

# FINANCING FOR GLOBAL EDUCATION

## OPPORTUNITIES FOR MULTILATERAL ACTION

A report prepared for the UN Special Envoy for Global Education  
for the High-level Roundtable on Learning for All:  
Coordinating the Financing and Delivery of Education

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SEPTEMBER 2013



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REPORT

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### *Acknowledgements*

This report is a joint research effort by teams from the Center for Universal Education at the Brookings Institution and the Education for All Global Monitoring Report, published by UNESCO.

We are grateful to Karen Mundy, Brad Herbert and Birger Fredriksen for their support in preparing the background case studies for this study and their contributions to this report; and to Lydia Poole for her help with the data analysis. We are also thankful to the staff of the six multilateral agencies reviewed in this study for sharing their thoughts in interviews.

We would also like to thank Paul Isenman, Tamar Manuelyan Atinc and Rebecca Winthrop for their inputs into the research and helpful reviews of drafts of the report.

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## OPPORTUNITIES FOR MULTILATERAL ACTION

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### EXECUTIVE SUMMARY

**A**ccess to good quality basic education for all children is a promise the global community must keep.

This will require reaching the 57 million children that are currently out-of-school, many of them from marginalized and disadvantaged groups. It will require ensuring that children in school complete their education and are learning – currently 250 million children in school cannot read or count at basic levels. It can be done, and we know how to do it. Many more children are in school today than ever before, and over the past decade the number of out-of-school children fell by 45 million.

While recognizing the complexity of the task and the need for a wide variety of solutions, this paper focuses on how the international community, and multilateral agencies in particular, can contribute through mobilizing the necessary financial resources and ensuring their effective use. After taking account of available domestic and donor resources, it is estimated that an additional \$26 billion will be needed per year to make sure all children receive a basic education by 2015. This gap will need to be filled by domestic resources,

as well as bilateral and multilateral donors. There is also opportunity for an increasingly important role for the private sector.

Based on data analysis and case studies of the six most important multilateral donors in education, this report explores the role they could play either through their own resources or through mobilizing others. Special attention is paid to 41 countries in greatest need. These countries include the 35 low-income countries whose own resources are limited, together with the 6 middle-income countries which are amongst the 10 countries with the highest out-of-school populations. Multilaterals' significance in the aid architecture and their unique capacity to pool funding, convene donors and be a lender of last resort, provides them with a number of opportunities to play a significant role.

Public statements of multilateral institutions suggest a strong commitment to education. In addition, surveys of developing country stakeholders in governments, civil society and the private sector show a strong demand for education support more widely. However, despite this strong prioritization and demand there is evidence that multilateral support for basic education is slowing compared to other sectors

and to bilateral donors. Moreover, some multilateral agencies have increasingly prioritized higher education over the past decade, putting pressure on basic education financing. This has led to a reduction in basic education's share of the total education aid from multilateral institutions -- from 62 percent at the beginning of the decade to 51 percent in 2011. Unless the overall envelope for multilateral aid is increased, there is a danger that growing support to new areas such as skills development will squeeze the scarce resources for basic education even further, to the detriment of the most disadvantaged.

Donors and multilateral agencies in particular, are strong advocates of internationally agreed aid effectiveness principles and are engaged in a number of country and global coordination mechanisms. Coordination at the country level is strongly promoted by the Global Partnership for Education through its support to Local Education Groups and the development of country-owned education sector plans. But despite significant efforts, education remains highly fragmented, leaving some countries with too many donors and high transaction costs and others with too few donors to generate a minimum level of support to meet needs. The number of donors active in education in the 41 countries in highest need ranged from 6 in the Central African Republic (CAR) to 23 in Tanzania. Nearly half of the countries in need have to coordinate with 15 or more donors in education. More than one-third of the donor relations in education in the 41 countries can also be considered as "non-significant" as defined by OECD-DAC.

Lack of genuine coordination at the global and country level makes it much harder for multilateral donors, particularly those that are seen as the funders of last resort, to fill gaps in financing and target countries with highest needs. While multilateral donors do seem

to prioritize countries in need more strongly than bilateral donors, there is significant variation. The EU disburses only 40 percent of its basic education aid to the 41 priority countries, compared with 84 percent for UNICEF to the same countries. Substantial variation is also found in the volume of aid disbursed to countries in need. While it is estimated to cost on average around \$130 per year to provide a child with an acceptable quality of primary education in poorer countries, basic education aid disbursed per primary-aged child ranges from \$7 in DRC to \$63 in Haiti. Analysis also suggests that multilateral donors have not always been able to fill gaps left by bilateral donors. Amongst the 41 countries in need, 22 receive less than \$10 per child from bilateral donors, even though needs are much larger. In only 6 of the 22 countries have multilaterals been able to significantly fill the gap.

This report makes no claim to provide comprehensive recommendations for filling the remaining financing gaps, nor does it claim that solutions to provide education for all involve financing alone. Rather it suggests five opportunities for action which could make a major contribution in enhancing the role that multilateral agencies can play. Detailed proposals are made under each of the following:

- **Opportunity for Action #1: Inspire demand for more support for basic education.** Decision-making in multilateral agencies is firmly anchored at the country level and program priorities are determined in close dialogue with country government and other development partners. When asked why multilateral support for education, and basic education in particular, was not greater, managers often cited the low level of country demand. However, multilateral client surveys suggest demand for basic education is very high, even for loan funds. Evidence also indicates that demand is felt more strongly by donors who already prioritize education, suggest-

ing recipients direct their demand to those donors who are interested in responding to it. As is clear from other sectors such as governance and climate change--where demand is much weaker than in basic education but multilateral support is growing rapidly--demand can be created in a positive manner as part of deep partnerships and dialogue at the country level. Incentives need to be provided to country managers to inspire such demand for MDG priority areas, including basic education. Some good practices are emerging. In-country technical capacity in basic education is an essential element of efforts to increase demand and effective support.

- **Opportunity for Action #2: Organize high level dialogue to target countries in need.** One important role of multilateral agencies is to provide and attract high level global leadership to mobilize and coordinate support for countries in need. This high level coordination is particularly important in education, as the sector has a narrow donor base. The top 10 donors provide close to three quarters of all aid. This means that uncoordinated entry or withdrawal from the sector could have serious implications. Support for the elevation of Global Partnership for Education's board membership to include high level representation of donors, alongside ministers of education from developing country partners, is one way to promote its power to bring about change. Continuation of the high level meetings as part of the UN Secretary General's Education First Initiative could also help encourage this much needed high level dialogue and establish recommendations for concrete action.
- **Opportunity for Action #3: Improve information and financial data.** To facilitate the mobilization of additional resources, and ensure they are better spent, action is urgently needed to present a more complete picture of education financing. Multilateral agencies should support efforts to

develop National Education Accounts as a matter of urgency. The technical leadership of UNESCO Institute for Statistics and International Institute for Education Planning, among other partners, in developing a shared approach to National Education Accounts is an important first step. To be effective, it will be vital that this work benefits from collaboration with other multilateral institutions, including those with experience in developing National Health Accounts who could contribute to the expansion and acceleration of this new initiative. Given its responsibility for ensuring financing gaps are filled, GPE could play a leadership role in coordinating the development of these National Education Accounts.

- **Opportunity for Action #4: Catalyze domestic resources.** Domestic resources will continue to be the most important source of finance for education. Multilaterals could play a stronger role in helping countries to mobilize resources and by ensuring that sufficient resources are allocated to human development, including education. The adoption and monitoring of financing goals could be a potential means of holding governments accountable.
- **Opportunity for Action #5: Crowd in innovative finance.** While innovative financing in development has been growing over the past decade, estimated to amount to over \$50 billion between 2000 and 2008, education has not been a major beneficiary. Innovative finance with strong short-term profit motives will not be appropriate for education, but there are a number of other options the education sector could explore, including tapping into diaspora communities and private companies with long-term investment interests. Multilateral agencies could play a critical role in helping developing countries to navigate different types of innovative finance and facilitate partnerships between the government and private investors interested in supporting education.



## 1. INTRODUCTION

**T**oday more children than ever before are in school. Between 1999 and 2011, the number of children out of primary school fell by 45 million (UNESCO 2013f). This progress has been driven in part by the collective action catalyzed by the Millennium Development Goals (MDGs) and the Education for All (EFA) goals set out 13 years ago. This is good news not only for children's rights but also for economic growth, health, political development and environmental progress. The benefits of education to these and a range of other important development outcomes have been well documented and widely acknowledged (Burnett, Guison-Dowdy and Thomas 2013; UNESCO, 2013c).

However, while there is much to celebrate, the goal of providing a quality education for all is an unfinished agenda. Despite progress in access to primary school, millions of children are still denied the opportunity to attend school, including access to early childhood or post-primary education opportunities, essential components of a young person's education career. Even for those that are in school, the quality of learning is woefully inadequate in many schools around the globe (CUE, 2011). In this report, we recognize the importance of secondary and post-secondary education but focus our analysis on basic education, an essential foundation for later learning. For this analysis, we follow the definition of basic education articulated by the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC), which covers early childhood education, primary education and basic skills for youth and adults.

The focus of this report is on how the international community, and multilateral agencies in particular, can contribute to meeting the existing global commitments to a quality basic education for all. Specifically,

we examine how multilateral agencies could mobilize and better allocate the financial resources necessary to keep the promise that "no country seriously committed to education will be thwarted in their achievement of this goal by a lack of resources" (World Education Forum 2000). While financing is the focus of this paper, we recognize that achieving education for all will also require wider solutions, such as improved accountability and systems of delivery as well as addressing issues of absorptive capacity.<sup>1</sup>

### Basic Education at Risk

Recent analysis shows that the efforts to provide access to a basic education for all children and youth are in peril. Worldwide, there are still 57 million children out of primary school, largely from marginalized populations such as boys-but especially girls-who are affected by armed conflict, extreme poverty and disability (UNESCO 2013f).

But finding ways to get these hard-to-reach children into school will not be sufficient. Keeping children in school is an even larger challenge. Globally, 200 million children have not completed primary school, and many who start school leave early, both because of the poor quality of education and also due to household factors such as poverty (UNESCO 2012a). The magnitude of the problem will only increase in the future due to the fast-growing population of children and youth, particularly in countries that are struggling the most to provide basic education to their children. For example, in Sub-Saharan Africa the population of children between the ages of 5 and 14 years of age is estimated to grow 45 percent between 2010 and 2030. For youth between 15 and 24 years of age, 25 percent in Sub-Saharan Africa and 12 percent in South and West Asia are projected to be illiterate by 2015. Not only will there need to be sustained and increased

efforts to help these young people access and complete school, but second-chance education programs for youth must also be an important part of the solution (UNESCO 2012b).

The quality of education, and ensuring that children who enter school master foundation skills, is an integral part of a successful basic education agenda. Worldwide, 250 million children cannot read, write or count well—many despite having spent four years in school. Children who enter school but, for a range of reasons, are unable to acquire basic reading skills in the first few years will inevitably struggle to keep up and eventually will leave before completing school (UNESCO 2012b).

### **Basic Education Financing and the Role of Multilateral Institutions**

The EFA Global Monitoring Report (UNESCO 2012b) estimates that it will cost a total of \$54 billion annually to provide a basic education for all by 2015 in 46 low-income countries (LICs) and lower-middle-income countries (LMICs). In 2010, a total of \$28 billion was spent on basic education. Domestic spending was by far the most important source of funding for basic education, accounting for \$25 billion.<sup>2</sup> The remaining \$3 billion came from donor resources. While this falls far short of the amount required to fill financing gaps, it has played a particularly vital role in some of the world's poorest countries, where domestic resources are too scarce to fill the financing gap. For instance, in nine Sub-Saharan African countries, donors funded more than a quarter of public spending on education (UNESCO 2013b).

Yet, after taking account of these available domestic and donor funds, there is an estimated \$26 billion global financing gap remaining each year. There is a concern that with overall declining aid levels and do-

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**While total aid levels declined by 3 percent between 2010 and 2011, aid to basic education aid fell, for the first time since 2002, by 6 percent—from \$6.2 billion in 2010 to \$5.8 billion in 2011. The poorest countries were hit even harder, with a 7 percent decline between 2010 and 2011, equivalent to \$149 million (or enough to send 1.1 million more children to school in these countries).**

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mestic capacity constraints, this gap is unlikely to be filled and, if anything, will continue to widen. While total aid levels declined by 3 percent between 2010 and 2011,<sup>3</sup> aid to basic education aid fell, for the first time since 2002, by 6 percent—from \$6.2 billion in 2010 to \$5.8 billion in 2011. The poorest countries were hit even harder, with a 7 percent decline between 2010 and 2011, equivalent to \$149 million (or enough to send 1.1 million more children to school in these countries). Aid to basic education for countries in Sub-Saharan Africa also declined by 7 percent, despite being home to half of the total children out of school (UNESCO 2013f).

The gap will need to be filled by three major sources of financing for basic education: country budgets, bilateral donors and multilateral agencies. There is also an increasingly important role for the private sector.

This report analyzes the role that multilateral agencies can play, either through their own resources or by mobilizing others. These donors are important players in the global aid landscape, including in education. In 2010, they disbursed nearly 40 percent of total ODA. Bilateral donor investments in the multilateral system have also shown an upward trend in recent years, and

continued to do so during the 2008-9 global financial and economic crisis when overall bilateral aid flows were falling.<sup>4</sup> In addition to the traditional unearmarked contributions, bilateral donors have also been channeling a growing amount of special purpose or earmarked funds through multilaterals (OECD 2012).<sup>5</sup>

A number of characteristics make multilateral agencies attractive channels for development aid. By nature, they pool funding from different donors, thereby improving aid coordination. Compared with bilateral agencies, multilateral donors are less encumbered by historical and geopolitical relationships in the allocation of their aid. They are, therefore, better able to allocate funding according to need. Often considered as the funder of last resort, their disbursement levels would in principle depend on the need to be met.

Indeed, this ability to fill gaps and reach places in need is one of the reasons bilateral agencies often decide to channel funding through multilateral institutions. Multilaterals have also been credited for their strong technical capacity, knowledge base and multisectoral approach. In addition, their strong convening power provides a platform to promote aid coordination.

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**Multilaterals play a significant role in the education sector. The five largest institutions contributed 25 percent of total ODA to education over the past decade.**

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### **Box 1. How Is Aid to (Basic) Education Defined?**

The aid data analysis in this paper is focused on concessional financing, or official development assistance (ODA) for education, as defined by the OECD-DAC. The OECD presents ODA data on education in four categories: basic, secondary, postsecondary and “level unspecified.” Basic education is defined by the DAC as covering early childhood education, primary education and basic life skills for youth and adults. In addition to sector-specific aid, the OECD-DAC presents data on general budget support that also benefits education. This report calculates ODA to basic education as the total of three types of spending: sector allocable aid to basic education, 50 percent of sector allocable aid to education with level unspecified and 10 percent of general budget support. This methodology is also used to calculate aid to basic education in the EFA Global Monitoring Report.<sup>7</sup> All data are disbursements in 2011 constant prices. Multilateral ODA reported in this paper refers to aid attributed to these agencies by OECD-DAC and, as such, does not include earmarked financing or multi-bi ODA for education (i.e. bilateral ODA earmarked for a specific purpose, sector, region or country and channeled through multilateral institutions e.g. in the form of non-core contributions to trust funds) or non-concessional financing for education provided by multilateral banks.

Multilaterals play a significant role in the education sector. The five largest institutions contributed close to 25 percent of total ODA to education over the past decade.<sup>6</sup> By analyzing the landscape for education aid using the OECD-DAC data on ODA this report proposes five opportunities for action to strengthen multilateral support for basic education.

The report complements its aid data analysis with case studies of six multilaterals (see box 2 for details). Five of these institutions are the largest multilateral agencies in terms of total financing for education, as reported through the OECD-DAC: the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Union institutions, the World Bank and UNICEF. The sixth multilateral agency,

the Global Partnership for Education (GPE), was chosen because, although it does not report its financing to the OECD, based on its own financial data it is the fifth largest donor to education.<sup>8</sup> It should be noted that the six agencies vary in terms of the financing instruments they deploy and the geographical area they cover. For example, while the World Bank, EU institutions, the GPE and UNICEF have a global mandate, the ADB and AfDB are focused on specific regions. Their geographical reach is important, especially given that many bilateral agencies are reducing the number of countries in which they operate. Each multilateral was reviewed through a careful analysis of its existing documents and reports and a series of interviews with its senior staff members.

<b>Box 2: Six Multilateral Donors and ODA Funding Instruments</b>		
<b>Organization</b>	<b>OECD DAC ODA category</b>	<b>Description and ODA Instruments</b>
World Bank	World Bank - IDA	Provides financial and technical assistance to over 120 countries with the aim of reducing poverty and enhancing development. The World Bank's ODA is provided through the International Development Association (IDA).
European Commission (EC)	EU Institutions	Formulates and implements the EC's development policy and aid to developing countries. The EC's ODA is provided through two instruments: (1) Development and Cooperation Instrument (DCI) is part of the EC budget and provides funding for non- Africa Caribbean Pacific (ACP) countries as well as thematic funding; (2) European Development Fund (EDF) is independent of the EC budget and provides funding for ACP countries.
UNICEF	UNICEF	United Nations specialized agency active in more than 190 countries in which it provides financial and technical assistance focused on children, as well as mothers. UNICEF's ODA includes its regular or unearmarked funding only. It does not include thematic or earmarked funding.
African Development Bank (AfDB)	AFDB-ADF	Aims to promote sustainable economic growth and reduce poverty through technical and financial assistance to 54 African countries. The AfDB's ODA is provided through the African Development Fund (ADF).
Asian Development Bank (ADB)	ADB-ADF	Aims to reduce poverty and improve and sustain inclusive economic growth within the Asia region. ADB's ODA is provided through the Asian Development Fund (ADF). ADF provides funding to 29 countries and is the largest of the ADB's Special Funds that provide concessional financing.
Global Partnership for Education (GPE)	Does not report to OECD-DAC	Established in 2002 as the Education for All Fast Track Initiative, GPE is a partnership with a range of stakeholders that work to improve global coordination and support for basic education. GPE provides support to 58 developing countries. The GPE Fund, launched in 2011, provides financing for all of GPE's country-level, regional and global activities. The GPE fund includes three forms of grants: (1) Program Implementation Grant, supports implementation of national education sector plans; (2) The Education Plan Development Grant, supports education sector plan development; (3) Program Development Grant, supports goals within national plans.

## 2. BASIC EDUCATION - STILL A GLOBAL PRIORITY?

There is widespread recognition that education should be a global priority. This is exemplified by voters from around the world in the online MyWorld survey for post-2015 goals, who consistently identified education as the number one priority. It is also a central theme in the High-Level Panel report (UN 2013). Achieving universal primary education, the second MDG, is often identified as one of the areas where progress has been made, even though, with 57 million children still out of school substantial unfinished business is recognized.

### Education Is Prioritized in Official Donor Strategies, and in Client Surveys

Reflecting this global priority, education is highlighted in the overall strategy and vision documents of the six multilateral agencies reviewed and further refined in sector-specific strategies. Some agencies have also established specific spending targets or made pledges on their education spending. Most of the recent education sector strategies identify an urgent and unfinished agenda with respect to achieving important aspects of the universal primary education objective, such as improving quality, school completion rates and equity. In addition, strategies also recognize the complementary need for post-primary education and skills development as well as, in some cases, school readiness and early childhood development (see table

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**Education was the most frequently cited development priority by a total of 41 percent of respondents in World Bank client countries.**

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1). Some strategies, notably from the ADB and the AfDB, have a stronger focus on higher levels of education.

There is also high demand for support for education by client countries. Recent client surveys by the World Bank and ADB indicate that demand for education financing, even in the form of loans, is very strong. Education was the most frequently cited development priority by a total of 41 percent of respondents in World Bank client countries.<sup>10</sup> It was also the sector with the highest demand for support and attention from the World Bank (again, by 41 percent of respondents in all client countries).<sup>11</sup> This demand was higher in LICs and LMICs than in upper-middle-income countries (UMICs), at 39 percent, 44 percent and 34 percent, respectively. Together with health, the World Bank's education sector work also received the highest effectiveness rating by client countries (World Bank 2012).

Similarly, a recent survey of ADB client countries revealed that 35 percent of the countries had requested support for education (IED 2013). A United Nations survey, conducted in 2012, further confirms the high demand for education among national governments. Approximately 55 percent of respondents cited education in the top five desired priorities for United Nations country-support.<sup>12</sup> The share was significantly higher among low-income and lower-middle income countries (United Nations 2012). Finally, the strong demand was also highlighted in a 2010 study of basic education finance that included interviews with a variety of donor agencies (including four multilateral agencies), in which a majority of respondents strongly agreed with the statement that "the majority of partner countries consistently ask for more support for primary education." According to the survey, recipients (both governments and implementing agencies)

Table 1. Overview of Corporate and Education Strategies in Multilateral Agencies			
Agency	Prioritization of Education in Overall Strategy or Vision	Recent Education Strategy and Priority Areas	Education Spending Target
ADB	Strategy 2020 (2008)—education is one of five core specializations and comparative strengths	Education by 2020—A Sector Operations Plan (2010)—focus on strengthening quality and developing skills at all levels of education	Support to education will double to 6% of operations in 2012–14
AfDB	Strategy 2013–22—At the Center of Africa’s Transition—“skills and technology” is one of five operational priorities	Higher Education, Science & Technology (HEST) strategy (2008)—represents a shift from basic education towards higher education (AfDB 2008). Earlier Education Sector Strategy (2000) focused on whole sector with emphasis on basic education. AfDB’s Human Capital Development strategy: 2012-2016 for education, nutrition, health and safety nets	
EU Institutions	Agenda for Change (2011)—“sustainable inclusive growth for human development” is one of its two main priorities	More and Better Education for All in Developing Countries (2010)—focus on whole sector approach and lifelong learning (including early childhood development, primary and post–primary education)	20% of ODA on basic health and education <sup>9</sup>
GPE	Only focused on education	GPE Strategic Plan 2012–15—focus on 4 goals including access, equity, learning and capacity-building in basic education (incl. pre-primary, primary and lower secondary)	100%
World Bank	A Common Vision for the World Bank Group (2013)—includes education, health and nutrition as tools to improve welfare across multiple dimensions of poverty	Learning for All: Education Strategy 2020 (2011)—focus on basic education but also including post–primary to produce skilled populations prepared for the demands of the “knowledge economy”	\$750 million additional IDA spending for 2011–15, a 40% increase over previous five years
UNICEF	Medium-Term Strategic Plan (2006–13)—basic education is second of 6 strategic priorities	Global Education Strategy (2007)—focus on three priorities: equal access to primary education, empowerment through girls education, education in emergencies and two crosscutting themes: early childhood development and school readiness, and quality	21% of regular resources spent on education

recognized the importance of education for poverty eradication, economic growth and equality (Steer and Baudienville 2010).

These findings raise important questions about the proposition often put forward by multilateral development bank managers during our interviews: that many governments have no desire to borrow for basic education, even for concessional loans. It is understandable that finance ministers of LICs may prefer grants, and be somewhat reluctant to take on loans, even concessional ones, for education. However, the evidence suggests that other factors may also be in play. The earlier study (Steer and Baudienville 2010) found that the degree of country demand for funding varied by donor. It was felt more strongly by agencies that already prioritized education. This suggests that recipients direct their demand to those agencies that they perceive to be interested in supplying it. The ADB client survey also revealed that the ADB responded in only 40 percent of the countries that requested support for education with new lending operations, suggesting a lack of capacity or interest to respond to this demand (IED 2013).

### **Multilateral ODA for Education Has Increased, but Fallen Short of Expectations**

Despite the strong prioritization of education in official strategies and the demand for support in education, the growth in multilateral ODA for education has slowed. This has affected basic education in particular.

### **Multilateral Aid to Education Is Growing Slower Than Overall Aid**

Aid from multilaterals to education has grown over the decade, but aid to other sectors has grown faster. Aid to education by the five multilateral agencies re-

porting to the OECD DAC<sup>13</sup> increased by 78 percent between 2002-4 and 2009-11 (figure 1), while their total aid increased by 90 percent. By comparison, bilateral aid to education increased by 65 percent, compared with a 69 percent increase in overall aid. This suggests that though bilateral aid to education grew somewhat slower, it has more or less kept pace with growth in total bilateral aid while education has become a relatively lower spending priority among the five multilateral agencies.

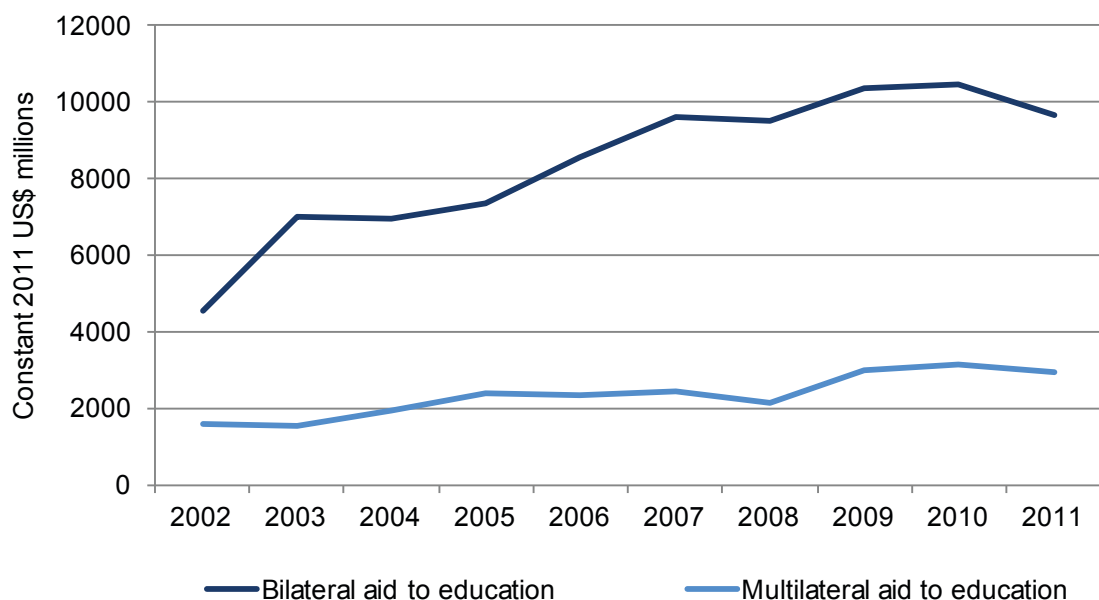
### **Share of Basic Education in Total Multilateral Aid to Education Is Falling**

Multilateral agencies allocated a much greater share of education ODA to basic education than bilateral agencies, although the share has fallen over the decade (figure 2). Multilateral agencies allocated 62 percent of their total education aid to basic education at the beginning of the decade, but this share has fallen to 51 percent. By comparison, the share of bilateral education aid going to basic education has increased slightly, from 33 percent to 38 percent between 2002-4 and 2009-11. However, the share still remains low, largely due to the fact that France, Germany and Japan are large donors to education by volume but are spending a large share of their education aid on scholarships and student imputed costs. Excluding these three donors results in bilateral agencies dedicating 54 percent of their education aid to basic education, on average, over the period 2009-11.

The declining share of multilateral education aid going to basic education coincides with increased attention to secondary and postsecondary education within these agencies. This is in part a reflection of a shift towards a whole sector or systems approach. A greater recognition of the importance of higher levels of education, spurred on by deep concerns about youth unemployment and the lack of skills in the developing



**Figure 1. Multilateral Aid to Education has Grown Over the Decade, 2002-11 (Millions of Dollars)**



Source: OECD-DAC.

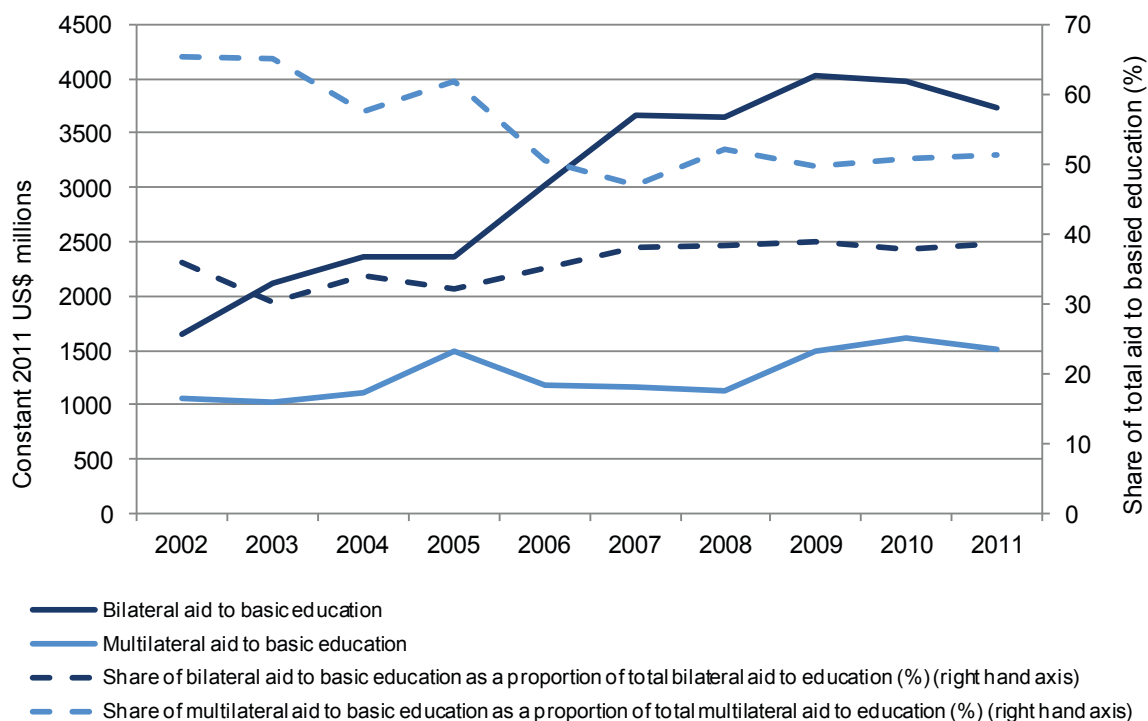
world, provides an opportunity but also a challenge to basic education. Increased attention to higher levels of education in a globalized world is clearly needed, but with these greater demands on education finance, it has become even more important to enlarge the overall envelope for education rather than diverting funding from basic education to higher levels of education.

Figure 3 highlights the increasing trend in financing for post-basic education across four of the five multilateral agencies reporting to the OECD-DAC.<sup>14</sup> This shows that the declining share of basic education has been shifted more toward postsecondary than secondary education. The strongest example of this shift is the AfDB's increased focus on higher education. The

share of basic education in total education lending of the African Development Fund has shown a declining trend over the past decade—from 56 percent in 2002 to 41 percent in 2008.<sup>15</sup> The AfDB has also formulated a Higher Education, Science and Technology Strategy (HEST), which reflects its strategic decision to focus on higher education based on its perceived comparative advantage. The shift has been framed within the context of country demand and a perception that other donors are covering basic education.

Similarly, the ADB's Education Sector Operations Plan reveals that it intends to move beyond a focus on school enrollment at the basic level to meet the needs of the region's fast-growing economies and close labor market gaps. The ADB's 2010 plan indicated a

**Figure 2. Multilateral Aid to Basic Education is a Declining Share of Total Multilateral Aid to Education, 2002-11**



Source: OECD-DAC.

focus on universal secondary education, technical and vocational education, and support for higher education. The share of basic education in total education ODA of the EU institutions fell from an average of 50 percent in 2002-04 to 43 percent in 2009-11, while the share of ODA to tertiary education increased from an average of 27 to 34 percent over the same period. A recent communication also highlights that the share of ODA for higher levels of education is even greater

for the EU as a whole, that is, including member states (EC 2010). Finally, while still very significant, the share of basic education in the World Bank's total aid for education from its International Development Association (IDA) instrument, declined from an average of 63 percent in 2002-4 to 55 percent in 2009-11. The share of secondary education increased from 19 to 23 percent and tertiary from 18 to 22 percent over the same period.

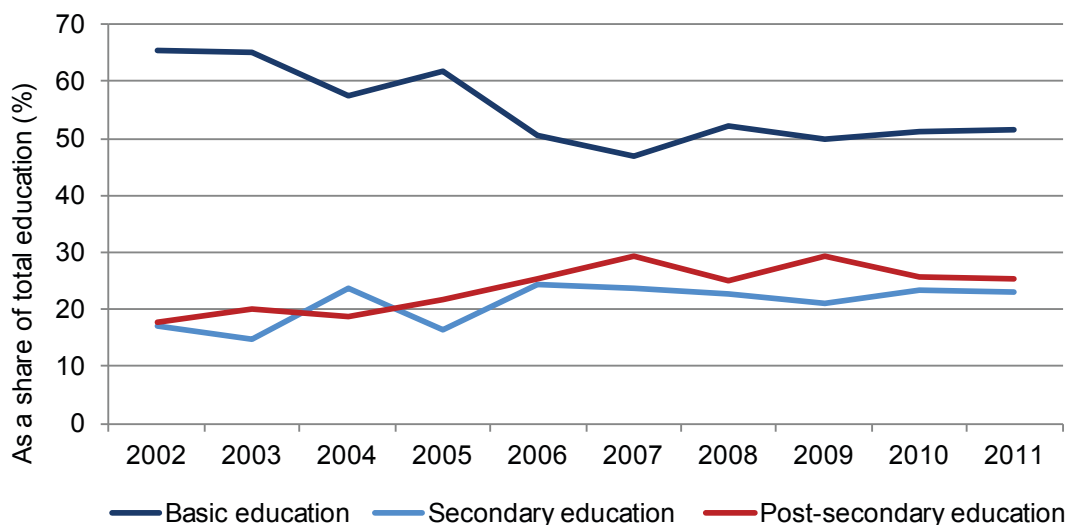
### Multilaterals Have Become Less Important Funders of Basic Education

The share of multilateral aid to basic education has also declined relative to bilateral donors. The top five multilateral agencies have reduced their share of total aid to basic education over the last decade from just over a third of global basic education aid to approximately one-quarter. This decrease coincided with an increase in aid volumes from key bilateral donors, in particular the United States, the United Kingdom and the Netherlands (see table 2). Given the recent reduction in aid volumes to basic education by some large bilateral donors between 2010 and 2011, which is projected to continue for some of these donors, it remains to be seen whether aid from the five multilateral agencies will fill the gap. Given that we have

shown that they have in fact been moving away from basic education, there is great concern that this may not happen.

Based on information reported to the OECD-DAC, the World Bank and EU are the most significant multilateral players supporting basic education. It should be noted that this includes unearmarked aid only, i.e. it does not include aid to basic education that bilateral agencies channel through multilateral institutions but earmark for specific purposes, which can be substantial (see Box 3). Data on unearmarked aid presents important information on the resources over which multilateral agencies can make strategic choices in support to sectors, sub-sectors, and geographical areas.

**Figure 3. Basic Education Share in Total Education Financing Is Declining for Four Large Multilaterals—AfDB, EU Institutions, World Bank and UNICEF**



Source: OECD-DAC.

Of all aid donors (both bilateral and multilateral), the World Bank has occupied the top position in terms of its share in total basic education for most of the past decade (it was second only in 2007 and 2008). At the start of the decade, it was contributing more than one-quarter of total basic education to all developing countries. However, with increased volumes from significant bilateral donors, the share of total aid to basic education disbursed by the World Bank now stands at just under 15 percent. In absolute terms the World Bank's IDA lending to basic education in 2011 stood more or less at the same level as in 2002. The EU has also been a top 10 donor to basic education for all but one of the years over the last decade. From 2005 onward, it has been one of the top five donors.

The African Development Fund, ADB and UNICEF's aid volumes to basic education have not been large enough for them to be in the top 10 donors over the period. In 2011 these donors ranked as the 18th-, 15th- and 19th-largest donors out of a total of 41, respectively, with the African Development Fund's disbursements to basic education totaling \$90 million, the ADB disbursing \$128 million and UNICEF disbursing \$58 million. Basic education has been a declining priority for the regional banks. A recent analysis of ADB projects reveals a declining trend over the de-

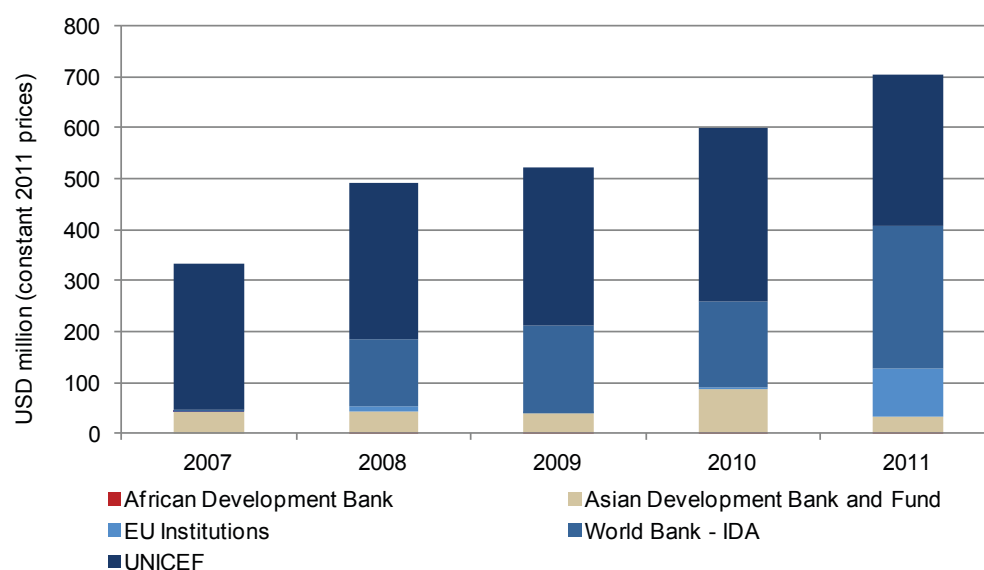
cade, however. The percentage share of significant projects approved in support of primary education declined from more than 6 percent in 2002 to only 1 percent of the total in 2010. This weak performance led to the establishment of the 2010 Education Operational Plan (IED 2013).

Finally, the GPE is an important multilateral agency supporting basic education but does not currently report to OECD-DAC. Data from the GPE's own sources show its increasing importance compared with other bilateral and multilateral donors to basic education. It jumped from being the 13th-largest donor in 2007 (disbursing \$125 million) to being the 5th-largest donor in 2011, when its disbursements were at an all time high (\$385 million).<sup>16</sup> However, the GPE's funding has been smaller than hoped. The 2011 replenishment generated \$1.5 billion for the years between 2011 and 2014, compared with the \$2.5 billion requested (GPE 2011). In comparison, the Global Fund to Fight AIDS, Tuberculosis and Malaria, which was established at the same time as the GPE,<sup>17</sup> is expected to disburse about \$10 billion for the years between 2011 and 2013. Country programmable aid disbursed by global funds in 2011 was 10 times larger in the health sector, at \$3.3 billion, than in education, at \$385 million.

### Box 3: Bilateral aid earmarked for education channeled through multilaterals constitutes a large share of funds available for some of these multilateral institutions

Multilateral aid contributions to basic education reported by the OECD-DAC only include unearmarked sources of financing and do not include earmarked contributions from bilateral agencies channeled through multilateral agencies (e.g., trust funds). These contributions are reported under bilateral aid, as decisions about the purpose of the funds, and often the geographical allocation, are made by the bilateral donor and not the multilateral agency. While some multilateral institutions may account for a relatively small share of total basic education aid as reported by the DAC, they may still manage large basic education programs through earmarked contributions. For example, in addition to the \$58 million of unearmarked aid to basic education, UNICEF managed \$295.8 million of earmarked education funding from bilateral donors in 2011. This makes UNICEF the largest recipient of bilateral to multilateral funding to education (the World Bank is the second largest). Earmarked contributions to education from bilateral institutions channeled through multilateral institutions have grown significantly in recent years (see figure 4). Attributing these earmarked funds to multilateral agencies rather than bilateral donors would result in an even stronger role for multilateral institutions within the education aid architecture.

**Figure 4. Earmarked Bilateral Aid to Education Channeled through Multilaterals, 2007-11**



Source: OECD-DAC.

<b>Table 2. Top 10 Funders of Basic Education, 2002-2011</b>						
	<b>2002</b>	<b>2003</b>	<b>2006</b>	<b>2007</b>	<b>2010</b>	<b>2011</b>
<b>Top 10 donors</b>						
1	World Bank (27%), \$810 million	World Bank (24%), \$789 million	World Bank (13%), \$612 million	Netherlands (13%), \$644 million	World Bank (12%), \$724 million	World Bank (14%), \$818 million
2	Netherlands (10%), \$285 million	United States (12%), \$394 million	Netherlands (12%), \$555 million	World Bank (12%), \$624 million	United States (11%), \$658 million	United Kingdom (12%), \$708 million
3	IMF (9%), \$272 million	Japan (7%), \$242 million	United Kingdom (11%), \$506 million	United Kingdom (11%), \$585 million	EU Institutions (10%), \$610 million	United States (10%), \$570 million
4	France, (7%) \$199 million	United Kingdom (7%), \$234 million	EU Institutions (10%), \$458 million	United States (10%), \$513 million	United Kingdom (9%), \$533 million	EU Institutions (7%), \$418 million
5	United Kingdom (5%), \$150 million	France (6%), \$183 million	United States, (9%), \$400 million	EU Institutions (8%), \$403 million	France (7%), \$406 million	Germany (6%), \$368 million
6	Germany (4%) \$127 million	IMF (5%), \$162 million	Japan (6%), \$279 million	Japan (6%), \$314 million	Japan (6%), \$355 million	UNWRA (6%), \$357 million
7	Japan (4%), \$127 million	Netherlands (5%), \$162 million	UNWRA (6%), \$276 million	France (6%), \$295 million	UNWRA (6%), \$352 million	France (5%), \$301 million
8	United States (4%), \$126 million	Germany (4%), \$140 million	Norway (4%), \$185 million	UNWRA (5%), \$271 million	Germany (5%), \$339 million	Japan (4%), \$250 million
9	Norway (4%), \$117 million	Canada (4%), \$134 million	Canada (4%), \$166 million	Norway (5%), \$238 million	Netherlands (5%), \$337 million	Australia (4%), \$233 million
10	EU Institutions (3%), \$100 million	Norway (4%), \$134 million	Germany (3%), \$154 million	Canada (4%), \$222 million	Canada (4%), \$255 million	Norway (4%), \$216 million
<b>Sum of aid disbursed by five multilateral donors</b>						
	<b>(35%), \$1.05 billion</b>	<b>(31%), \$1.02 billion</b>	<b>(26%), \$1.18 billion</b>	<b>(23%), \$1.16 billion</b>	<b>(26%), \$1.61 billion</b>	<b>(26%), \$1.51 billion</b>

Legend: Donor (percentage share of donor's aid to basic education as a share of all donors' aid to basic education), donor disbursement to basic education (2011 constant dollars).

Source: OECD-DAC.

### 3. NEEDED: A COORDINATED GLOBAL RESPONSE

**C**oordination among multilateral agencies, and between them and bilateral agencies, is vital to ensure that the financing gaps of countries most in need are filled. Such coordination would ensure that allocations of aid to subsectors and to countries is based on division of labor among agencies, taking account of the country's needs and own domestic resource mobilization potential. Under these arrangements, decisions about whether a particular agency engages in the sector in a particular country are based, in principle, on a careful examination of each donor's comparative advantage and in coordination with other donors at the country level. Interviews with the staff members of multilateral agencies confirm that the decision whether to engage in basic education is indeed often based on arguments that other donors are already active in basic education and have a comparative advantage to provide this support.

In addition to coordinating resources by pooling resources through their own funding streams, multilateral agencies are widely considered as playing leadership and coordination roles through leading donor coordination mechanisms, facilitating stakeholder dialogue, convening international gatherings and establishing common standards (DFID 2011).

#### Coordination Efforts in Education

There is a good deal of "coordination" activity led by multilateral agencies (see table 3). At the country level, this coordination has been strongly promoted by the GPE, which has placed country ownership and the alignment of donor partners vis-à-vis education plans at the heart of its activities. By supporting and working through local education groups, the GPE has helped to strengthen the framework for donor coordination at the country level. It is also working to

improve the monitoring of aid effectiveness and coordination at the country level, building on its review of aid effectiveness in partner countries undertaken in 2012 (GPE 2012).

#### Education Aid Remains Highly Fragmented

While there are a number of mechanisms for coordination among agencies, both internationally and within countries, this coordination has not been able to sufficiently direct decisions on where specific donors would work and how aid could be most strategically deployed to fill gaps and reach those in need.

To assess this, our analysis draws on data from the OECD, which developed a now widely accepted methodology to measure fragmentation, based on significant relationships (OECD 2011). It defines what constitutes a "significant" aid partnership as one where (a) the donor is among the top donors that cumulatively provide 90 percent of education aid to that country (i.e., the donor's contribution is significant to the recipient country; or the donor is important 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 (i.e., the donor gives a higher-than-average priority to education compared with other sectors). The principle is that where an aid relation is neither significant from a donor perspective nor from a recipient's point of view, there is an opportunity for rationalization (OECD 2011).

The principle of significant aid partnerships is premised on the idea that too many donors operating in a sector brings challenges for developing countries, whose capacity to coordinate aid effectively from many donors has repercussions for how well limited resources can be used. Alternatively, an ineffective

**Table 3. Selected Examples of Donor Coordination Initiatives by Multilateral Donors in Education**

Agency	At the Global Level	At the Country Level
ADB	<ul style="list-style-type: none"> <li>• ADB has joined GPE board even though it does not provide funding to GPE</li> <li>• ADB has established knowledge partnerships with regional hubs and created an annual International Skills Forum series</li> </ul>	
AfDB	<ul style="list-style-type: none"> <li>• 2008 Higher Education Strategy (HEST) includes strengthening of regional centers of excellence as one of three priority areas</li> </ul>	
EU Institutions	<ul style="list-style-type: none"> <li>• Coordination with member states through EU institutions</li> <li>• Member of the GPE board</li> </ul>	<ul style="list-style-type: none"> <li>• New policy of coordination for 2014–20 programs: EU bilateral aid will go to no more than 3 sectors</li> <li>• Piloting of joint programming approaches in a number of countries, developing joint planning documents with member states</li> <li>• Focus on greater transparency through reporting to the International Aid Transparency Initiative (IATI)</li> </ul>
GPE	<ul style="list-style-type: none"> <li>• 2012 monitoring exercise on aid effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Support partner governments and local education groups to develop country education plans</li> <li>• Provides support to ensure plans are fully costed, thereby setting terms for judging the adequacy of government and international partner financing of basic education</li> </ul>
World Bank	<ul style="list-style-type: none"> <li>• Member of EFA steering committee</li> <li>• Member of INEE Steering Group</li> <li>• Member of the GPE board</li> </ul>	<ul style="list-style-type: none"> <li>• Strong participation in the GPE, including as supervising entity for majority of GPE projects</li> <li>• Programming-for-Results lending instrument aims to pool World Bank lending with other donors and foster coordination</li> </ul>
UNICEF	<ul style="list-style-type: none"> <li>• Leads UN Girls Education Initiative—a global partnership to narrow gender gap in education</li> <li>• Co-leads UNHR Education Cluster—an initiative to improve coordination of education response in emergencies</li> <li>• Member of INEE Steering Group</li> <li>• Member of the GPE board</li> </ul>	<ul style="list-style-type: none"> <li>• Strong participation in GPE, including as managing entity in 8 countries and lead coordinator of local education groups in 26 countries</li> <li>• Plays key role in coordinating donor education efforts in emergencies and conflict situations.</li> <li>• Education situation analysis focused on exclusion at the country level.</li> </ul>



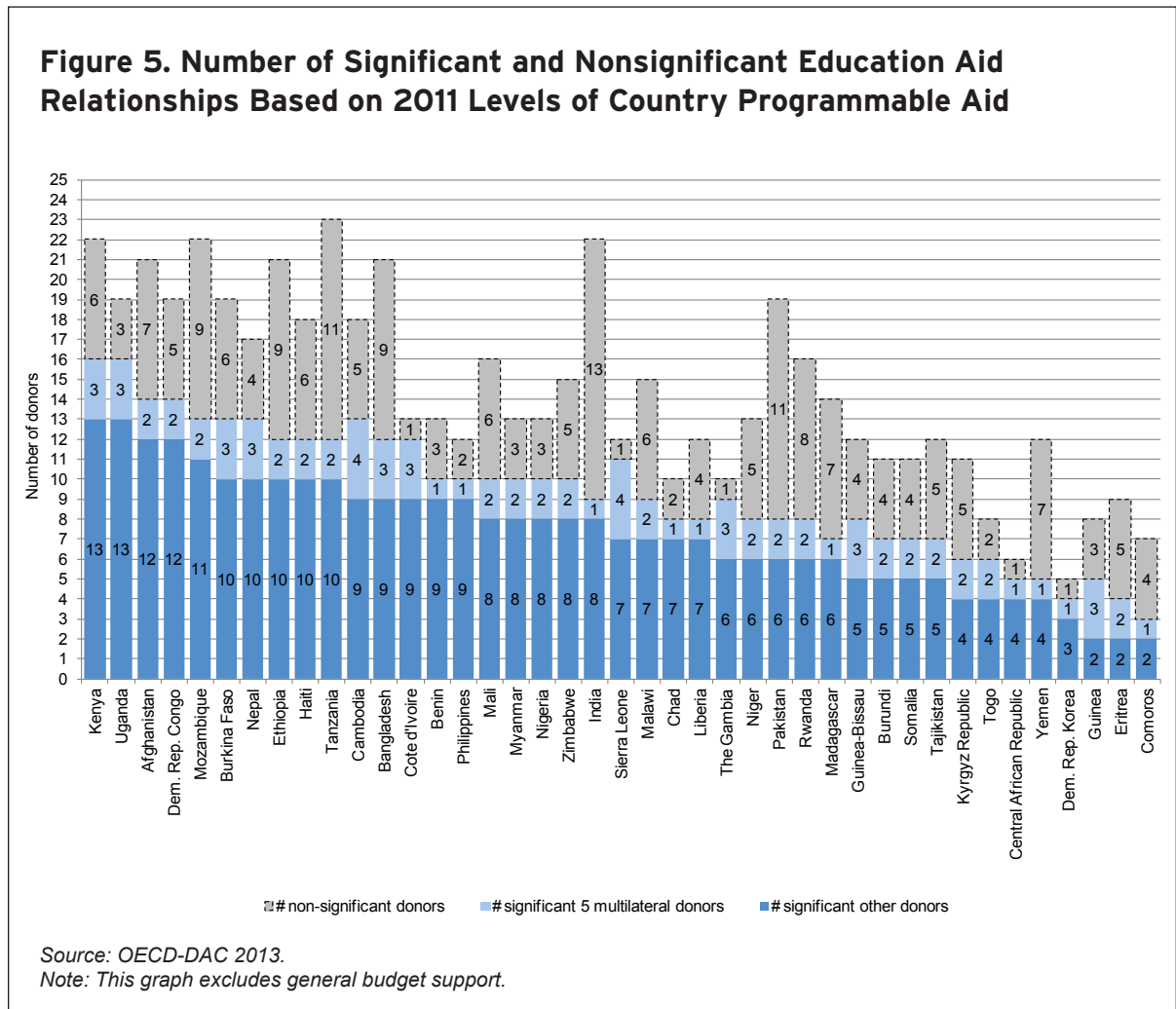
division of labor leaves some countries with too few donors, which limits the resources they have available.

Figure 5 shows how donors are unevenly spread across 41 countries with high needs, which account for at least three quarters of the 57 million children out of school. We define countries in need using two criteria:

1. Level of income—35 LICs.<sup>18</sup> These countries accounted for 37 percent of children out of school in 2011.

2. Number of out-of-school children—10 countries with the largest reported numbers of out-of-school children,<sup>19</sup> of which 4 are LICs—already included under (1)—and 6 are LMICs.

The number of donors active in education in the 41 countries in greatest need varies from 6 in CAR to 23 in Tanzania. In 7 of these countries, half or more of the relations are identified as nonsignificant. Moreover, 7 countries have at least 20 donors, of which a large proportion are identified as nonsignificant. India, for



example, has 9 significant donors, of which the World Bank is the only significant multilateral donor; but there are also 13 other donors present that are not significant. Afghanistan and Bangladesh are among those with a higher number of significant donors, but also have large numbers of nonsignificant donors to coordinate with--7 and 9, respectively. Similarly, in Sub-Saharan Africa, Ethiopia and Mozambique have 9 nonsignificant donors and Tanzania has 11.

It should also be noted that even in countries with a large number of significant donor relations, contributions to education from some donors can be very small. In Kenya, for example, more than 82 percent of country programmable aid was disbursed by 5 significant bilateral donors and one significant multilateral donor. The remaining 18 percent was disbursed by the 16 other donors, of which 6 were nonsignificant.

This suggests that there is not an efficient division of labor among bilateral donors, or between them and multilateral donors. Fragmentation in the education sector is similar to that of development aid as a whole. For LICs as a whole, in 2011 the overall rate of fragmentation for ODA was 33 percent, and 34 percent for the education sector. In the 10 countries with the highest out-of-school populations, the fragmentation ratio for total ODA was 48 percent, compared with 38 percent for the education sector (see table 4).

Among multilateral donors, UNICEF and EU institutions have the largest share of nonsignificant rela-

tions in the countries where they work (see figure 6). The EU institutions, which are a large donor overall, spread their resources widely, with 49 of its 106 education programs being classified as nonsignificant, meaning that they either do not prioritize education or, even where they do, they do not provide sufficient resources to the sector. The EU's Agenda for Change proposes to address this by using a "differentiated approach" to overall country allocations, which will most likely reduce the number of countries in which the EU has programs (EC 2011).

As a smaller donor, UNICEF spreads its resources thinly across 116 countries, resulting in just over half of its programs not considered large enough to be significant by the OECD's definition, meaning that it neither prioritizes the education sector nor gives large enough volumes for it to be classed as an important donor.<sup>20</sup> In sharp contrast, while the ADB and AfDB have few programs, those that they do have are mostly seen as significant. As a large funder overall, the World Bank is able to be an important donor in 52 of the 64 countries where it supports education.

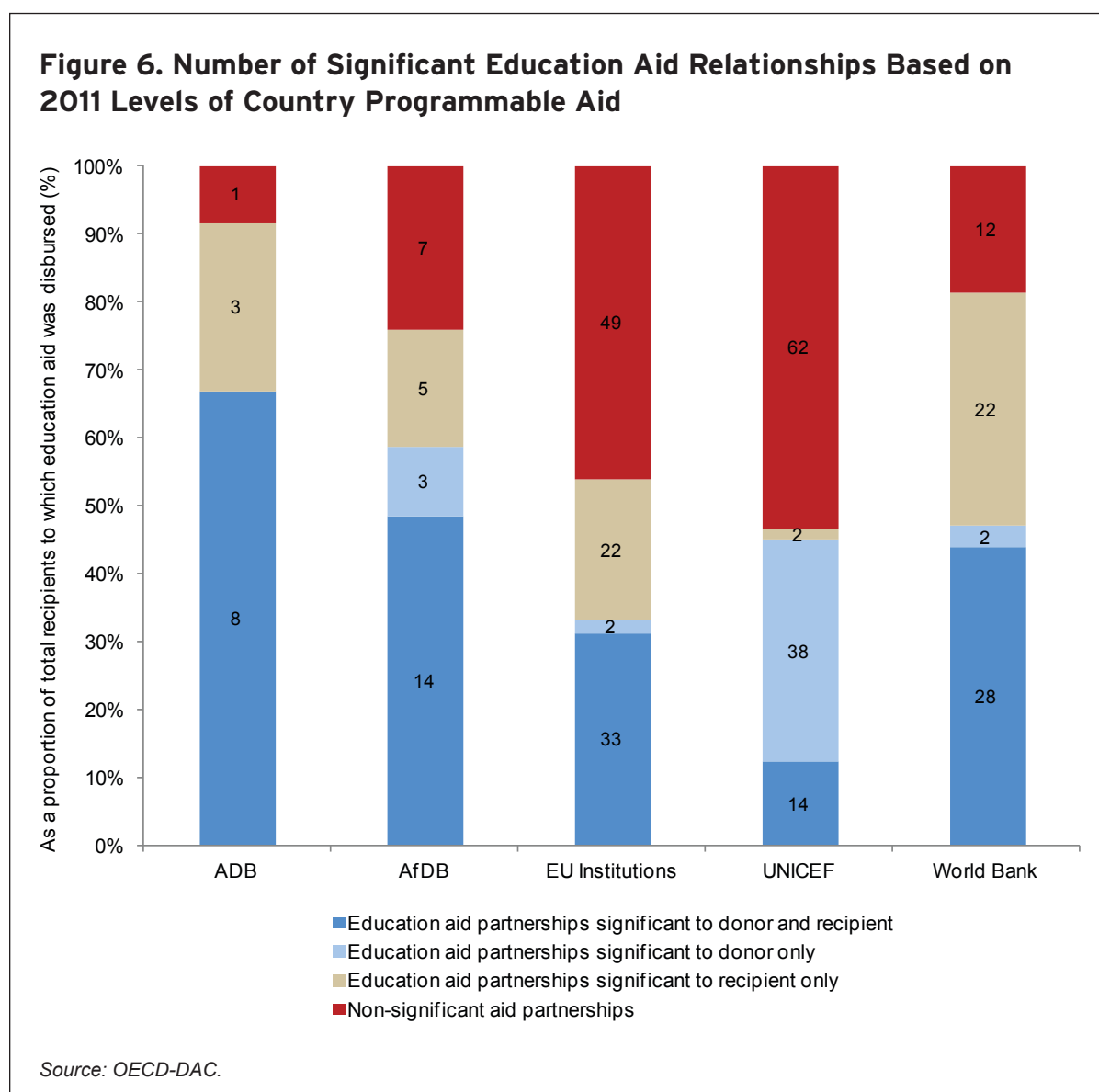
We recognize that there are many reasons why some multilaterals may have to be or may choose to be nonsignificant players in the countries where they operate. Depending on the mandate of the organizations, they may need to spread across a wide number of countries (e.g., the European institutions) or target a more limited group (e.g., the ADB). They may also consider small scale catalytic interventions as part

	<b>Number of Countries</b>	<b>Significant Relations (A)</b>	<b>Nonsignificant Relations (B)</b>	<b>Fragmentation Ratio (B/A+B)</b>
LICs	35	330	169	34%
10 countries with the highest out-of-school populations	10	103	63	38%

of their mandate, leveraging others to take these interventions to scale, or to reach pockets of the population in a country that others are likely to miss, including those affected by conflict (e.g., UNICEF). Nonetheless, the data illustrate, and the case studies confirm, that much more work needs to be done to coordinate resources more effectively. There also needs to be a dialogue about how different roles and

mandates can contribute to effectively delivering aid to countries in need (see the next section).

Stronger global coordination is particularly important in education because the sector has a very narrow donor base. In 2011, the top 3 donors provided more than one-third of all basic education aid and the top 10 donors provided close to three-quarters of all aid.



This means that uncoordinated entry or withdrawal by one or more donors from the sector (or subsector) could have serious implications. This became apparent when the Netherlands decided in 2011 to withdraw from the sector due to changing political and strategic priorities. Between 2002 and 2010, the Netherlands consistently featured as one of the top 10 donors to basic education (and was the top donor in 2007, providing 13 percent of all basic education aid). Despite the Netherlands' intention to withdraw responsibly, and thus ensure that other donors would step in to fill the gap, such moves hold the danger that countries that the Netherlands was supporting will be affected. A recent EU report finds that in many cases, when a member state withdraws from the education sector, financing is also removed from the sector (EC 2010). There is no platform to discuss what the impact of this decision will be on the education sector and how it will be monitored. Similarly, the largely uncoordinated decisions by various multilateral agencies to focus on postprimary education could lead to a reduction in support to basic education, affecting the very foundation of overall education system.

### **Multilaterals are not Sufficiently Filling Gaps in Countries with the Greatest Need**

Challenges in the coordination of aid across the education sector have resulted in the uneven distribution of aid across countries in need. Currently, comparable information from governments and aid donors is not available to fully assess the degree to which multilateral agencies are able to fill gaps. Nonetheless, analysis using the available information shows significant variation in the degree to which multilateral agencies are ensuring that aid is sufficiently reaching the 35 LICs and 6 LMICs with high out-of-school populations.

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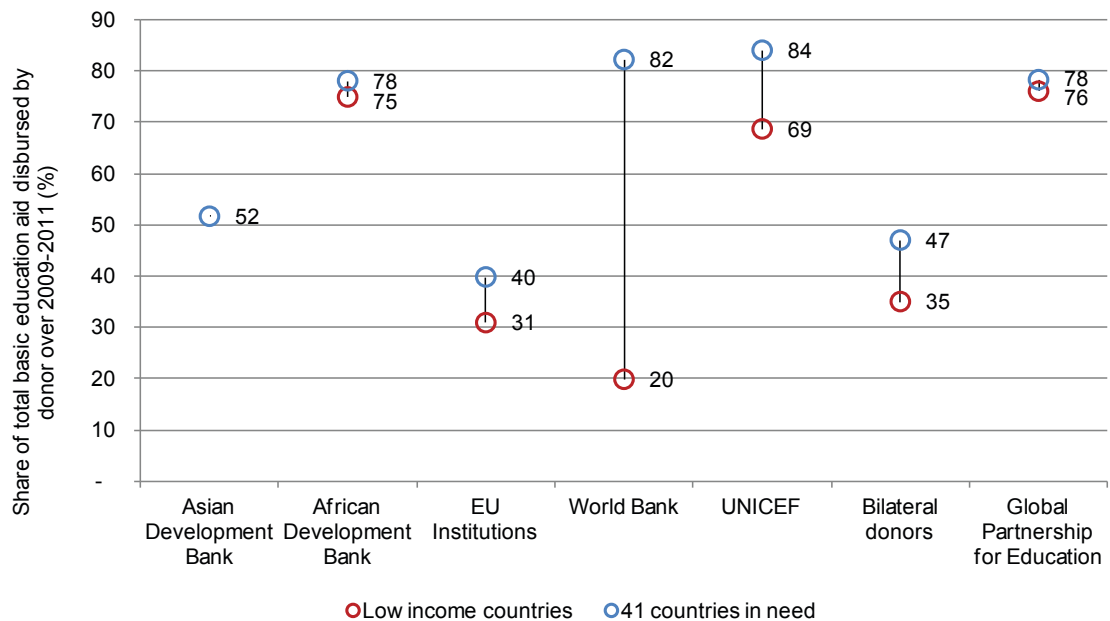
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Figure 7 illustrates that, overall, most multilaterals do prioritize countries in need more so than bilateral countries as a whole. The AfDB, UNICEF, World Bank and GPE focus more than three-quarters of their funding on countries in need. The alignment with need is less strong in the ADB and the EU institutions. This finding is confirmed in a recent report on ADB's support to the MDGs by its Independent Evaluation Department. It finds that ADB's response to the nine countries that are furthest from achieving universal primary education (MDG 2) was "less than satisfactory". Of the nine countries, four countries received no assistance and another 2 received only a minimum level of assistance (IED 2013).

The World Bank provided the smallest share (20 percent) of its total aid to basic education to LICs. Its basic education aid to LICs has also been declining during the past decade. Between 2002-4 and 2009-11, it declined by 57 percent, more rapidly than the decline in education overall, which decreased by 36 percent. However, the World Bank provides more than 80 percent of its funding to all 41 countries in need. The difference is largely explained by the funds provided to two LMICs with large out-of-school populations: India and Pakistan. Together, they account for 71 percent of total World Bank funding to the 41 priority countries.

**Figure 7. Share of Basic Education Aid to Countries in Need (2009-11 average)**



Source: OECD-DAC.

Figure 8 illustrates the amounts of bilateral and multilateral aid given to 41 countries in need, highlighting a highly variable distribution of aid resources to these countries. It is hard to see the logic of providing \$63 in basic education aid per child in Haiti and only \$7 in the Democratic Republic of Congo.<sup>21</sup>

To put this in context, ensuring that children receive a primary education of adequate quality is estimated to cost \$131 per child (EPDC and UNESCO 2009).<sup>22</sup> On average, governments in LICs allocate \$41 per child to primary education, while they receive \$16 per primary-school-age child from aid donors. Among the 41 countries in need, 22 receive \$10 or less from bilateral donors,<sup>23</sup> suggesting that there is a need for the large multilateral donors to come in and fill the gap. This is the case in 13 of the 22 countries, where multilateral

agencies provide at least one-quarter of the total per capita spending.

However, seven of these countries still receive no more than \$10 per primary-age child from multilateral agencies and bilateral agencies combined, suggesting that multilateral spending is still too low to bring these countries to an acceptable level of funding. Thus, multilateral agencies can really be considered

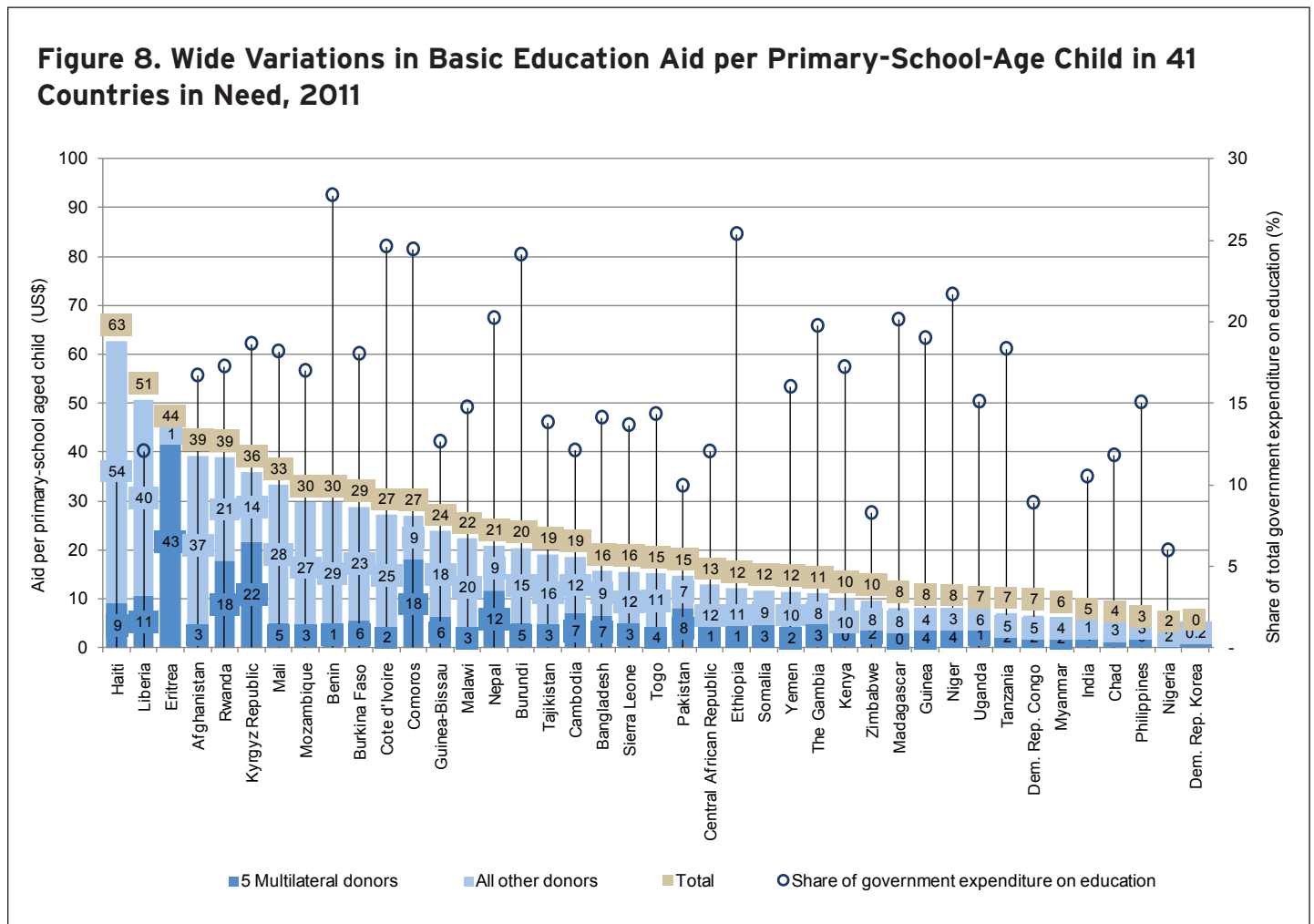
**Among the 41 countries in need, 22 receive \$10 or less from bilateral donors, suggesting that there is a need for the large multilateral donors to come in and fill the gap.**

to be filling a gap in six countries—Gambia, Pakistan, Bangladesh, Nepal, Comoros and Eritrea. Of those receiving \$10 or less, five are among the top 10 with large out-of-school populations—India, Kenya, Niger, Nigeria and the Philippines. However, only two of these are LICs with a large out-of-school population: Kenya and Niger. With India spending only 10 percent of its own budget on education and receiving less than \$10 in aid, donors could play a key role in supporting a country such as India to increase its domestic levels of spending, including extending its tax base and allocating a greater share of this to education.

Of the 41 priority countries identified as being in need, the GPE disbursed resources to 18 in 2011. In some

cases, countries that currently receive low levels of funding from other DAC donors for the basic education system receive high levels from the GPE.<sup>24</sup> The Central African Republic, for instance, received \$13 per child from bilateral and multilateral DAC donors. The funds disbursed by the GPE were equivalent to an additional \$19 per child, indicating the important role that the fund has played in providing resources to an underresourced education system. However as the example of Niger- another country suffering from a shortage of resources for education- indicates, the GPE is not filling resource gaps systematically. In 2011, each primary-age child received \$8 in aid for basic education, and the GPE disbursed just \$1 for every primary-age child.

**Figure 8. Wide Variations in Basic Education Aid per Primary-School-Age Child in 41 Countries in Need, 2011**



## 4. OPPORTUNITIES FOR ACTION: ENGAGING MULTILATERAL FINANCING

**A**cross today's increasingly complex development financing landscape, the volume and pattern of financing for specific development goals are determined by many interrelated factors. This report is not able to address them all. This section highlights five opportunities for action that multilaterals could undertake to improve the volume and effectiveness of financing for basic education. While not the focus of this paper, we recognize that the role of multilateral agencies in improving support for education goes beyond direct funding for education and includes activities such as helping to grow domestic resources and strengthening governance, funding roads, providing electricity and improving nutrition for children. We also recognize that the discussion about whether countries get the resources they require for education must take account of collective responsibilities for achieving education for all, which goes beyond the multilateral agencies on their own. In addition, among the multilateral agencies, each institution has a role to play in education based on its own comparative advantage.

### **Opportunity 1: Inspire Demand for More Support for Basic Education**

The case studies of multilateral institutions reveal, and most senior managers agree, that multilateral organizations struggle to promote global strategic priorities. Decisionmaking is firmly anchored at the country level, and country directors determine program priorities in close dialogue with developing country governments and other development partners. This country ownership is at the heart of the global community's efforts to improve aid effective-

ness. However, it has also led to increasing tensions between organizational priorities set at the country level and at the global level.

As a result, despite agencies' global commitments to universal basic education and the clear needs that have been observed, aid levels for education can be unacceptably low in some countries. This could be because of a lack of demand (i.e., the country is not interested in support from multilaterals for education) or because of a lack of supply (the donor's country of office does not have the interest or capacity to engage in basic education). The evidence suggests that these may amount to the same thing. As noted above, overall demand for education support in multilateral client surveys is strong and the lack of demand is often prompted by a perception of a lack of priority on the part of the donor agency.

A politically sensitive but critical question revolves around the role that multilateral donors should or could play in influencing the demand for basic education finance in countries with clear needs. This has clearly been done in other sectors that have emerged on the development agenda, for example, governance and climate change. The client survey of the World Bank shows much more limited interest- by only 14 percent of respondents, compared with 41 percent for education- in the World Bank's support for governance. Yet lending for governance and climate change programs has increased significantly in recent years.<sup>25</sup> While respecting country ownership and serving as genuine partners in development, decisionmakers in multilateral agencies can still try to influence demand, provided they are given the right incentives and instruments to do so. A perceived lack of demand should not be an excuse not to fulfill the global commitment to the 57 million children who are still out of

school, often without a voice to ask for the help they need; nor should a lack of capacity on the part of decisionmakers in multilateral agencies be an excuse.

Some multilaterals have already developed a number of incentives and instruments to guide country-level decisions and try and promote global priorities, either through explicit targets or through “softer” incentives. These could be strengthened. For example, the EU has a parliamentary requirement that 20 percent of its total aid should go to education and health in the 2014-20 programming period (ECA 2010). However, interviews suggest that there are very few mechanisms to ensure that this target is reached. Closer monitoring of the target could create stronger incentives to achieve it. There is some way to go. The share of health and education in total ODA from EU institutions stood at 10 percent in 2011. The EU’s “MDG Contracts” and its “Investing in People” thematic fund are also attempts to direct attention and financing to specific issues. A recent evaluation of the ADB’s support for the MDGs notes that education lending rose sharply from 2010 to 2011 due to incentives offered to regional departments to process more education projects. These incentives were put in place in response to low levels of lending and prioritization of education at the ADB. In addition, the ADB has committed to increasing education sector support to 6 percent of total lending in order to meet the aims of the Strategy 2020 (ADB 2011). Similarly, the World Bank’s trust funds<sup>26</sup> have also been used to finance specific issues and fill gaps in aid (IEG 2011).<sup>27</sup> Interviews with senior managers at UNICEF revealed that it is exploring implementing “Global Compacts” which would aim to create a stronger link between country-level programs and global commitments and prioritization. Among the six multilateral agencies, the implementation of the AfDB Strategy 2013-2022 probably represents the strongest attempt to direct multilateral lending toward strategic

priorities while recognizing country demand. Though the AfDB’s strategic choices are not focused on basic education, it illustrates how central priorities can be implemented at the country level, even in decentralized multilateral institutions. A recent report shows how the AfDB’s strategic choices have translated in lending levels. African Development Fund’s approvals for infrastructure increased from 19 percent of total approvals in 2002 to 55 percent in 2012, while approvals for social sectors (including education) declined from 28 percent to 11 percent over the same period (AfDB 2012a).

The capacity of the multilateral agencies to engage in technical dialogues with countries vis-à-vis education needs is another critical ingredient. In a number of multilateral organizations, education staffing levels were found to be insufficient for the organization to effectively engage in country dialogue. An EU evaluation reports that education expertise was not optimally assigned and developed in delegations, which had reduced the EU’s ability to maintain sector dialogues in education. The absence of staff with the necessary expertise and seniority weakened the dialogue with the country and the joint working groups with other donors. Out of 44 delegations worldwide where education was a focal sector, more than one-third did not have a person assigned to education (ECA 2010). Similarly, the ADB had only 17 education sector staff in 2010, representing only 2 percent of total technical professional staff. These levels were found to be “modest compared with expectations set out in the Strategy 2020 and compared with staffing levels in other core sectors of Strategy 2020.” The Operational Strategy calls for an increase in the number of staff, though new staffing expertise will likely be focused on higher education. Stronger support from technical staff could also improve the quality of education projects. Senior managers interviewed highlighted



that that the sometimes disappointing performance of education programs may also have acted as a disincentive for country directors to engage in the education sector.<sup>28</sup>

In order to address demand side-constraints in donor and government agencies, the education sector could build on initiatives to communicate a convincing value proposition and make a stronger moral case for education. Given the fact that basic education investments typically have long time frames to provide significant rates of return, they may not be as attractive politically as building roads or providing health services. The education sector would benefit from a strong advocate in the private sector (as Bill Gates is to health) and from promoting more strongly the benefits of basic education for other sectors or subsectors.

## **Opportunity 2: High-Level Strategic Dialogue to Target Countries in Need**

While much progress has been made in promoting effectiveness and efficiency of aid delivery once decisions on sector aid allocations have been made, much less attention has been paid to whether limited resources have been allocated most strategically considering the need and the total financing (domestic and international) available.

This paper shows that aid for basic education is fragmented and that the amount of aid per child that countries receive shows little relationship to need. It also highlights that global decisions within bilateral and multilateral agencies are often not coordinated with respect to sector or subsectoral priorities within donor agencies. Consequences of unilateral withdrawals from the education sector, or decisions to focus on higher education, are not clarified or discussed. This needs to be changed.

One important potential role of multilateral agencies is to provide and attract high-level global leadership to mobilize and coordinate support for countries in need. In addition to the coordination efforts at the country level, this stronger global high-level effort is needed to discuss and agree on strategic priorities across donor agencies and identify gaps in support for the countries with the greatest need, as well as strategies to best address these gaps.

The past year has seen increasing attention and high-level political attention to education. With the objective of raising the political profile and global discussion around education, the secretary-general of the United Nations, Ban Ki-moon, launched the Global Education First Initiative (GEFI), which aims to gather a broad spectrum of world leaders and advocates in education. He also appointed former Prime Minister of the UK, Gordon Brown, as his special envoy for global education, the appointment of whom has helped to increase the visibility of education generally, and also has been key to the promotion of GEFI. While the GEFI is primarily an advocacy initiative, there have been recent activities focused on financing for countries in need where multilaterals have played an important role. For example, under the auspices of GEFI, a Learning for All Ministerial meeting was organized in April 2013—cohosted by the UN secretary-general, the World Bank president and the UN special envoy—bringing together a range of high-level leaders. A follow-up meeting to discuss financing and coordination among donors, led by the GPE and the UN Special Envoy, is planned to take place at the UN General Assembly in September 2013.

It will be important to capitalize on this new political momentum in the education sector. In the past, education has not been as successful as other sectors at capturing high-level political space and engagement. Recent initiatives on other issues— for example,

Sustainable Energy for All (SE4All)—have been able to create momentum and attract high-level partners from both the public and private sectors in support of their agendas. The SE4All is supported by a dynamic High-Level Advisory Group, cochaired by the secretary-general of the United Nations and the president of the World Bank, while its Executive Board is chaired by the chairman of Bank of America. This is the level and type of strategic dialogue that are very much needed in the education sector.

The GPE has the potential to play a stronger leadership role, including in coordination at the country level. Since its midterm evaluation, the GPE has been going through a range of reforms, reflecting a desire to play a more significant role at the global as well as the country level. It currently hosts the broadest spectrum of partners in its constituency-based board. Importantly, UNESCO is an active and important member of GPE. UNESCO leads the EFA coordination mechanism, created in 2000 but recently reformed, devoted to coordinating all countries and partners around the EFA agenda (UNESCO 2011). Within the GPE, the current recruitment process for a new chair of the GPE board offers an opportunity to raise the profile of the organization and its activities. In addition to the strong representation from developing countries (who are represented by their ministers of education), higher-level representation from donor agencies on the board could also be sought.

### **Opportunity 3: Improve Information on Financial Data**

To facilitate the mobilization of additional resources, and ensure they are better spent, action is urgently needed to present a more complete picture of education financing. National Education Accounts (NEAs), supported by multilateral agencies, could provide this information.

Efforts to create momentum and support for education are hampered by a critical lack of detailed financing data to provide a complete picture of how education is financed. In principle, a total picture of public spending on education could be generated based on the government spending data from the UNESCO Institute for Statistics (UIS) and the data on aid for education from the OECD-DAC. However, because of incomplete coverage and differences in definitions, data from these two sources overlap and are unreliable sources to estimate total education spending (UNESCO 2012). UIS data mainly report on education spending, which can include government and donor resources provided through the government's budget. Off-budget donor and private resources are often not reported. OECD-DAC provides data on aid resources, but important aspects of these sources cannot be untangled. In addition, the GPE, as the only dedicated multilateral funder for basic education, does not currently report its financing to the OECD-DAC like the other global funds. This makes it difficult to assess overall contributions to different countries, as doing so would result in double-counting. It has plans, however, to release its data in an IATI-compatible format by the end of 2013. It would be helpful if GPE could report to the OECD-DAC in the same way as other global funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.

An approach that could alleviate this problem, and provide a more complete picture of spending on education from different sources within countries, would be to develop a system of NEAs, as has been undertaken for health with National Health Accounts (NHAs; box 4). These accounts have already immensely improved resource tracking in the health sector. NHAs are institutionalized in more than 190 countries (Van Der Gaag and Abetti 2011). In education, a small number of countries have explored their use to date. Because of their expertise in expenditure

#### **Box 4. What Are National Health Accounts?**

National health accounts (NHAs) are an internationally accepted tool that aims to improve the quality and performance of national health systems and increase the understanding of these systems among national policy makers. NHAs provide a comprehensive monitoring of public and private health resource flows at the country level during a set time period. The accounts examine the source and allocation of resources, services and goods purchased, stakeholders providing services, use of inputs in service provision and beneficiaries of health spending.

In 2003, the World Health Organization, World Bank and USAID released a guide to producing national health accounts—with special applications for LICs and MICs—an adaptation of the OECD's System of Health Accounts for developed countries.

*Source: (WHO World Bank and USAID 2003)*

tracking and presence in a large number of countries, multilateral agencies could play an important role in devising national education accounts. The conceptual framework for NHAs in LICs and MICs was developed through a collaborative effort between the World Health Organization, World Bank and U.S. Agency for International Development (USAID). USAID initially supported the development of a handful of national education accounts but has not expanded its efforts. Building on this experience, the GPE, which has the responsibility for ensuring that financing gaps are filled by drawing on all available sources, could coordinate the efforts, working with the World Bank, the UNESCO for Statistics and interested bilateral donors to do the same for education. Indeed, a new grant recently awarded to UNESCO under GPE's global and regional activities, provides funding for UIS and IIEP and other key partners to lead technical work in developing a shared approach to national education accounts.<sup>29</sup> To be effective, it will be vital that this work benefits from

the collaboration with other multilateral institutions who could contribute by expanding upon and accelerating this new initiative.

#### **Opportunity 4: Catalyze Domestic Resources**

Given the scale of the financing needs and current limitations on ODA resources, mobilizing other sources will also be essential. Most important, this will involve supporting developing countries in growing their domestic resources, which offer by far the greatest potential for increase.

Tax revenues have been rising strongly in most developing countries during the past decade. Tax collection in Africa, for example, reached over 20 percent of regional GDP in 2009, although this proportion varies considerably across countries (OECD and AfDB 2010, Bhushan and Samy 2012). This increase in domestic

resources, combined with greater government prioritization of education,<sup>30</sup> enabled spending by LICs on education to increase by 7.2 percent a year between 1999 and 2010. As a result, an additional \$3 billion has been available for education each year (UNESCO 2013b). There is also good potential for a number of poor countries to further increase their spending. For example, 17 LICs and MICs that are rich in natural resources could mobilize an additional \$5 billion annually by raising more revenue from natural resources, and channeling 20 percent of this to education. This is equivalent to two and a half times the amount these countries received in aid in 2010 (UNESCO, 2013c).

However, much more needs to be done to mobilize additional funds for education through expanding the tax base and allocating an adequate share to the sector. Half of Sub-Saharan African countries still mobilize less than 17 percent of their GDP in tax revenues, far below the minimum level considered by the UN as necessary to achieve the MDGs (Atisophon et al. 2011). Even in the best case scenarios, these countries, which include LICs and non-resource-rich and fragile states, are far from mobilizing enough domestic resources to close the MDG financing gaps.

In addition to growing the overall domestic resource base, more attention needs to be paid to ensuring that sufficient resources are allocated to human development (including basic education) in a way that addresses the needs of the poorest people within countries. This is particularly important in resource-rich countries (APP 2013). Based on an analysis of countries that have made strong progress in education during the past decade, the EFA Global Monitoring Report has concluded that governments should aim to spend 6 percent of their gross national product and 20 percent of their budgets on educa-

tion,<sup>31</sup> and to allocate about half that to basic education (UNESCO, 2013d). Recent data suggest that, despite progress, the share of domestic resources allocated to basic education is highly variable across countries. While some of this variation is appropriate based on needs and costs of teachers, some countries are clearly spending too little. Among the 10 countries with the highest numbers of children out of school in 2010, India and Pakistan allocated among the lowest proportions of government expenditures to the education sector—just 10 percent. Despite being an LMIC, Pakistan, with a population of 5.4 million, has the second-largest number of children out of school (after Nigeria), yet spent just 2 percent of its gross national product on education in 2010. The recent commitment by the government to increase spending to 4 percent of GDP by 2018 is a step in the right direction.<sup>32</sup>

Most multilateral agencies, sometimes in coordination with bilateral agencies, are already playing an important role in improving the mobilization of domestic resources through support for policies and programs that promote economic growth and reforms of public finance systems.<sup>33</sup> They also have a critical role to play in ensuring that a sufficient share of the government's budget is allocated to education and that the increased interest in delivering post-basic education does not reduce the priority for achieving the EFA goals. Using the proposed improved systems to track spending on education, multilateral organizations should continue to advocate for increasing the share of domestic resources for education, especially at the basic level, in countries where education is currently not sufficiently prioritized. The adoption of financing goals—including spending 6 percent of GDP on education, and 20 percent of government budgets allocated to education—is one way to ensure that governments are held accountable for their commitments.

## Opportunity 5: Crowd in Innovative Finance

During the past 15 years, aid agencies have increasingly sought to mobilize “innovative finance” for development goals. Such innovative financing has two related strands. The first involves the raising of funds for a sector from unconventional sources, by tapping into either profit or philanthropic motives or a mixture of both. The second involves mechanisms to make existing funds “go further,” through a range of instruments that allow for more efficient delivery of financing, such as performance-based aid. Overall innovative finance is estimated to have amounted to \$53 billion between 2000 and 2008, with multilateral institutions often at the forefront of catalyzing such funds, usually in partnership with bilateral donors. The World Bank alone was involved in 44 percent of such efforts—or around \$23 billion. The education sector has not been a major beneficiary of these efforts. A review of the World Bank’s innovative financing found that while the Bank accounted for more than 40 percent of global official resources mobilized through innovative projects between 2000 and 2008, the education sector received less than 2 percent, while health received 12 percent (Girishankar 2009).

Reviews of innovative financing for education have argued that education’s characteristics—such as its value chain complexity (linking inputs to outcomes), its long investment time frame, the heavy public sector involvement and the complex performance metrics—generally make it a difficult business case for investors with a relatively short-term profit motivation (Filipp and Lerer 2013). The returns are generally recognized to be high—with reviews by the World Bank over the past few decades repeatedly showing that the rate of return on primary education is about 10 percent, higher than returns on investment in infrastructure, for example (Montenegro and Patrinos 2012). However, these returns are not immediately

visible and are long term, making it more difficult for businesses to justify investment from a short-term perspective. Others have also noted that social sectors, such as health and education, cannot be easily “projectized,” making them less attractive to public-private partnership deals (Kharas and Rogerson 2012).

Interviews with staff members of multilateral organizations suggest that there is fairly widespread skepticism about the potential for innovative financing in basic education, often with reference to education’s investment characteristics. This view is further supported by the observation that compared with other sectors, education (and in particular basic education) has so far not been able to implement any scalable initiatives. Our review suggests that this skepticism may not be entirely justified, and that it is due to a fairly narrow focus on innovative financing that could produce a “health-like” short-term commercial case for investment in education (i.e., innovative financing with a profit motivation). The new chief executive of the GPE noted, for example, in a recent board discussion that, while the GPE was exploring innovative financing options, “any expectations of a rapid repeat of GAVI’s success should be tempered” (GPE 2013).

In fact, the education sector could explore a number of other options more strongly, in which multilaterals could play or are already playing a role. So far, efforts within multilateral agencies have mainly focused on developing two categories of innovative instruments: blended finance to promote country demand or crowd in additional resources, and financing instruments linked to results to improve the effectiveness of financing and coordination:

- *Blended finance.* A number of multilaterals have been looking into opportunities to blend loan and grant financing to promote country demand for loans (in the case of the multilateral development

banks) or to leverage grant financing by crowding in market-based financing from the private and public sectors (in the case of the EC). The EU has been particularly active in this area. In 2012, it launched a new “EU Platform for Blending in External Cooperation,” a forum to build on successful experience and look at how to improve the quality and efficiency of blending mechanisms (EC 2013).

- *Financing instruments linked to results.* There are now a number of instruments under development that are trying to make the delivery of aid more efficient by creating a link to results. For example, the World Bank has developed the Programming-for-Results (P4R) instrument as a financing mechanism to improve program effectiveness. It is considered to be particularly well suited to education and health, as it limits burdensome procurement processes that are not necessary or effective in the context of the social sector (World Bank 2011). By pooling support through government programs in cooperation with other development agencies, P4R also aims to enhance partnerships and donor coordination. P4R, which was officially launched in 2012, is still in its early phases. A progress report on its implementation will be produced at the end of 2013. Multilaterals could also play a role in the piloting of other results based instruments, such as Social Impact Bonds or Development Impact Bonds, either by participating in pooled funds or by supporting learning, evaluation and information-sharing about these approaches (CGD 2012 and IFF 2013).

Besides these, two other instruments that have so far received less attention could also be promoted by multilaterals, solidarity funding and private sector support:

- *Solidarity funding.* Many surveys (including the MyWorld online survey) show that education is given high priority by the public. People everywhere intuitively understand the transformative power of education, and many have experienced it in their own lives and in that of their families. This would suggest that a strong appetite would exist for supporting education motivated by solidarity. However,

health advocates have been much more successful in tapping into cross-border solidarity, through projects such as the voluntary airline levy. More broadly, charitable giving by global foundations has been much more robust for international health than for international education.<sup>34</sup> Unlike health, which has strong private sector champions, education has yet to secure a high-profile business leader. One important source of cross-border solidarity that has significant untapped potential for education is the potential willingness of diaspora communities to invest back into their own countries. Remittances have grown dramatically in recent years, with inflows to Africa quadrupling between 1990 and 2010, reaching nearly \$40 billion in 2010, equivalent to 2.6 percent of Africa’s GDP. Across the world, remittances have been linked to better school attendance, higher enrollment rates and additional years in school. Household surveys show that education is the second-highest use of remittances in Nigeria and Uganda (Ratha et al. 2011). Remittance markets are still relatively underdeveloped, but the rapid adoption of innovative money transfer mechanisms and the development of financial instruments based on remittance flows are providing many new opportunities.<sup>35</sup> “Diaspora bonds”—whereby communities purchase bonds at a lower, risk-adjusted interest rate than would prevail in the market—are a potentially untapped source. The AfDB has commissioned various analytical studies to explore the potential of remittances and the possible role for the Bank (Bourenane, Bourjij and Lhériaux 2011).

- *Private sector support for education.* Private investors in developing and emerging market countries have a strong interest in an educated workforce and a growing middle class. Individual firms have little incentive to support basic education, however, since the benefits of their individual investments would accrue to the entire business sector and would be largely irrelevant to their own bottom line. Businesses, motivated by a combination of long-term business interest<sup>36</sup> and short-term reputational gain, could potentially generate significant resources. The recent establishment of the Global Business Coalition, a network of corporate leaders

committed to education, illustrates a strong and growing interest. Business communities, however, need start-up leadership and would want to be confident that funds would be well spent. They could also benefit from connections with governments to identify potential partnerships and enable synergies with ongoing country programs and policies. In both cases, multilateral agencies may have a catalytic role to play.

This greater range of potential resources will present opportunities for recipient countries but also challenges for countries with a lower capacity to negotiate different types of arrangements (Kharas and Rogerson 2012). Multilaterals could play a role in supporting countries to navigate these new op-

portunities, exploring mechanisms and documenting experiences of pilots. In addition to further exploring blending opportunities and innovative instruments to improve the effectiveness of delivery, multilaterals could support developing countries in navigating other sources of finance, such as from diasporas and the private sector. Building on the work of the Working Group on Education of the Leading Group on Innovative Financing and of initiatives such as the Global Business Coalition, a more permanent platform to exchange experiences with and knowledge of innovative financing could be developed with support from multilateral organizations. Stronger lobbying at the political level could also help secure an appropriate share for education in any future solidarity taxes.

## 5. CONCLUSION

**W**ith 57 million children out of school, there is considerable unfinished business to achieve education goals set for 2015. Proposed goals after 2015 recognize this, and also anticipate an even more ambitious agenda for the education sector. Multilateral agencies are key to ensuring that disadvantaged children in countries most in need are not denied the opportunity of a good quality basic education. While there is much that they are already doing, significant gaps remain. Of particular concern, signs of their shift away from supporting basic education could jeopardize the education chances of the current and future generations of children.

This paper identifies five opportunities that multilateral agencies are urged to take action on ranging from inspiring demand for support at the country level, promoting strategic dialogue, improving information on financing data, catalyzing domestic resources and crowding in innovative finance. Doing so will be an important step towards ensuring they meet their commitment that no country is thwarted in achieving education goals due to lack of resources.



## ANNEX: 41 COUNTRIES IN NEED

	Year	Net enrollment primary (%)	Gender parity for net enrollment rate	Survival rate to last grade of primary (%)	Out-of-School primary	Out-of-School lower secondary
Afghanistan	no data	-	-	-	-	-
Bangladesh	2010	92	-	66	-	2,644,537
Benin	2008	-	-	56*	107,075	-
Burkina Faso	2012	64	0.95	-	1,014,824	854,214
Burundi	no data	-	-	-	-	-
Cambodia	2011	98	0.97	61*	31,040	-
Central African Republic	2011	69	0.76	46*	214,350	223,954
Chad	no data	-	-	-	-	-
Comoros	2007	78	0.93	-	22,761	-
Cote d'Ivoire	2009	61	0.83	61**	1,160,732	-
Dem. Rep. Congo	2010	-	-	54	-	-
Dem. Rep. Korea	no data	-	-	-	-	-
Eritrea	2011	36	0.86	no data	422,148	205,903
Ethiopia	2011	86	0.93	41*	1,702,685	3,194,461
Guinea-Bissau	2010	74	0.96	-	56,640	-
Haiti	no data	no data	no data	no data	no data	no data
India	2010	93	1	-	1,673,997	20,276,587
Kenya	2009	83	1.01	-	1,009,592	29,956
Kyrgyz Republic	2011	88	0.98	95*	15,256	47,132
Liberia	2011	41	0.94	-	385,726	-
Madagascar	2010	-	-	40	-	-
Malawi	2009	97	-	53	62,281	319,384
Mali	2011	63	0.88	75*	849,651	563,461
Mozambique	2012	90	0.95	31 (2011)	458,501	656,499
Myanmar	2009	-	-	75	-	-
Nepal	no data	-	-	-	-	-
Niger	2012	65	0.85	69*	957,170	1,170,189
Nigeria	2010	58	0.91	80**	10,542,105	-
Pakistan	2011	72	0.83	52*	5,435,834	6,964,477
Philippines	2009	88	1.02	76^	1,460,431	331,560
Rwanda	2010	99	-	-	20,203	-
Sierra Leone	no data	-	-	-	-	-

	Year	Net enrollment primary (%)	Gender parity for net enrollment rate	Survival rate to last grade of primary (%)	Out-of-School primary	Out-of-School lower secondary
Somalia	no data	-	-	-	-	-
Tajikistan	2011	97	0.96	99*	15,761	30,641
Tanzania	2008	98	-	81**	137,123	-
The Gambia	2011	68	1.05	63*	86,417	31,728*
Togo	2008	-	-	52*	51,413	199,434 (2007)
Uganda	2011	94	1.03	25*	439,143	649,645*
Yemen	2011	76	0.84	76*	948,934	619,209
Zimbabwe	no data	-	-	-	-	-

Source: UIS database

\* denotes 2010 data

\*\*denotes 2009 data

^denotes 2008 data

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## ENDNOTES

1. While important to identify and address bottlenecks related to absorptive capacity, evidence suggests that capacity constraints should not be seen as a reason not to increase aid (Rose 2009).
2. See also EPDC and UNESCO (2009) for methodology and information on the 46 countries included in the analysis.
3. Total aid figures in this brief refer to total gross disbursements exclusive of debt, unless otherwise stated.
4. While 2011 saw an overall decrease of 2.7 percent in official development assistance (ODA) for the first time since 1997, there was a 1 percent increase in multilateral ODA; i.e., OECD-DAC members unearmarked contributions to multilateral agencies.
5. This important multi-bi share of ODA is currently reported under bilateral ODA in the OECD DAC data.
6. This is excluding the special purpose (earmarked) bilateral ODA that is channeled through multilaterals, e.g., through trust funds.
7. For further information, see the notes to the aid tables in the *EFA Global Monitoring Report* (UNESCO 2012b), drawing on OECD-DAC documents.
8. Despite its lead role as coordinator of EFA donors, UNESCO was not included in the analysis because, unlike the others included, it does not play a key role as a donor of basic education aid. However, UNESCO is included in the analysis to the extent that it affects or could affect the behavior of the other multilaterals, and in relation to its coordinating role.
9. For the current programming cycle, the 20 percent target applies to the Development and Cooperation Instrument (DCI) only (which covers Latin America, Asia and Gulf Region). In the next programming cycle, it will apply to both DCI and European Development Fund (EDF - which covers African, Caribbean and Pacific States) instruments, but it is also likely to be broadened to include social protection.
10. Agriculture and rural development was also prioritized by 41 percent of all client countries but by a slightly lower share of LMICs (33 percent) and UMICs (12 percent). Poverty reduction was the third-most-cited development priority by 20 percent of client countries.
11. This was in response to the question: "When thinking about how the World Bank can have the most impact on development results in \_\_\_\_, in which sectoral areas (no more than 3) do you believe the World Bank should focus most of its attention and resources?"
12. This was in response to the question: "...please select the five most important areas for UN assistance to your country in the next four years, from the following list."
13. This does not include GPE which does not report separately to the OECD DAC
14. Asian Development Bank is not included in this analysis because it did not report aid figures to the OECD until 2010.
15. OECD-DAC data do not provide breakdown of AfDB lending by education subsector for more recent years.
16. A direct comparison between donors reporting to the DAC and the GPE must be treated with caution, however, given that donors reporting to the DAC include in their total aid disbursements what they are also contributing to the GPE, and so this results in double-counting. The same applies to UNESCO, whose program and program-related funds for the education sector as a whole reached \$138 million in 2012. These funds would also be included in the spending identified in the OECD-DAC accounts for other donors.

17. The GPE was originally known as the Fast-Track Initiative.
18. According to the World Bank list of July 2013, the per capita income in these countries is \$1,025 or less. The total number of LICs is 36, but South Sudan was excluded because of a lack of data, giving a total of 35 LICs.
19. The Democratic Republic of Congo, which is also considered to have a large out-of-school population, is not included in the list as official data do not exist. It is, however, included amongst the 35 LICs.
20. However, UNICEF disburses much of its aid - including that for education - to multisector projects that span multiple sectors, which while could be considered to prioritize education, are not directly counted here. In addition, as noted earlier (box 3), UNICEF's fairly substantial earmarked resources are not included in its ODA as reported by OECD-DAC.
21. Support for both countries was discussed at the Learning for All Ministerial meetings in April 2013, in which both countries participated. Detailed reports for the two countries prepared in consultation with the government suggest clear demand for support for basic education while recognizing capacity challenges to effectively use the funds Global Education First Initiative (2013a). *Accelerating Progress to 2015: Democratic Republic of the Congo. A Report Series to the UN Special Envoy for Global Education.* Washington D.C., Good Planet Foundation, Global Education First Initiative (2013b). *Accelerating Progress to 2015: Haiti. A Report Series to the UN Special Envoy for Global Education.* Washington D.C., Good Planet Foundation, *ibid.*
22. This estimate is based on the average for 46 LICs and LMICs included in a model used to calculate the financing gap, including estimates for providing a good quality education (EPDC and UNESCO 2009).
23. This includes aid contributions from multilateral agencies other than the six agencies that are the focus of this paper.
24. These figures should be treated with caution, because there may be a risk of double-counting, meaning that resources reported by donors to recipient countries may actually contain resources channeled through the GPE.
25. IDA funding for climate change, a special theme of the 16th IDA replenishment cycle, has risen substantially. From 2011 to 2012 IDA financing to climate adaptation increased 61 percent to \$2.3 billion while mitigation increased 161 percent also to \$2.3 billion. Additionally, approximately 40 percent of total World Bank projects had climate change activities in 2012 (World Bank 2012b).
26. Trust funds are an aid mechanism administered by a trustee development agency. Through trust funds, donors earmark financing to target specific issues and countries, enhance innovative development approaches and provide global and regional public goods (IEG 2011).
27. An IEG evaluation found, however, that trust funds are not considered as effective means of financing, because commitments fluctuate, are typically not well integrated in country programs and do not consistently improve donor coordination. A process is under way at the World Bank to more fully integrate trust funds in the Bank's budget and activities to make them more effective (IEG 2011).
28. For instance, a recent evaluation of the World Bank's education portfolio found that the performance rating among education projects- traditionally higher than other sectors- had declined substantially over the past decade from 82 percent to 69 percent of projects achieving satisfactory results (IEG 2011).
29. <http://www.globalpartnership.org/our-work/Sharing-Innovative-Solutions-for-Education/global-and-regional-activities-gra/>



30. Among LICs and LMICs with comparable data, 63 percent also increased the share of national income spent on education over the decade, reflecting stronger commitment to the sector.
31. This is based on a careful analysis of what those countries that have been successful at promoting education have spent on the sector.
32. <http://www.pakistantoday.com.pk/2013/05/20/news/profit/pml-n-to-enhance-education-budget-to-4-pc-of-gdp-by-2018/>
33. E.g., the AfDB corporate strategy mandates that country strategies have specific “domestic resource mobilization plans” and provide for policy advice to governments on reversing “illicit capital flows . . . [to be] used as resources for development” (AfDB 2012). Similarly, the 2013 Communication on the EU Accountability Report proposes a strong emphasis on domestic finance, emphasizing the need for tax reform, anticorruption and extractives transparency.
34. An illustration of this is the Bill & Melinda Gates Foundation, which has a very large domestic education program, but devotes the bulk of its global support to health.
35. Sub-Saharan Africa has the highest remittance costs among groups of developing countries and the largest share of informal and unrecorded remittances among developing regions. These costs represent an unnecessary burden on African migrants, reducing the amount sent and their development impact (Ratha et al. 2011).
36. A recent study illustrates the long-term business value for a typical Indian company and finds that \$1 invested in education today returns \$53 in value to the employer at the start of that person’s working years Winthrop, R., G. Bulloch, P. Bhat and A. Wood (2013). Investment in Global Education: A Strategic Imperative for Business. Center for Universal Education Working Paper 11. Washington D.C., Center for Universal Education, The Brookings Institution.

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