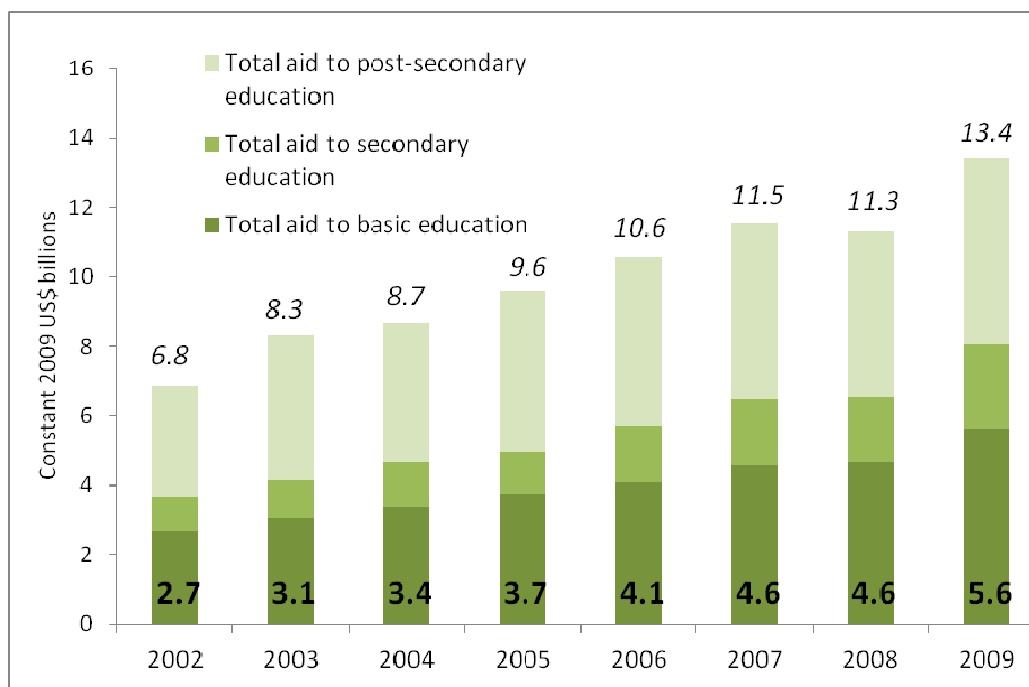


Trends in aid to education, 2002-2009: Despite increases, aid is still vastly insufficient and fragile

This note highlights findings by the Education for All Global Monitoring Report team on trends in aid to education from 2002 to 2009. It is based on analysis of the most recent disaggregated aid data on disbursements from the OECD Development Assistance Committee (OECD-DAC). All figures are from the OECD-CRS database (2011) based on GMR team calculations.

Disbursements of aid to basic education increased by around one-fifth from 2008 to 2009, to reach US\$5.6 billion – but remain vastly insufficient to fill the US\$16 billion financing gap. The increase of US\$1 billion for aid to basic education is the largest since 2002 (Figure 1). After a worrying stagnation of disbursements in 2008, the increase is a welcome development. Aid to basic education continues to comprise around 40% of total aid to education. Yet, of the US\$5.6 billion in aid to basic education, only around US\$3 billion went to the poorest countries. These countries need US\$16 billion a year to achieve the EFA goals by 2015, leaving a large deficit of about US\$13 billion.

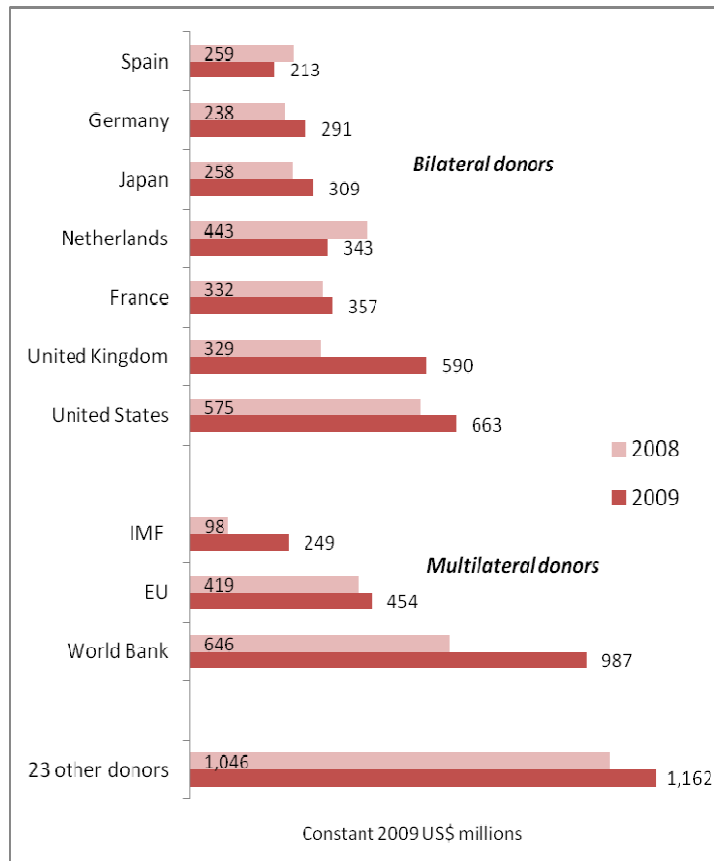
Figure 1: Total aid to education (disbursements), 2002-2009



More than half of the increase came from loans. Loans, mostly from multilateral institutions such as the IMF and the World Bank, comprised 55% of the increase in aid to basic education in 2009. This increase is largely a response of these institutions to the financial crisis. The IMF doubled its lending to poor countries from 2008 to 2009, contributing an estimated 15% of the increase in total aid to basic education.ⁱ Similarly, the World Bank's increase in lending to basic education from 2008 to 2009 was responsible for over one-third of the observed aid increase. Not only must countries eventually repay these loans, but the increased disbursements in response to the financial crisis are unlikely to be sustained.ⁱⁱ IMF disbursements in 2010 are anticipated to be only around one-half of their amount in 2009.ⁱⁱⁱ

Overall increases in aid to basic education hide fluctuations in individual bilateral donor programmes. Some key bilateral aid donors were responsible for a significant portion of the increase in aid to basic education from 2008 to 2009, while others have moved in the other direction. The biggest driver of the increase in bilateral support was the United Kingdom, contributing around one-quarter of the additional funding. This largely compensates for the decline in UK aid to basic education that was witnessed from 2007 to 2008. In contrast, other important donors to education such as Spain and the Netherlands have moved in the opposite direction (Figure 2).

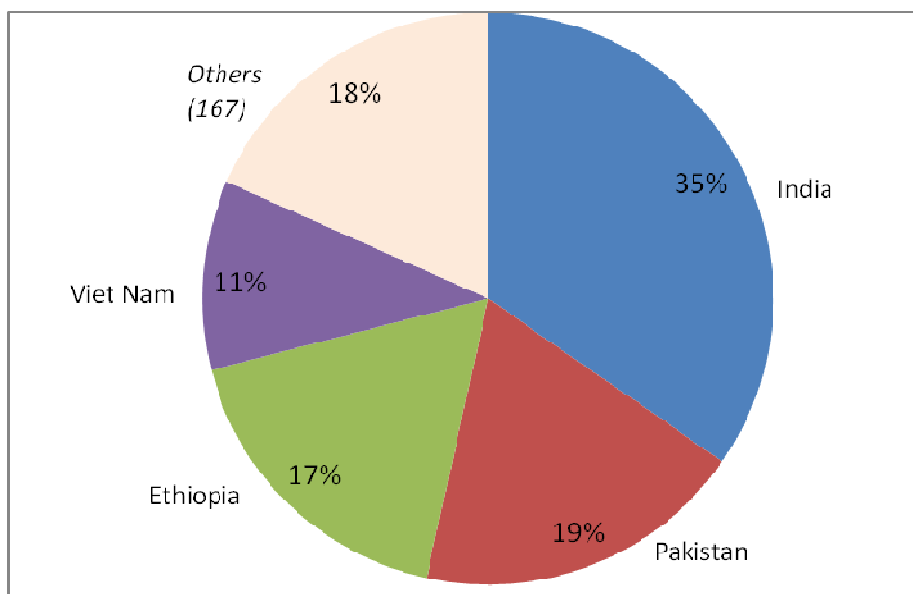
Figure 2: Total aid to basic education, top 10 donors, 2008 and 2009



Important donors are at risk of drastically reducing their funding to education. There are real dangers that the positive trend will not be sustained, as some key donors are under pressure to reduce their funding to education. Spain continues to face significant domestic pressures to reduce its aid budget. The Netherlands' new development aid policy means that their aid will focus on four priority sectors: security and legal order, water, food security, and sexual and reproductive health and rights.^{iv} The expectation is therefore that most Dutch aid will gradually be withdrawn from the education sector. While the United States increased its aid to basic education in 2009, current plans to cut the federal budget are expected to put foreign aid under severe pressure.^v

Changes in spending patterns by different aid donors could hold back progress towards Education for All for the world's poorest countries. Just four countries benefited from over 80% of the increase in aid to basic education: India, Pakistan, Ethiopia and Viet Nam (Figure 3, page 4). While some donors are increasing (or planning to increase) their aid to education, some of the countries most in need are unlikely to benefit. France has expanded its basic education aid budget considerably in the last few years, and Australia is set to become a champion of the sector with a commitment of around US\$500 million in 2011/12.^{vi} However France's increase is almost entirely driven by its support to Mayotte, an island in the Indian Ocean that became an overseas French department in 2011.^{vii} Much of the increase in Australia's aid is likely to benefit the neighboring Pacific region.

Figure 3: Increase in aid to basic education per recipient



Note: The shares represent the % of the US\$1 billion increase in 2008-2009 going to each recipient. 'Others' includes the subtraction of decreases from increases for the remaining countries.

If Dutch and US funding is cut as feared, the poorest countries, which have been beneficiaries of their aid, are likely to suffer the most. This is particularly serious, as funding from these two donors has comprised around one-fifth of aid to basic education since 2002.

For the two regions furthest away from reaching the Education for All goals – South and West Asia and Sub-Saharan Africa – current and anticipated aid arrangements mean a lot could depend on the continued commitment of just one bilateral donor: the United Kingdom.

Recent increases in aid support have helped reduced the number of children out of school, but experience shows that overdependence on a small number of donors can jeopardize such gains. Aid to basic education, in other words, is not only vastly insufficient but also dangerously fragile.

ⁱ Although the IMF does not directly fund education, its concessional lending was retroactively added to the OECD-CRS aid database for the first time this year and included under General Budget Support. Because the GMR adds 10% of all General Budget Support to aid to basic education (and 20% to total education), all figures since 2002 have increased. The effects are felt most strongly in 2009 due to the IMF's doubling of its lending that year.

ⁱⁱ The 2009 GMR noted that, while early disbursements of World Bank loans in response to the financial crisis could be beneficial in helping to mitigate some of the more immediate effects of the financial crisis on poor countries, such frontloading of aid does not necessarily increase overall resources over the full cycle of programme support, and may also come with the risk of financing deficits in later years.

ⁱⁱⁱ IMF (2011) "IMF Financial Activities – Update October 20, 2011"

^{iv} Ministry of Foreign Affairs, Netherlands (2011) "Letter to the House of Representatives presenting the spearheads of development cooperation policy"

^v The New York Times, October 3, 2011, "Foreign Aid Set to Take a Hit in U.S. Budget Crisis."

^{vi} Australia announced that it would spent AUS\$842 on education in 2011-12 with 57% going to basic education, or around US\$500 million (Rudd, K. [2011] "Australia's international development assistance program 2011-12")

^{vii} 42% of French aid to basic education in 2009 went to Mayotte.