

# Policy Paper 11

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## Trends in aid to education: Lessons for post-2015

### Introduction

Even though domestic spending remains the most important source of financing for education, aid plays a vital contributing role, particularly for the poorest countries furthest from achieving EFA. In those cases where countries have made faster towards goals, the role of external financing has been instrumental. Moreover, aid from the OECD Development Assistance Committee (DAC) member countries has been the main source of external finance, with private sector and non-DAC donor contributions remaining a very small part of the financing picture for education.

Despite the important role that DAC donors have played in promoting EFA, their failure to meet the commitment they made at Dakar in 2000 that no country will be prevented from achieving education for all by a lack of resources is an important contributing factor to the goals not being met. As a result of this failure, the poorest countries continue to face major shortfalls in resources needed to achieve Education for All, with an estimated financing gap for basic education of US\$26 billion annually, once domestic spending and current aid levels are taken into account (UNESCO, 2013).

In order to inform discussions on the role of aid in supporting a post-2015 development and education framework, this paper analyses trends in aid to education, identifying both the amount that donors are spending as well as whether these resources are being allocated effectively.<sup>1</sup> It draws largely on the Education for All Global Monitoring Reports, which each year include analysis on financing in the context of achieving education goals.

### Aid flows have increased since 2000, but with a reversal in trends from 2010

Since 2000, there has been an overall positive trend in aid to education, mirroring improvements in aid levels overall. However, there are signs of stagnation or even decline even though a large financing gap remains. Aid disbursements by DAC donors to the education sector more than doubled from US\$6.7 billion in 2002 to US\$14.4 billion in 2010, but declined by 7% between 2010 and 2011 to US\$13.4 billion (UNESCO, 2013).

The share of education has been around 13% of sector-allocable aid over the past decade, but because some donors are de-prioritising education within their aid budgets, education's share of total aid is at risk of falling (UNESCO, 2012). The reduction in aid to education between 2010 and 2011 of 7% was considerably more than the 3% reduction in total aid over the period.

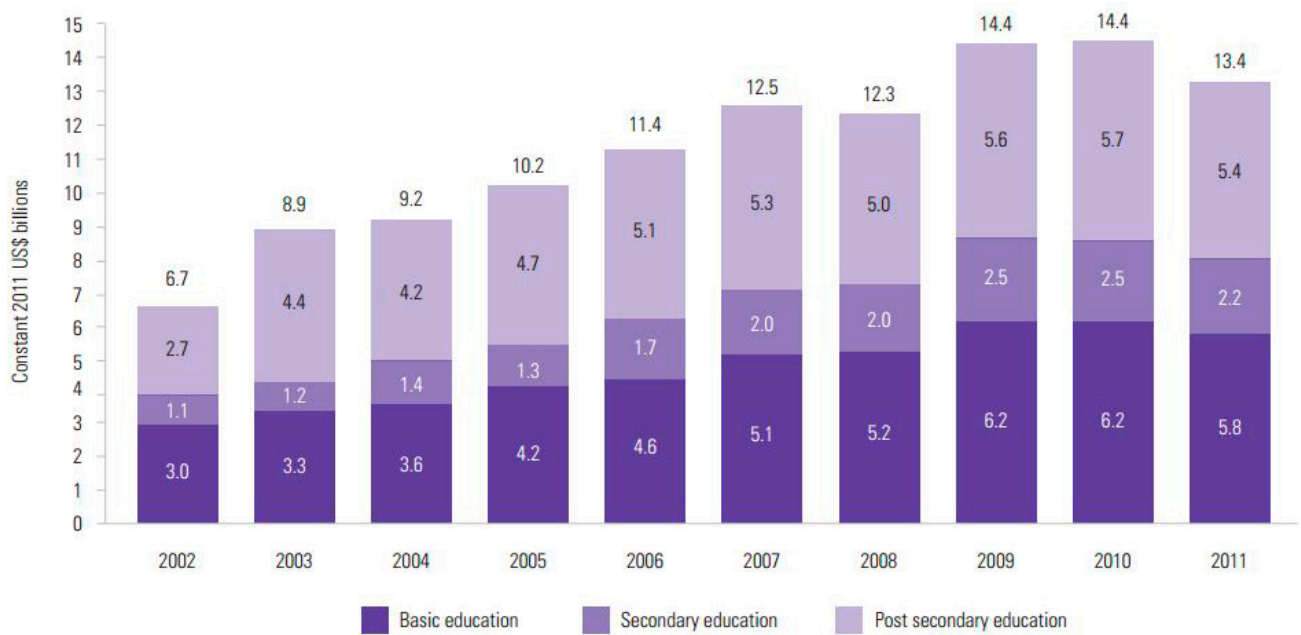
In order to assess the contribution that financing makes to achieving EFA, it is important to assess flows by the level of education to which aid is directed and the type of recipients (by income group and region).

*Aid disbursements by education level:* Over the last decade aid disbursements to basic education<sup>ii</sup> have comprised around 43% of total aid to education. Aid to the sub-sector doubled from around US\$2.8 billion in 2002 to US\$6.2 billion in 2010 (Figure 1). However, aid to basic education fell between 2010 and 2011 by 6% to 5.8 billion, the first time there has been a reduction since aid disbursement data were first published in 2002 (Brookings Institution and UNESCO, 2013). This decline is occurring at a time when there are still 57 million children of primary school age out of school, with the numbers stagnating in recent years.

Despite concerns that the MDG focus on primary education could be at the cost of higher levels, aid disbursements to secondary education doubled over the decade from US\$1.1 billion in 2002 to US\$2.2 billion in 2011, although this sub-sector also witnessed a decline between 2010 and 2011.

Aid to post-secondary education, which has similarly doubled over the decade, is on par with aid levels to basic education. While aid to higher education can in some circumstances play an important role in supporting capacity development, it unfortunately rarely reaches developing countries. Around three-quarters of aid for tertiary students is spent on the costs of them studying in the donor country, via scholarships and student imputed costs. This spending, which is equivalent to around one-quarter of total direct aid to education, is excluded from OECD-DAC's definition of 'real', or country programmable, aid (UNESCO, 2012).

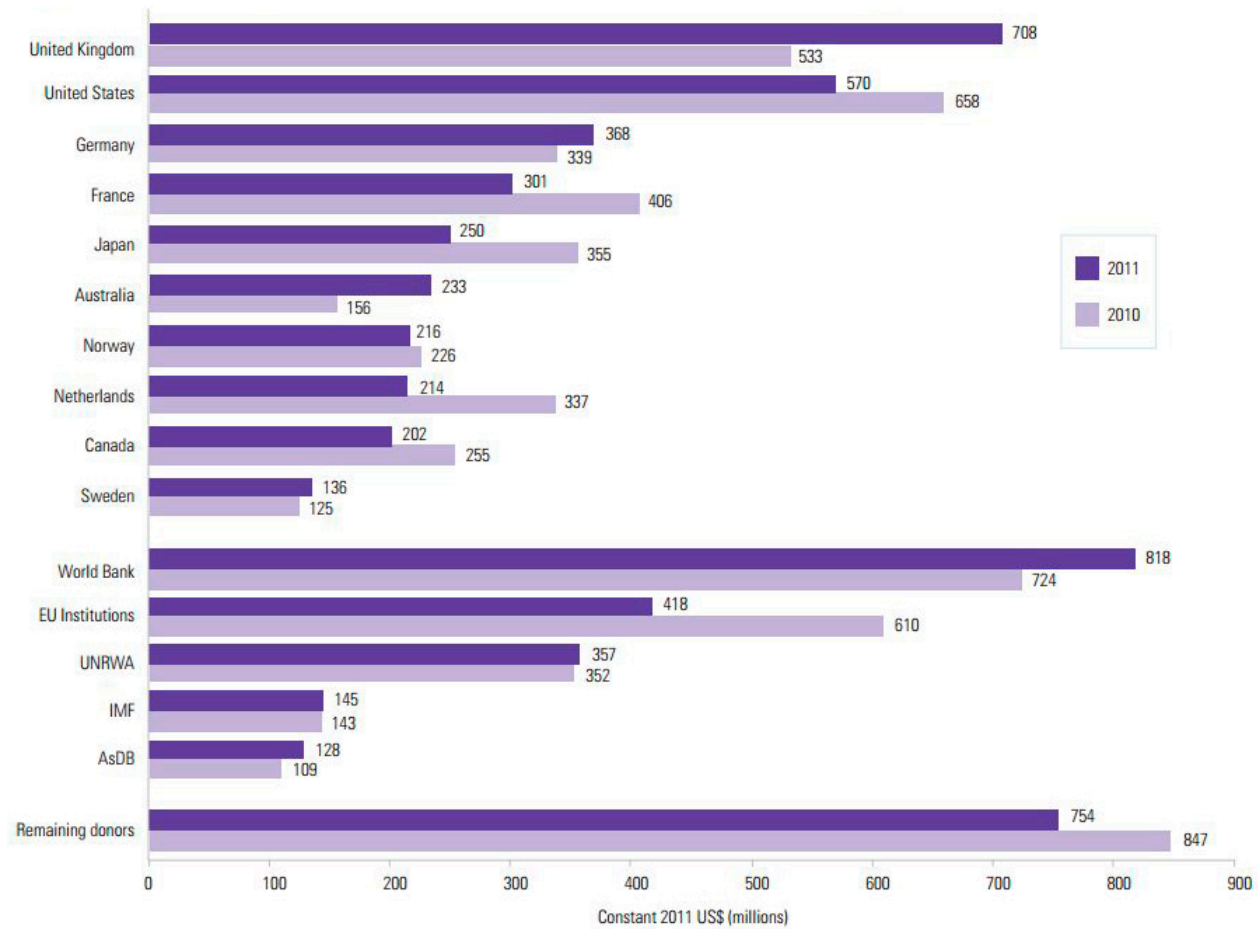
**Figure 1: Total aid disbursements to education, 2002 to 2011**



Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

The top five bilateral donors to basic education are the United Kingdom, the United States, Germany, France and Japan (Figure 2). Reflecting the general trend, three of these (United States, France and Japan) reduced their aid to basic education between 2010 and 2011.

**Figure 2: Donors to basic education, 2010-2011**

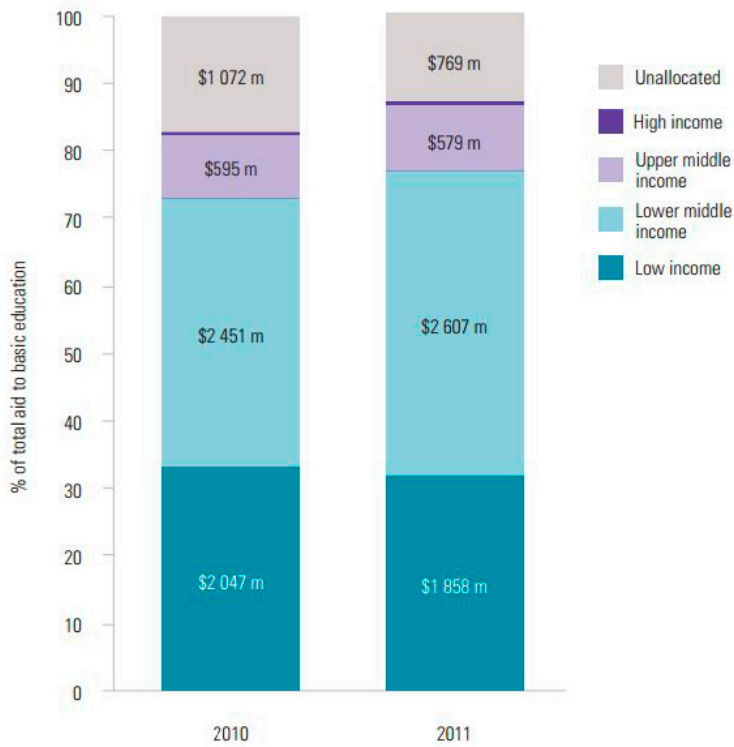


Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

*Aid disbursements by income group:* In 2011, lower middle income recipient countries accounted for the largest proportion of aid disbursed to the education sector (40% of the total), and to the basic education sub-sector (45% of the total). Low income countries, which account for 37% of out-of-school children, received 26% of total aid to education and 32% of total aid disbursed to basic education. Low income countries were hardest hit by the reduction in aid to basic education between 2010 and 2011, facing a reduction of 9% while aid to lower middle income countries increased by 6% over the period (Figure 3).

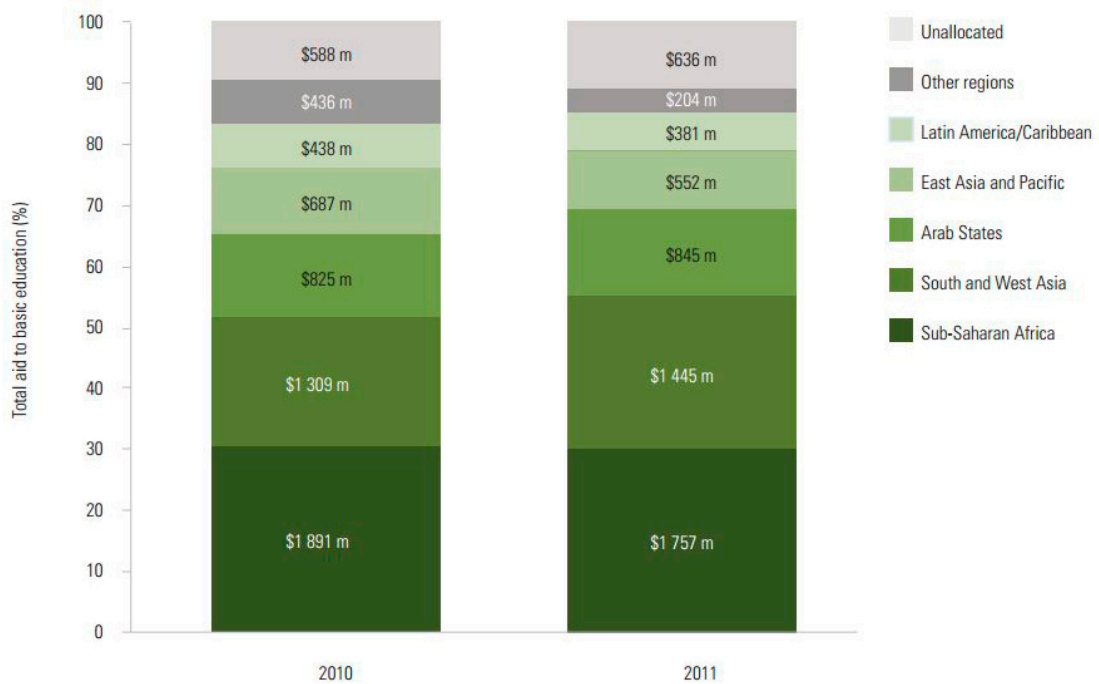
*Aid disbursements by region:* In 2011, sub-Saharan Africa, which is home to over half of the world's out-of-school children, accounted for the largest share of education aid, receiving 27% of aid disbursed to the sector and 30% of aid to the basic education sub-sector (Figure 4). South and West Asia, the second largest recipient of total aid to education (18%), received 25% of aid for basic education in 2011. East Asia and the Pacific received 15% of total aid disbursements to the education sector. The majority of this is to secondary and post-secondary education, with aid disbursements to basic education being only 9% of the total.

**Figure 3: Total aid allocated to basic education by country income groups, 2010–2011**



Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

**Figure 4: Total aid to basic education by region, 2010-2011**



Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

Although sub-Saharan Africa receives the largest share of aid to education, the largest recipients of aid to education are countries in South and West Asia and East Asia and the Pacific. Amongst the top recipients are countries with large populations, including China, India, and Pakistan. The United Republic of Tanzania and Ethiopia are the only two African countries to make it into the top 10 recipients of aid to education in 2010 but featured near the bottom of the list.

A similar pattern is true of aid to basic education except that China is not a top recipient. Palestine and Jordan receive large volumes of aid to basic education, largely due to disbursements by the United Nations Relief and Works Agency (UNWRA). The top recipients of aid to basic education are in South and West Asia. Ethiopia and Mozambique are the only two countries from sub-Saharan Africa, which make it onto the list of countries receiving the most aid to basic education in 2010.

## Is aid to education being channelled in ways that promote country ownership?

The Dakar Framework for Action called for joint planning, monitoring and facilitation of aid coordination towards country leadership, ownership and implementation. For this to be effective, donors need to channel their funds via government systems wherever possible. In a similar vein, as part of the High Level Forum Aid Effectiveness Agenda, there was a move towards promoting the delivery of aid through general budget support (GBS), as well as sector wide approaches.

The EFA movement has encouraged country-led education planning. As national planning processes have been strengthened, donors increasingly reported through government systems and, in several cases, pooled their funding to support national education plans, producing impressive results (UNESCO, 2011). There is a danger, however, that donors are now moving away from such approaches back towards project-based support which allow results to be attributed directly to them.

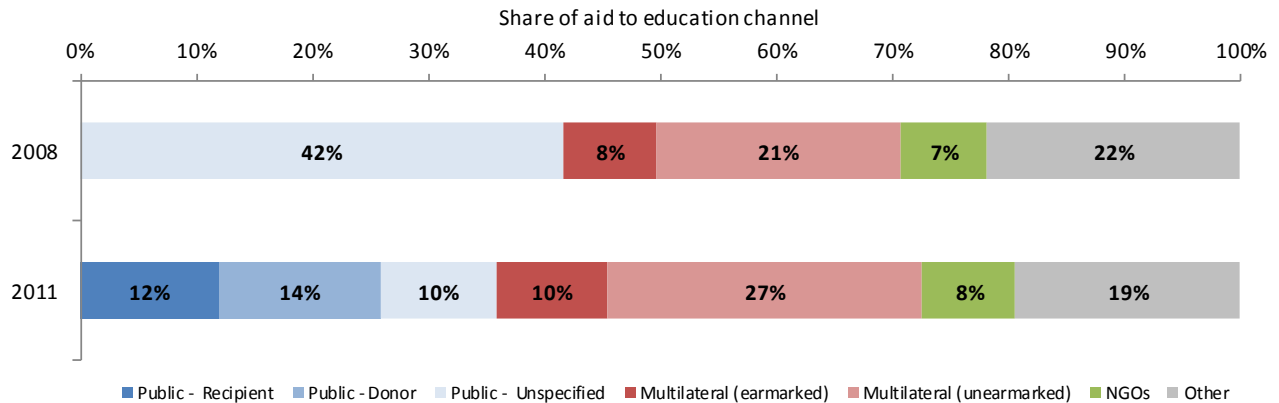
In recent years, it is increasingly possible to track the actors through which bilateral aid to education is channelled.<sup>iii</sup> These data reveal that DAC donor governments tend to provide less aid through recipient governments, with a larger share being channelled through their own government and as unearmarked aid through multilateral organisations. This means that a large part of aid to education is not under the direct control of recipient governments despite the promise made in Dakar to support national education plans.

Not only is the share going through governments relatively small, but also appears to be declining in recent years. Between 2008 and 2011, the share of total aid to education by DAC donors disbursed through the public sector – including both recipient and donor governments - fell from 42% to 36% (Figure 5).<sup>iv</sup>

There are wide variations between donors. Some smaller donors, including Finland, Sweden and Switzerland, channel less than 20% of their aid through the public sector, favouring channelling their funds through multilateral organizations.

Some of the largest donors to education, such as France, Germany and the United Kingdom, disburse a larger share of their aid through the public sector. But a closer analysis reveals that, for some of these donors, a significant proportion of aid to education channelled through the public sector is often within donor countries themselves. For instance, of the aid that France disburses through the public sector, the majority is through French government agencies leaving only 7% channelled through the recipient government agencies. For some donors, channelling of funds in this way is likely to reflect their spending on scholarships and imputed student costs. Japan and the United Kingdom were the two countries with the largest share of aid to education channelled through recipient governments in 2011, in excess of 30% (Figure 6).<sup>v</sup>

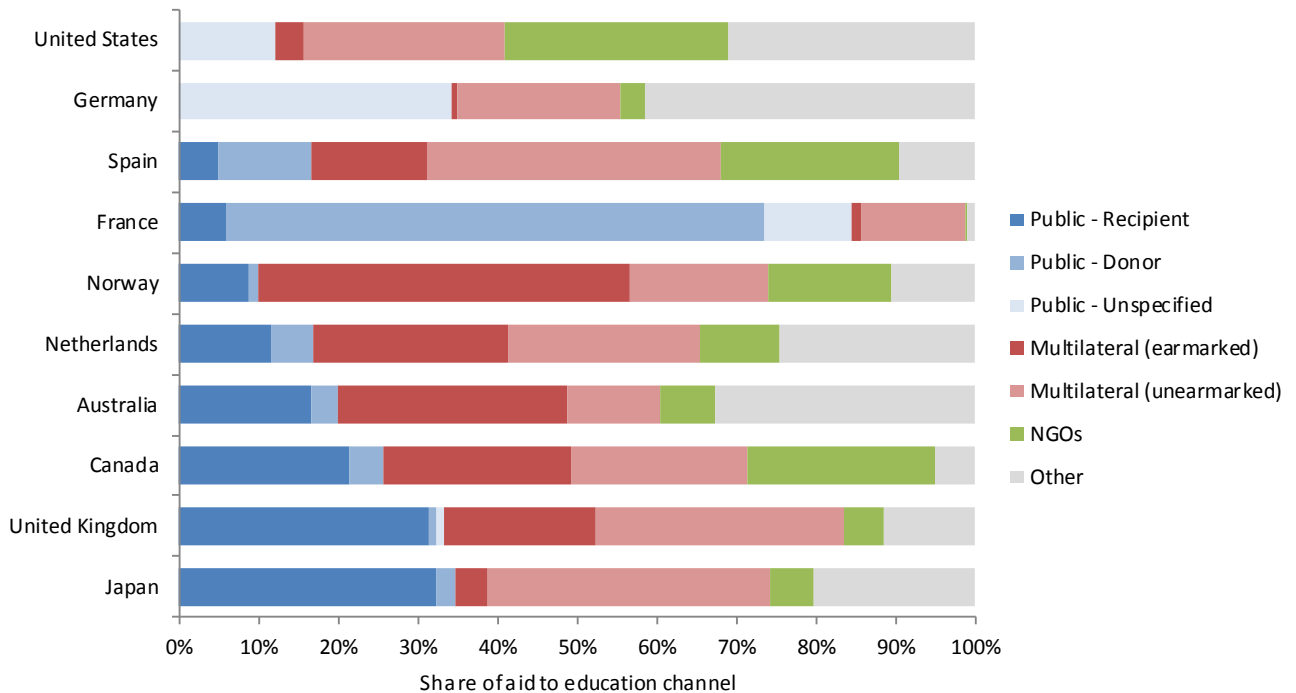
**Figure 5: Distribution of bilateral aid to education by channel, 2008 and 2011**



Note: In 2008, aid channelled through the public sector cannot be disaggregated between recipient or donor government channels; therefore, it is all classified as unspecified.

Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

**Figure 6: Distribution of bilateral aid to education by the top 10 donors, by channel, 2011**



Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

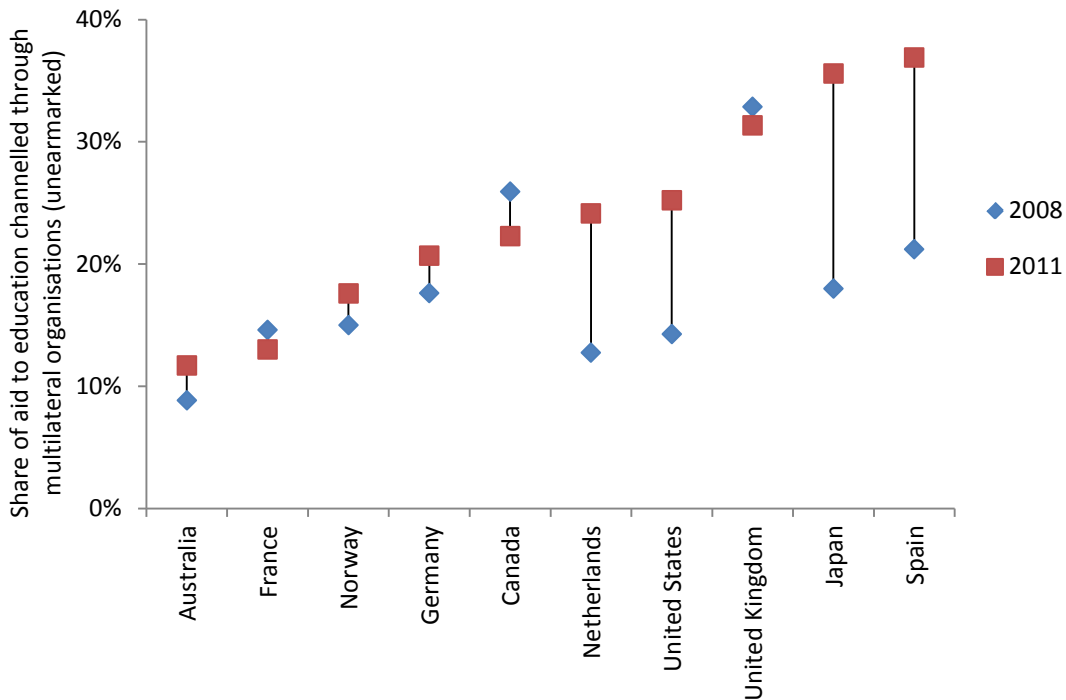
One of the ways that governments channel funds directly to recipient governments is through general budgetary support (GBS). This type of aid delivery enables governments to prioritize how to spend the funds to implement their programmes, including in education. This approach is in line with the aid effectiveness agenda that has become prominent over the past decade. Despite this emphasis, overall disbursements of GBS have fallen from a high of US\$3.5 billion in 2009 to US\$2 billion in 2011. As a share of total bilateral aid, GBS has fallen from 4.8% in 2003 to 3.5% in 2009 and 2% in 2011. It is expected to fall further in coming years as many donors are scaling back on their earlier commitment to deliver aid through GBS. In the early part of the decade, the United Kingdom was by far the donor providing the highest share of its total aid through GBS, almost reaching 20% in 2003. But the United Kingdom has gradually moved away from this approach and, by 2011, this was down to just 5% - which is still one of the highest proportions of all bilateral donors.

On average, 7-8% of aid from DAC donors has been channelled via NGOs between 2008 and 2011. Some donors, such as Canada, Spain and the United States, channel a larger share of their funds through this route. While this can be an important means to reach children in difficult circumstances, it is unlikely to help to strengthen government systems in the longer term.

Multilateral organizations receive an important share of total bilateral aid to education. They receive funds via two routes –unearmarked for which the multilateral agency makes decisions on their allocation which may or may not reflect bilateral agency priorities; or funds that are earmarked by bilateral donors for particular purposes (such as education and/or for specific countries).

Unearmarked funding is the most important source of funds from bilateral to multilateral agencies. Between 2008 and 2011, these funds increased from 21% to 27% as a share of total education aid. A number of bilateral donors, including Japan, the Netherlands, Spain and the United States, have almost doubled the share of their aid channelled through multilateral organisations over this short period (Figure 7). There may be different reasons for these changes, including decreasing priority assigned to education which may result in bilateral donors being less committed to directly managing their aid programme.

**Figure 7: Share of bilateral aid to education channelled through multilateral organisations (unearmarked), by donor, 2008 and 2011**



Source: EFA Global Monitoring Report team analysis based on OECD Creditor Reporting System (2013).

Some donors, such as Australia, Canada, the Netherlands and Norway, choose to channel their aid to multilateral organizations through earmarked funding. In some of these cases, funding is earmarked for the Global Partnership for Education (GPE), the only pooled global funding mechanism for the sector.

Established in 2002 as the EFA Fast Track Initiative, GPE’s goal has been to accelerate progress towards education by promoting sustained increases to aid and more efficient spending, together with sound sector policies and adequate and sustainable domestic financing. While it does not report to DAC, an assessment of its data suggests that it has increased in size, jumping from being the 13th-largest donor in 2007 to being the 5th-largest donor in 2011, when its disbursements were at an all time high. However, the GPE’s funding has been smaller than hoped, and considerably smaller than comparable global funds in health. The 2011 replenishment generated US\$1.5 billion for the years between 2011 and 2014, compared with the US\$2.5 billion requested (Brookings Institution and UNESCO, 2013).

## Are donors coordinating their efforts to support the achievement of education goals?

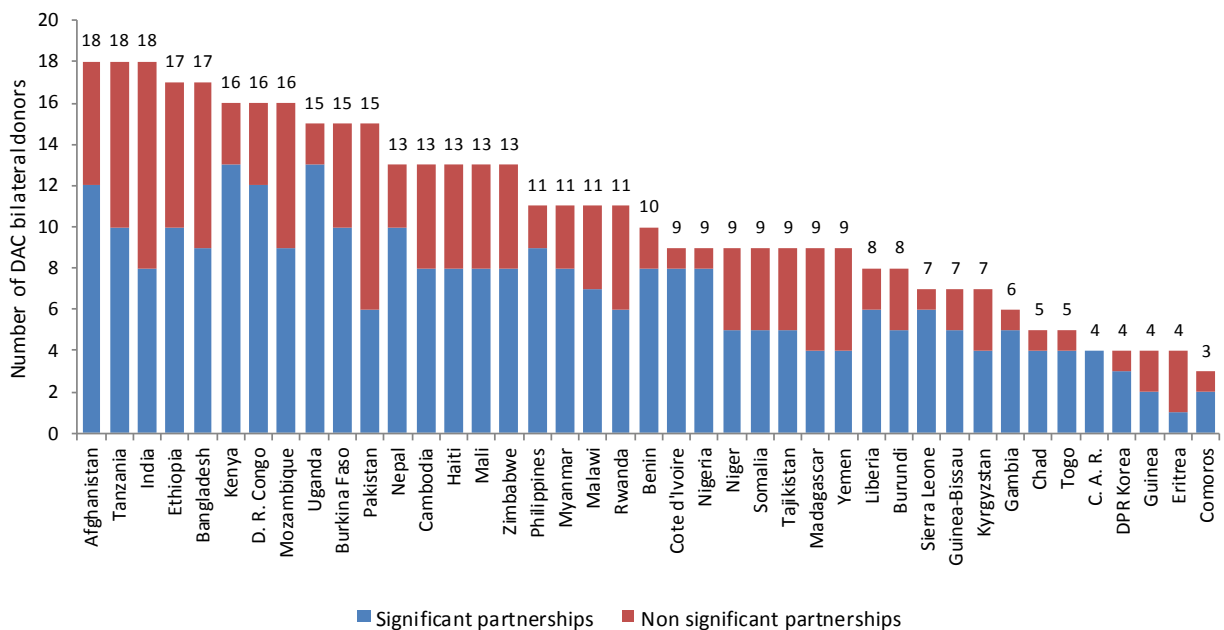
Strong global coordination by donors is important in education given that the sector has a very narrow donor base. In 2011, for instance, the top ten donors provided almost three-quarters of overall aid to education, and just three donors provided close to one-third of aid to basic education (Brookings Institution and UNESCO, 2013; UNESCO, 2012). In recent years, many bilateral donors have begun to concentrate their aid on fewer partnerships, with nearly all EU donors reducing the number of partner countries under the agreed EU Code of Conduct on Division of Labour and Complementarity.

However, the decision by donors on which recipient countries to prioritise and which to withdraw from has essentially been an inward looking process with little or no coordination at the global level. The Netherlands, for example, was amongst the top three donors to basic education over the past decade but decided to cut its aid to education in 2011 due to changing political and strategic priorities. This has not led to other aid donors filling the gap in countries from which the Netherlands has withdrawn its support, however. In Bolivia, Burkina Faso and Zambia, for example, both Denmark and the Netherlands are terminating education aid simultaneously, despite having been significant donors to these countries (GPE, 2013).

Whilst numerous mechanisms exist for coordination between different donor agencies, both internationally and within countries, this appears to have not influenced direct decisions on where donors should work and how, importantly, aid could be used to fill resource gaps to reach those children most in need (Brookings Institution and UNESCO, 2013). In Afghanistan, Bangladesh, the Democratic Republic of the Congo, Ethiopia, India, Kenya and the United Republic of Tanzania, at least 16 bilateral DAC donors are active, while the Central African Republic, Chad, Eritrea and Guinea only have no more than five.

When a country has many donors, there is a concern about the pressure placed on governments to coordinate. This is especially true in the case of where many of the aid partnerships are identified as non-significant.<sup>vi</sup> In all those countries with at least 16 bilateral donors present, at least one-third of their aid partnerships are classified as non-significant (Figure 8).

**Figure 8: Number of bilateral donors disbursing aid to basic education, 2011**



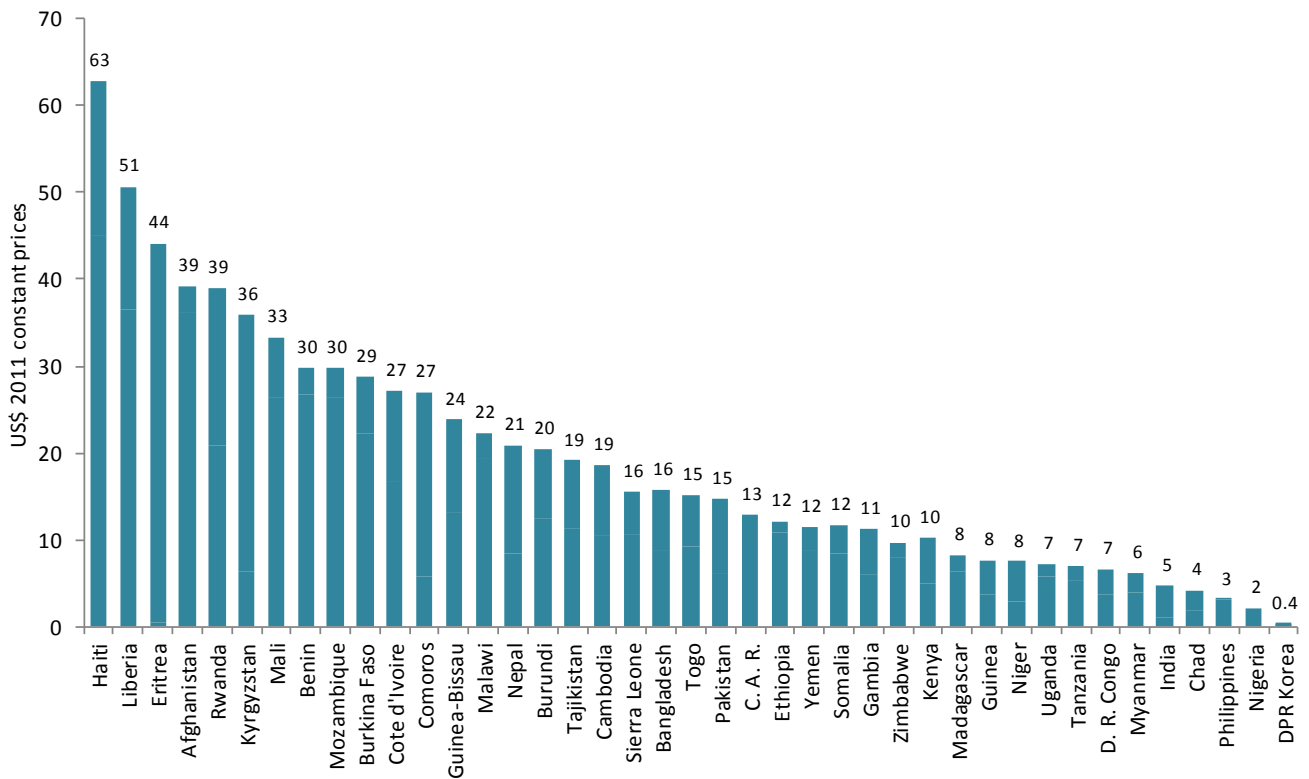
Note: The 41 countries included are the 36 low income countries plus five middle income countries with the largest number of out-of-school children.

Source: EFA Global Monitoring Report team analysis (2013).



Insufficient coordination amongst bilateral donors in determining their aid spending is also highlighted by the highly variable distribution of aid resources by primary-school aged child. The EFA Global Monitoring Report has calculated that it would cost around US\$130 per primary-school aged child to provide an acceptable quality of education (UNESCO, 2010). On average, low income countries allocate US\$41 per primary school aged child from their own budgets, and receive US\$16 per child from aid donors, but with wide differences between countries. In Afghanistan, for instance, aid to basic education was US\$39 per child in 2011; in Chad, however, it was just US\$4 per child despite Chad having some of the poorest education indicators in the world. Haiti received US\$63 in basic education per child whilst the equivalent in the Democratic Republic of Congo was just US\$7. Kenya and Niger, two countries amongst the 10 with the highest out-of-school populations, receive less than US\$10 per primary school aged child. Overall, 25 of these countries receive less than US\$10 per child in basic education aid from DAC bilateral donors (Figure 9). There is a need for bilateral donors to coordinate better to ensure that countries in need of external resources are not left behind.

**Figure 9: Aid to basic education per primary school child, 2011**



Note: The 41 countries included are the 36 low income countries plus five middle income countries with the largest number of out-of-school children.

Source: EFA Global Monitoring Report team analysis (2013).

## Conclusions

Domestic financing is the most important source for achieving education goals, and should remain so. Widening the tax base and ensuring an appropriate share of public spending is allocated to education would significantly increase resources to the sector. However, even with such reforms, poor countries are unlikely to be able to afford all the costs of education for the foreseeable future, particular given the financial needs associated not only with expanding access to education but also with improving educational quality. Innovations in financing from the private sector and contributions from non-DAC donors are currently very small, and not necessarily aligned with EFA objectives. Aid from DAC donors is, therefore, likely to remain an important part of the way forward for these countries to achieve education goals after 2015. The recent reduction in aid to education, therefore, urgently needs reversing.

In recent years, not only have bilateral donors reduced the share of their total aid that they allocate to education, but the amount of their aid to education channelled through recipient governments has also declined, while increasing the amount given as unearmarked aid to multilateral organizations. General budget support is rapidly losing its share in total aid. This means that some of the biggest achievements in the period since 2000, notably the focus on alignment behind national education plans backed by the use of pooled financing mechanisms, are in danger of being reversed. The aid effectiveness agenda which has been championed in conjunction with the focus on the MDGs not only needs to be revitalized, but also needs to be a more specific aspect of any post-2015 development framework.

The stocktaking exercise offered by the consultation process on the post-2015 development agenda presents an opportunity to reflect on the lessons learned, remind governments of the commitments made, and encourage the use of existing coordination mechanisms to ensure no country is left behind for lack of resources. The energies being rallied to consider what plans and targets should be set for the future of our children must ensure sufficient financing to achieve them. This is why the EFA Global Monitoring Report is calling for the post-2015 education goals to include a specific target for financing by aid donors. Otherwise, disadvantaged children in the poorest countries will continue to pay the price.

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## Notes

<sup>i</sup> The information included in the paper is provided by the OECD Creditor Reporting System which can be found at <https://www.oecd.org/dac/stats/idsonline>

<sup>ii</sup> In the OECD-DAC classification, 'basic education' covers pre-primary education, primary education and basic life skills for youth and adults. Almost all aid to 'basic education' (92%) is directed to primary education.

<sup>iii</sup> The data allow track the following actors through which aid is channeled to be tracked: public sector (including the donor government itself and the recipient government), non-government organizations, multilateral organizations, and others (such as via universities or public-private partnerships).

<sup>iv</sup> The analysis begins in 2008 as prior to this reporting by many donors on how aid is channeled was much less robust with a lot of aid disbursed reported as being channeled in 'unspecified'

<sup>v</sup> In some cases, such as for Germany and the United States, it is not possible to distinguish whether aid through the public sector is channelled through the donor government or through the recipient government. Moreover, in both countries, a large share of aid to education was channelled through 'other' actors.

<sup>vi</sup> Based on OECD definition of significant aid partnerships which is either where (a) the donor is among the top donors that cumulatively provide 90% of education aid to that country and/ or (b) where the donor provides a larger share of total aid to the education sector in the recipient country compared with its share of total aid in that country. An insignificant education partnership is one which does not fall in either of these categories