; (ii) declining strength in the technical staff of financing agencies; (iii) reduced access to aid-financed technical support by developing countries; (iv) inefficient coordination and quality assurance of technical support; and (v) ineffective modalities to support capacity building.

Low capacity to deliver global public education goods. Most education aid is rightly channeled *directly* from donors to countries. However, some technical support is also financed *indirectly*, in the sense that it is delivered by international and regional institutions whose budgets are largely financed by donor countries. These institutions play many roles, including important knowledge-generation, consultative, supportive, and coordinating roles, as well as generating *global public education goods*. Their governance and financing structures are quite complex and the international community has so far paid little attention to assessing

whether the combined outcome of aid allocation decisions is resulting in anything close to an “optimal” level of funding of global public education goods. It is therefore important to ask: What should the level of such funding be and how well do the institutions established to supply these public goods perform?

Assessments of the above type are made difficult by the very nature of measuring the public goods produced by these institutions, their impact on education at the country level, and effective demand for such goods, given that they are largely free to users. Despite this complexity, issues related to the volume, quality, effectiveness, and management of global public education goods deserve much more attention from the aid community. This is particularly true at present, when this weak capacity is negatively impacting aid effectiveness—an impact likely to be accentuated by the need for more complex and “knowledge-intensive” policies and programs to maintain the progress towards EFA. Furthermore, as stressed in Section 2.1, all countries benefit from such global public goods.³⁵

Insufficient provision of global public *education* goods is part of the wider problem of mobilizing ODA for global public goods. For example, Collier (2007, 156) notes, “Global public goods are grossly undersupplied because nobody has much interest in providing them. Being good for everybody, they face the ultimate free-rider problem. The real problem, therefore, is not that of not knowing what to do but getting around doing it.” The need to increasingly translate existing knowledge into effective action is echoed by the AAA, which calls on donors to give higher priority to the capacity development of local institutions, including parliaments, central and local governments, CSOs, research institutes, the media, and the private sector. It also calls on developing countries and donors to “jointly select and manage technical cooperation by local and regional resources, including South-South cooperation” (AAA 2008, paragraphs 13 and 14).

It is commendable that capacity building will be given higher priority in donor financing and that, according to the AAA, donors will also “strengthen their own capacity and skills to be more responsive to developing countries’ needs” (AAA 2008, paragraph 14). But how will this work be done? Through which funding and institutional mechanisms? Lack of such mechanisms is likely to be the key constraint on achieving accelerated progress.

To develop, facilitate, and coordinate this type of capacity building at the country level requires international institutions with recognized technical credibility that have the ability both to adapt technical knowledge to the local context and to facilitate south-south cooperation in knowledge generation and exchange. The struggle to mobilize resources for well-recognized “global good institutions” in education, such as UNESCO’s International Institute for Educational Planning (IIEP) and Institute for Statistics (UIS), illustrates this problem. Similarly, the Association for the Development of Education in Africa (ADEA) faces problems in mobilizing financing for existing programs to enhance the capacity of, respectively, the African media, NGOs, and parliamentarians on education issues. Many capable African regional institutions face similar problems.

³⁵ Many issues related to governance, management, and financing of global programs designed to provide global public goods are discussed in a recent evaluation of the World Bank approach to such programs. See World Bank (2004a).

Finally, the limited success in strengthening UNESCO's capacity to provide high-quality, independent technical and policy advice is part of the problem. The scope of this paper prevents it from speculating on why progress has been so slow in "reforming" UNESCO. However, its budget situation no doubt illustrates the general underfunding of global public education goods identified by this paper.³⁶ As noted, similar arguments about underfunding can be made for most African regional institutions.

In short, the international community may want to assess whether an increase in the very small share of total education aid now allocated to the provision of global education goods would help increase the overall effectiveness of education aid.

Decline in the strength of technical staff of financing agencies. As already noted, the shift from education projects to multisectoral operations, in particular, the shift toward budget support, has tended to reduce technical staff in the education sector in bilateral and multilateral financing agencies. These shifts have also caused a shift in responsibility for education sector dialogue to generalists and macroeconomists. The decline in the ability of these agencies to accompany their financial aid with high-quality technical support is not well documented (e.g., World Bank education staff declined from 228 in 1999 to 168 in 2008, a drop of 26 percent).³⁷ However, the issue is frequently brought up by education sector staff at international events, as well as in some reports.³⁸ The potential implications of the decline in technical staff on the *quality of education aid* have not yet been dealt with in a systematic way.

One reason for the move towards budget support operations seems to be a desire to reduce the administrative cost-per-dollar of aid provided. If it reduces aid effectiveness, however, achieving this goal by reducing the level of technical support that accompanies donor agency financing could be a flawed measure of efficiency. What is gained in improved focus on macro and inter-sectoral issues risks being lost by a worsening focus on education-specific issues. Especially in low-income countries with weak technical capacity, funding agencies must work together to ensure that they have the capacity to provide quality advice on macro and inter-sectoral linkages *as well as* to ensure depth in policy dialogue on education sector issues—*regardless of the funding instrument(s) used.*

Reduced access to aid-financed technical support by developing countries. In addition to technical support provided directly by agency staff and/or consultants financed by them,³⁹

³⁶ The total budget for the education sector of UNESCO for the current biennium is US\$108 million (17 percent of the total UNESCO budget). Of this \$108 million, \$17 million is for the six UNESCO institutes (mainly for salaries) and \$58 million for staff salaries, leaving \$33 million, or \$16.5 million per year, to finance operational activities. As a comparison, the EPDF allocated \$25 million for the type of activities it supports in fiscal year 2008. The UIS and IIEP must mobilize most of their resources through extra-budgetary funding (more than 80 percent in the case of IIEP). While some reliance on extra-budgetary financing is good, reliance on a very high share causes considerable program and staff unpredictability, resulting in the need to spend much capacity on fund mobilization.

³⁷ The World Bank's *Education Sector Strategy Update* of 2005 notes that the number of education sector staff declined by 19 percent between 1999 and 2005 (from 228 to 185 staff members); the decline continued to 168 in 2008 (data provided by the World Bank Education Department).

³⁸ The need to pay more attention to program support has been stressed by the Ministry of Foreign Affairs of The Netherlands (2003).

³⁹ A recent evaluation of technical support provided by the World Bank over the 2000–2006 period for all sectors suggests that middle-income countries prefer technical support over financial support and that all

aid agencies fund such support through projects. This practice enables education ministries to draw on a variety of consultants, agencies, and academic institutions, as well as to send staff to training and knowledge exchange events. The move towards budget support has limited this type of funding, but as discussed in Section 1.3, it has often proven difficult for education ministries to finance technical support through a national budget process. Thus, if sector programs require special attention to technical support, such support may need to be financed through targeted instruments (see the example of India in footnote 10).

Ineffective coordination and quality assurance of technical support. Presently, technical support is offered by a large number of fragmented providers, both directly by aid agencies and indirectly through aid programs. Often, the technical assistance market does not function well; neither providers nor users are adequately informed about available expertise that could most effectively address a given problem. Sometimes quality assurance of the technical support provided is also weak. This is no surprise, given the large number of players involved who often have quite different technical competencies, respond to a very varied set of internal and external constituencies, and assist countries that vary widely in terms of needs, capacities, and conditions. While these problems are not a direct result of the trend towards budget support, they have been reinforced by the decline in the intermediary role played by technical staff in aid agencies. In short, there is a need to ensure better quality assurance of the supply of technical expertise, more effective use of the considerable resources used for this purpose,⁴⁰ and delivery of the best-quality advice available to low-capacity countries.

Ineffective modalities to support capacity building. Support for capacity building in the education sector has proven an elusive goal, especially in SSA. The 2008 EFA GMR stresses that one particularly worrying consequence of the lack of a global approach to EFA is that “...extraordinarily limited attention has been paid to strengthening national capacity” and that “...countries need much stronger capacity to deal with the political economy of reforms and with technical constraints on implementation” (UNESCO 2007, 27).

And yet support for capacity building has been an integral part of development aid since its inception, ranging from education-sector specific interventions to large-scale civil service reforms. However, as a rule, this type of aid has seldom succeeded in creating sustainable capacity. The limitations of this type of support are well known and will not be reviewed here.⁴¹ Suffice it to say that there is broad consensus that at present, capacity constraints in

countries prefer technical assistance to assist in policy implementation, strengthening institutions, and facilitating knowledge exchange over economic and sector work, World Bank (2008d, xiii).

⁴⁰ An average of 41.9 percent of overall ODA commitments for education in 2003–2004 were for “technical cooperation” (UNESCO 2006), 88–9). Finer analysis would be needed to assess how much of these commitments are used for “technical support” as defined in this paper. First, the UNESCO report shows that the share of technical assistance is much larger for high- than low-income countries (20 percent of total ODA in SSA as compared to 60 percent in East Asia). Second, the major share of this category includes costs (such as scholarships and /or “imputed costs”) of enrolling students from developing countries in the country providing the financing (e.g., in 2004, this type of higher education cost accounted for 60 percent of total French bilateral education aid [DgCiD 2007, 73]).

⁴¹ See Fredriksen (2005) for a discussion of this issue for SSA and OECD (2006) for a review of good practices. World Bank (2005b) provides a general evaluation of World Bank support for capacity building in Africa. Finally, IIEP is currently completing a strategy paper for UNESCO on education sector capacity building.

SSA are less about weak technical skills than effective mobilization, strengthening, and utilization of existing local expertise, as well as about how to improve the quality of institutions through better incentives, governance, and easier access to global knowledge and experience.

In short, there is widespread agreement on *what* to do; the next step is to develop a deliberate, coordinated implementation and financing mechanism for *how* to do it. The fact that many low-income countries, including those in SSA, have significantly improved their capacity to conduct high-quality macroeconomic policies over the last 10–15 years (often facilitated by well-designed, targeted, and sustained technical aid to central banks and ministries of finance) demonstrates how successful capacity development can be done. Unfortunately, capacity development in education ministries has never been given the same high priority, either by governments or donors. Capacity-building success in the education sector requires giving ministries of education the same high priority as given to ministries of finance, a shift in focus of such interventions as discussed above, and a willingness by donors to provide sustained and predictable support over a decade or more.

3. An Action Plan to Improve the Allocative Efficiency of Aid

The previous section explored how changes in the context of international aid call for a reassessment of the current distribution of education aid with the goal of ensuring that this aid is used for purposes that have the highest development impact. The objective of this paper has been to stimulate a discussion of how priorities for education aid—which, on average, accounted for about 13 percent of total public education expenditures in SSA in 2006—may need to evolve during the second half of the 2000–2015 period in order to help maximize the development impact of total domestic and external public education funding.

The discussion has suggested that donor and recipient countries reassess the trade-offs (implicit and explicit) in aid allocation within and between broad areas. While many trade-offs need to be considered, the following seven are suggested as being particularly important to the development of education in SSA:

- global public education goods versus country-specific programs;
- technical versus financial aid;
- “on-track” versus “off-track” EFA countries;
- general access to primary education versus more targeted programs to improve equity and quality;
- universal primary education versus the five other EFA goals;
- EFA versus post-primary education; and
- institution-building versus other sector inputs.

This section suggests elements of an action plan to improve the allocative efficiency of education aid. The elements described below represent a *very tentative list* aimed at stimulating discussion among aid agency staff responsible for making decisions in this area. It is beyond the scope of this paper to do more than urge aid agencies and recipient countries to give higher priority to issues related to aid allocation, using existing mechanisms and processes. The list below is not in order of importance, and some of the elements overlap.

3.1 *Actions at the Global Level*

Enhance the capacity of global institutions to deliver high-quality global public education goods. Section 2.5 argued that the international community has paid inadequate attention to assessing whether the combined outcome of decisions on aid allocations have resulted in anything close to an “optimal” level of funding for global public education goods. It also suggested that an “adequate” level of funding and the performance of key institutions established to supply these global public goods be assessed. As argued in the previous pages, this function is severely underfunded and a small increase in the (low) share of total education aid devoted to this function has the potential to improve the overall impact of such aid.

Strengthen international capacity to provide technical support, especially to low-income countries.

- Continue work to refine the governance, management, and implementation modalities of the EPDF to ensure that it both responds in a timely and flexible manner to country demands for program preparation support (its primary function) *and* develop its potentially important role to support global public goods.
- Initiate consultations among aid agencies to address the decline in their technical capacity and ensure that lead education donors at the country level have adequate education sector expertise.
- As needed, establish targeted modalities to finance technical support to individual countries.
- Develop more cost-effective methods and modalities to provide technical support. The problem is less *what* to do (much work has been done, including by IIEP, OECD, the FTI) than *how* to develop and finance international capacity to take the lead in facilitating implementation (much of the financing required for country work is available in country programs).

Translate the parts of AAA particularly relevant to education aid into concrete actions. As indicated in Sections 1 and 2, the Accra Agenda for Action calls for action in many areas significant to education aid, including capacity-building in countries and donor agencies. There is a need to translate these goals into concrete actions, define who will do what, and decide how the funds required will be mobilized, especially for “global public goods.” If these goals are not pursued, it is unlikely that the desired “accelerated progress” will materialize.

3.2 *Actions at the Country Level*

Allocate aid to purposes that will have the most impact. The conditions that govern the priority and effectiveness of aid depend on the national context. Therefore, countries and donors must work together, both as part of regular reviews of ongoing programs and when new aid programs are designed, to review how aid can be allocated to maximize the combined impact of domestic and external education funding. Section 1.3 has reviewed some areas in which external aid has comparative advantages over domestic funding, while Sections 2.1 and 2.2 have highlighted priority areas for increased support.

Develop a strategy for supporting “fragile” states. The FTI partnership is already working to develop modalities to provide financial support to such states. Beyond financial support, however, financial and implementation mechanisms for the provision of sustained technical support are also needed.

Limit the risks of creating harmful education aid dependencies. Section 2.3 suggested that donors and recipient countries pay more attention to allocating aid to purposes and areas that do not create harmful aid dependencies (i.e., where political risks are minimized if aid is

interrupted). Improved aid predictability is particularly important in countries where aid constitutes a large share of public education spending.

Conclusion

This paper has argued that much more attention needs to be given to how education aid can be used strategically to maximize the impact of *total domestic and external education spending on all levels and types of education*. In many cases, the desired change in aid allocation is already underway and it is a question of accelerating the pace of change. In other cases, there is a need for the aid community to rethink its priorities and reallocate aid to purposes that are likely to enhance its impact. This work should be pursued in addition to donor efforts to increase the efficiency of the delivery and use of aid within the framework of the Paris Declaration. The examination of priorities and allocations may indeed be considered an integral part of the follow-up to the education elements of the “Accra Agenda for Action.”

In a scenario where education aid continues to increase through 2015, it is important at a minimum to explore where this additional aid will have the most impact and hence correct existing aid allocation over time. If aid budgets were to stagnate because of the current financial crisis, it will become even more important to consider reallocating existing aid. The political economy of budget reallocation is always difficult, even for aid agencies, especially if it leads to less aid for well-performing countries. In either case, leadership on the part of both recipient and donor countries is required to improve the allocative efficiency of education aid. Achieving this goal is the next critical step in enhancing its overall effectiveness.

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1818 H Street, NW

Washington, DC 20433 USA

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