



## What drives donor financing of basic education?

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### Key points

- There is a funding gap between what is being provided and what is needed for basic education in poor countries of more than \$16 billion per year
- The main obstacles to greater funding include donor priorities, aid architecture, and the lack of evidence and advocacy
- More support for the sector requires aid effectiveness, innovations in financing, better evidence, and reaching out to politicians, business leaders and new partners

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**M**uch progress has been made towards achieving the global goal of universal primary education since the Millennium Conference and the Dakar World Education Forum in 2000. The number of children enrolled in primary schools worldwide rose by more than 40 million between 1999 and 2007 (UNESCO, 2008). Net primary enrolment in sub-Saharan Africa rose from 58% to 74% over the same period (United Nations, 2009). At the same time, there has been a substantial increase in aid to sectors linked to the Millennium Development Goals (MDGs), including education. International aid commitments to basic education almost doubled, from \$2.1 billion in 2002 to \$4.1 billion in 2007 (UNESCO, 2010).

Despite these impressive achievements, it is likely that the world will miss its target of having all children in school by 2015. On current trends, 56 million children could still be out of school in 2015 and girls will still lag behind boys in school enrolment and attendance. The deficit in sub-Saharan Africa is particularly severe, with one quarter of primary school age children out of school in 2007.

Part of the problem is that few donors have delivered on their collective promise to support national programmes with increased and more effective financial support. The most recent Global Monitoring Report estimates a \$16.2 billion annual external financing gap between available domestic resources and what is needed to reach the EFA basic education goals in low income countries. Current aid levels address only 15% of that external financing need and are rarely directed to the countries in the greatest need (UNESCO, 2010). With the prospect of aid budgets being affected negatively by the financial crisis, new strategies are needed to boost basic education financing in the poorest countries.

This Project Briefing draws on the findings of a recent research study commissioned by the William and Flora Hewlett Foundation. The research was based on a large number of semi-structured interviews with a variety of donor agencies, including bilaterals, multilaterals, foundations and NGOs, as well as case studies on two countries – Mali and Uganda. It outlines why, despite the rhetoric of political support for EFA, the sector has not attracted the necessary funding and suggests ways in which external support for basic education could be increased.

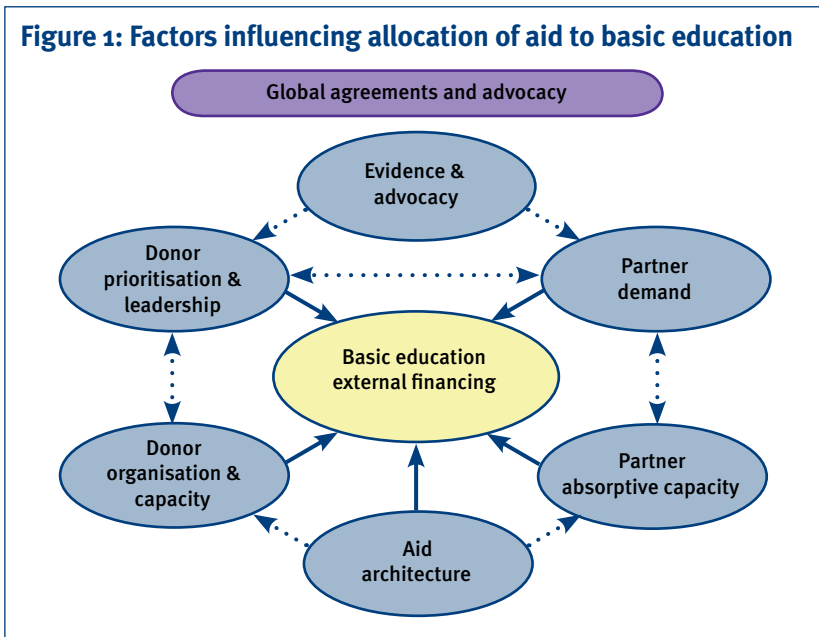
### What drives donor financing?

Six key factors appear to influence donor decisions around financing basic education, as shown in Figure 1 (overleaf). The most significant relate to donor prioritisation and leadership, evidence and advocacy and aid architecture, followed by the absorptive capacity of partners, partner demand and donor capacity.

### Donor prioritisation and leadership

Donor financing of basic education has been hampered by a lack of organisational prioritisation in some agencies, and by weak implementation of central priorities in others. Donor priorities are subject to a variety of influences. In the case of basic education, the influence of top leadership was found to be particularly important for some donors, such as the UK and the World Bank. The power of a visionary narrative, such as the Delors Report within the UN, was also noted. Furthermore, political and foreign policy concerns have been influential. In the US, for example, the 9/11 terrorist attacks and foreign policy on the Muslim world have led to a greater focus on basic education. Arab and Asian donors expressed strong interest in

**Figure 1: Factors influencing allocation of aid to basic education**



the education sector based on their own development background and cultural or religious foundations. Finally, international agreements (MDGs, EFA goals) are now accepted as an important part of the development agenda and have influenced donor priorities.

Organisational priorities are expected to influence aid allocations, but many organisations have made strong public statements on the importance of basic education that have not always been backed by aid commitments. This may be the result of the lack of genuine political commitment to education noted by advocacy organisations, but there may be other explanations. First, the move towards decentralisation in many donor agencies means that what is regarded as a priority at the 'centre' may not ultimately translate into a priority at country-level. This tension is compounded by complex organisational structures in some donor agencies, such as in Japan and the US, where aid budgets are spread over several departments or agencies. In such cases, maintaining a focus on basic education means addressing internal politics and power struggles. Second, aid allocation models that emphasise policy and institutional capacity do not always favour countries with the greatest needs in basic education. Early endorsement by donors under the Fast Track Initiative (FTI), for instance, was based in part on the ability of a country to produce strong educational plans, effectively excluding the fragile states with the greatest basic education needs (Cambridge Education et al., 2009).

### Failings in aid architecture

The international aid architecture is another constraint to turning donor commitment to basic education into action, particularly the way in which external financing is mobilised, managed and delivered.

The harmonisation of aid flows to basic education and their 'ownership' by recipient governments, have been strengthened in recent years, largely as a result of strong support from certain donors, the broader Paris-Accra aid effectiveness agenda and initiatives such as the FTI. Nonetheless, lack of donor coordination, ineffective division of labour and unpredictability of aid continue to limit the scale and effectiveness of financial support to basic education.

The lack of a strong global coordination mechanism is a particular problem for the education sector. Despite its strong record on monitoring progress towards the EFA goals through its flagship Global Monitoring report, UNESCO has been unable to provide the leadership and global voice needed to raise additional financing for the sector.

The effects on finance for basic education resulting from new aid modalities such as budget support, which aim for greater coordination and alignment through the use of country systems, are also unclear. Evaluations show that these modalities can provide governments with greater fiscal space to allocate more funding to social sectors such as basic education (IDD & Associates 2006) particularly given the high proportion of recurrent costs in overall spending. However, donors interviewed for the study expressed concern that the move towards budget support reduces their influence over recipient government policy decisions and their control over the amount of spending allocated to basic education, while acknowledging the role of declines in their own technical capacity. Bilateral donors have seen a decline in education experts in multisectoral operations. A recent study for the EC shows that donors using general budget support (GBS) are less involved in education sector dialogue than donors using other modalities (ten Have, Thissen & Visser 2008). This may explain in part the growing interest in sector budget support operations, as a way of reconciling the benefits of budget support with the need for more in-depth sector policy dialogue.

The relative lack of innovative approaches to raising and delivering financing, as compared with the health sector for instance, is also a constraint to basic education funding. The FTI aimed to add innovative new dimensions to aid harmonisation and alignment but its impact in terms of raising additional funds has been limited (Cambridge et al., 2009). Promising innovations, such as Cash on Delivery (Barder and Birdsall, 2006) remain limited in scale.

Finally, opportunities may have been missed to engage with new players, such as non-DAC donors and the private sector, hampered by ongoing ideological debates around the role of the private sector in the delivery of basic education. Non-DAC donors (e.g. Arabia and South Korea) are interested in expanding their engagement in the education sector, but liaison with them has been limited to date.

## Poor evidence and advocacy

There is broad agreement across all types of donors, and in particular foundations, NGOs and multilateral organisations, that the evidence-based case for further investment in basic education has not been made strongly enough. In an environment of limited aid resources and many competing demands, education has not been able to sufficiently demonstrate its relative importance or justify its urgent need for resources. Politicians and the public in donor countries are not sufficiently aware of the impact and broader development implications of education, and this affects aid levels.

Several types of evidence are missing, including reliable and consistent estimates of the funding gap, results in terms of learning outcomes as well as evidence on the impact of education on other aspects of development. Moreover, the debate on whether education results should be measured in terms of quality, rather than access, seems to have blurred the argument for education funding.

Decisions to scale up aid are influenced not only by the evidence generated but also, and perhaps more importantly, by the way evidence is used in advocacy campaigns. Global campaigns, such as the Global Campaign for Education (GCE), and civil society have played an important role in the education movement and the international agreement around the EFA goals in particular. However, they are competing with stronger campaigns in other sectors and their relatively limited success may be because they have failed to gather and use evidence clearly and effectively. The impact of campaigns could be improved by greater engagement with, and strengthening of, grassroots organisations, as well as targeting messages to much broader groups, including different parts of government, parliament and opposition parties.

## Other factors that influence donor financing

**Partner absorptive capacity:** The capacity of recipient countries to absorb external resources for basic education scale-up is widely discussed in the literature (see for example Rose 2007). The evidence in this study suggests that, while considered important, it is by no means the most significant factor in determining the scale-up of aid. To a certain extent, as has been shown in the health and AIDS sectors, capacity expands to deal with increased funding. Capacity constraints could also be reduced through improved coordination among donor and funding agencies and the use of more streamlined procedures and predictable modalities. Absorptive capacity constraints in the education sector generally mean constraints in institutional and human resource capacity and, to some extent, systems of accountability. Overall, the ability of governments to develop credible plans seems to have improved,

### Box 1: The Fast Track Initiative (FTI): an innovative financing mechanism?

When the FTI was launched in 2002, it embodied a new type of global compact between developing countries and aid donors to achieve universal primary completion by 2015. Developing countries were to put in place credible education sector plans to accelerate progress on EFA, with donors backing those efforts through increased, effective and predictable aid. The most important innovations introduced by the FTI were the introduction of a framework to improve the quality and consistency of country-owned plans and processes (FTI Indicative Framework). A centrally operated Catalytic Fund (CF) was established to provide additional financing following the Paris Declaration Principles; technical support is also provided through an Education Programme Development Fund (EPDF). The CF can include all bilateral and multilateral sources of financing for education, as long as they are directed to support activities in the education sector plan.

The Mid Term Evaluation suggests that, despite its potential, the FTI has fallen short of its ambitions on resource mobilisation and aid effectiveness, with limited mutual accountability, poor monitoring of the FTI 'compact', and insufficient links with national poverty reduction strategies (Cambridge Education et al., 2009).

but their implementation capacity within education ministries and at sub-national level remains a concern. It is no surprise that capacity constraints are a particular challenge for fragile states.

**Partner demand:** With donors giving increased attention to recipient government ownership, strong demand from recipient governments for basic education has a positive influence on donor funding for the education sector. However, while there is strong demand for basic education support at the general level, demand for aid for the basic education sector varies significantly across donor agencies. Recipients direct their demand to the agencies they see as interested in supplying such funding, or those providing it through preferred aid instruments. Donors that provide aid mainly through loans instead of grants (e.g. World Bank, Saudi Development Fund or Japan) experience less demand for basic education financing, largely because recipient governments are reluctant to borrow funds for recurrent costs.

**Donor capacity and organisation:** Donor cost-saving exercises, the restructuring of donor agencies and the use of new aid modalities have contributed to a weakening of education expertise in donor agencies, which could further limit the scale-up of aid to basic education. And organisational structure (e.g. degree of decentralisation) seems to affect the ability of an organisation to prioritise basic education effectively.

## What can be done?

An analysis of the factors that influence decision-making in basic education highlights a number of potential opportunities or strategies that could be adopted by the basic education sector to galvanise more donor support. There are several developments that may offer opportunities in 2010 to mobilise substantial new resources, including the 1GOAL Campaign linked to the FIFA World Cup, the



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FTI replenishment campaign, and the US proposal to increase aid for education.

**Capture the global stage:** If financing is to be scaled up, basic education will need to become better at capturing the support of high level political, popular and/or corporate leaders. The first step could be to identify a core group of global champions to drive a global effort. Ideally, this group would include world famous academics, as well as political and corporate leaders. Such global advocacy could be strengthened by greater engagement and advocacy from grassroots organisations.

The education sector should build a stronger case for itself by making more effective use of evidence and demonstrating results. A new 'visionary paper', for example, could demonstrate education's importance to today's development challenges, including climate change, food and national security. A semi-permanent body to provide rigorous economic and social analysis of the education sector on a rolling basis would have the potential to strengthen the sector's position in the international arena, along the lines of the World Health Organisation (WHO) Commission on Macro-Economics and Health. Finally, more coherent messages around the importance of quantity and quality of education and the relative importance of primary, basic and secondary education are essential.

**Enhancing the effectiveness of aid delivery:** The education sector should build more strongly on the progress made in coordination at the country level and use existing aid resources more effectively. A stronger global platform is needed to include all

players in the education agenda, provide the necessary moral persuasion and hold agencies to account against their commitments. More opportunities for donors to collaborate would allow donors to scale up their funding, and experiences of successful collaborations need to be identified and shared. A number of internal organisational challenges should also be addressed, such as the need to combine central priorities with decentralised decision-making processes and more emphasis on recipient government ownership. The challenges of declining internal capacity of donor organisations could be mitigated by drawing on expert resources across agencies.

**Expanding the tent: new partners and approaches:** The education sector should broaden its community and approaches in three ways. First, it should make use of innovative financing mechanisms. The FTI, the exploration of options for funding education in fragile states and work on the application of results-based aid in education are all steps in the right direction, and should be accompanied by a critical review of financing mechanisms in other sectors (e.g. health and environment) and their possible application in education. Second, the education sector should reach out to non-traditional donors and foundations that have not, to date, invested significantly in education. Finally, the education sector needs to expand its partnerships with the private sector, backed by the evidence on the impact of existing Public Private Partnerships in this field.

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### Useful resources:

*Donor funding for basic education: constraints and opportunities* (full report): <http://bit.ly/donoreducation>  
*EFA Global Monitoring Report*: <http://www.unesco.org/en/efareport/reports/2010-marginalization/>

### Project information:

This briefing presents the findings of a 2009 ODI study, commissioned by The William and Flora Hewlett Foundation, on donor motivations and constraints in providing financing for basic education. The aim was to increase understanding of why donors are or are not supporting basic education. It draws on many semi-structured interviews with a range of donors – bilateral, multilaterals, foundations and NGOs – and case studies in Uganda and Mali. The findings are summarised in a synthesis report.

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