



ODA FOR EDUCATION IN ASIA AND THE PACIFIC



Asia South Pacific Association
for Basic and Adult Education
Learning Beyond Boundaries

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ABOUT ASPBAE

The Asia South Pacific Association for Basic and Adult Education (ASPBAE) is a regional association of more than 200 organizations and individuals working towards promoting quality education for all and transformative and liberating, life-long adult education and learning. It strives to forge and sustain an Asia-Pacific movement dedicated to mobilising and supporting community and people's organisations, national education coalitions, teachers' associations, campaign networks, and other civil society groups and institutions in holding governments and the international donor community accountable in meeting education targets and commitments, ensuring the right of all to education, and upholding education as an empowering tool for combating poverty and all forms of exclusion and discrimination, pursuing sustainable development, enabling active and meaningful participation in governance, and building a culture of peace and international understanding.

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For more information, contact the ASPBAE Secretariat at the following e-mail address:

aspbae@gmail.com

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EDITORIAL TEAM:

MARIA LOURDES ALMAZAN KHAN
Secretary General, ASPBAE

RAQUEL DE GUZMAN CASTILLO
Asia Policy Advocacy and Campaigns Coordinator, ASPBAE

BERNARD LOVEGROVE
Executive Director, ASPBAE Australia

RENE RAYA
Lead Policy Analyst, ASPBAE

MOHAMMAD MUNTASIM TANVIR
South Asia Policy Advocacy and Campaigns Coordinator, ASPBAE

CLAUDINE D. CLARIDAD
Asia Policy Advocacy and Campaigns Support Officer, ASPBAE

PUBLICATION TEAM:

ROJA ESTRELITA SALVADOR MANZANA
Copy Editor

EMYLOU V. INFANTE
Proofreader

R. JORDAN P. SANTOS
Layout Artist

Research support for the Synthesis was provided by Ali Naqvi.

Photos Contributed by Raquel Castillo, E-Net Philippines, Kamleshwer, Claudine Claridad, Campaign for Popular Education, Pakistan Coalition for Education, Marcy Cosare-Ballesteros, Michael Garcia, and ASPBAE Australia.

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ACRONYMS

ADB	Asian Development Bank
ADP	Annual Development Program
AJK	Azad Jammu and Kashmir [Pakistan]
ARMM	Autonomous Region in Muslim Mindanao [Philippines]
ASFP	ARMM Social Fund Project [Philippines]
ASPBAE	Asia South Pacific Association for Basic and Adult Education
AUF	Agence universitaire de La Francophonie (Association of Universities of the Francophonie)
AusAID	Australian Agency for International Development
BDA	Bangsamoro Development Agency [Philippines]
BDTk	Bangladesh Taka
BEAM	Basic Education Assistance in Mindanao [Philippines]
BIDS	Bangladesh Institute of Development Studies
BPC	Bangladesh Petroleum Corporation
CAA	conflict-affected area
CCSP	Commune Council Support Project [Cambodia]
CDC	Council for the Development of Cambodia
CEIG	Child Education Interest Group [Nepal]
CENTO	Central Treaty Organization
CFSI	Community and Family Services International
C. in Ed.	certificate in education
CIDA	Canadian International Development Agency
CLEC	Community Legal Education Center [Cambodia]
CMS	community-managed school
CPD	Centre for Policy Dialogue
CPDI	Centre for Peace and Development Initiatives [Pakistan]
CRDB/CDC	Cambodian Rehabilitation and Development Board/ Council for the Development of Cambodia
CSNN	Community School National Network [Nepal]
CSO	civil society organisation
CSR	Complementary Sector Reform
CSSP	Community School Support Project [Nepal]
DAC	Development Assistance Committee
DAD	Development Assistance Database [Pakistan]
DANIDA	Danish Assistance for International Development
DepEd	Department of Education [Philippines]
DEVCON	Development Consultants, Inc.
DFID	Department for International Development [United Kingdom]
DOE	Department of Education [Nepal]

DOLE	Department of Labor and Employment [Philippines]
DP	Development Partner
DPE	Directorate of Primary Education [Bangladesh]
DPEP	District Primary Education Project [India]
DPRM	Disaster Preparedness Response Program [Philippines]
EAD	Economic Affairs Division [Pakistan]
EC	European Commission
ECD	Early Childhood Development [Nepal]
ED-LINKS	Education Support to Pakistan
EFA	Education for All
EFA-NPA	Education for All National Plan of Action
EqUALLS 2	Education Quality and Access for Learning and Livelihood Skills Phase 2 [Philippines]
ESIRP	Education Sector Investment and Reform Program
ESP	Education Sector Program
	Education Strategic Plan [Cambodia]
ESRA	Education Sector Reform Assistance [Pakistan]
ESWG	Education Sector Working Group
EU	European Union
FACD	Foreign Aid Coordination Division [Nepal]
FANA	Federally Administered Northern Areas [Pakistan]
FATA	Federally Administered Tribal Areas [Pakistan]
FBEAP	Forum Basic Education Action Plan
FESP	Female Secondary Education Stipend Project [Bangladesh]
FSSAP-II	Female Secondary School Assistance Project Phase-II [Bangladesh]
FSSP-II	Female Secondary Stipend Project Phase II [Bangladesh]
FTI	Fast Track Initiative
FY	fiscal year
GAGP	Grant Assistance for Grassroots Project [Philippines]
GCE	Global Campaign for Education
GDCC	Government-Development Partner Coordination Committee [Cambodia]
GDP	gross domestic product
GEM	Growth for Equity in Mindanao [Philippines]
GER	gross enrolment ratio
GNI	gross national income
GNP	gross national product
GoB	Government of Bangladesh
GON	Government of Nepal
GPS	government primary school
GRP	Government of the Republic of the Philippines
GTZ	Gesellschaft für Technische Zusammenarbeit (German Development Cooperation)

H-A-R	Harmonization, Alignment and Results [Cambodia]
HRD	Human Resource Development [Nepal]
IADB	Inter-American Development Bank
IBNA	in-depth barangay needs analysis [Philippines]
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Islamic Development Bank
IFI	international financial institution
IMF	International Monetary Fund
InEd	inclusive education [Nepal]
INGO	international non-government organisation
IRA	Internal Revenue Allotment [Philippines]
JBIC	Japan Bank for International Cooperation
J-BIRD	Japan-Bangsamoro Initiatives for Reconstruction and Development [Philippines]
JFA	Joint Financial Arrangement
JICA	Japan International Cooperation Agency
JMI	joint monitoring indicator
JTWG-Ed	Joint Technical Working Group on Education
KfW	German Reconstruction Credit Institute
KPI	key performance indicator
LDC	Least Developed Country
LGU	local government unit
LSGA	Local Self-Governance Act [Nepal]
MDG	Millennium Development Goal
MFA	multi-fibre arrangement
MILF	Moro International Liberation Front
MoEYS	Ministry of Education, Youth and Sport [Cambodia]
MoF	Ministry of Finance [Nepal]
MOF	Ministry of Finance [India]
MOOE	maintenance and other operating expenses
MoPME	Ministry of Primary and Mass Education [Bangladesh]
MTB	Mindanao Tulong Bakwet, Inc. [Philippines]
MTBF	medium-term budgetary framework
MTEF	Medium Term Expenditure Framework [Nepal]
MTF-RDP	Mindanao Trust Fund for Reconstruction and Development Program [Philippines]
NCB	nationalized commercial bank
NCE	National Coalition for Education [Nepal]
NEDA	National Economic Development Authority [Philippines]
NER	net enrolment ratio
NFE	non-formal education

NGO	non-government organisation
NORAD	Norwegian Agency for Development Cooperation
NPA	National Plan of Action
NPA-II	National Plan of Action II
NPC	National Planning Commission [Nepal]
NSCB	National Statistical Coordination Board [Philippines]
NSDP	National Strategic Development Plan [Cambodia]
NWFP	North-West Frontier Province [Pakistan]
NZAID	New Zealand Agency for International Development
OA	official assistance
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPAPP	Office of the Presidential Adviser on the Peace Process [Philippines]
OPEC	Organization of the Petroleum Exporting Countries
OSA	On-the-Spot Assistance
PBB	Program-Based Budgeting
PBSP	Philippine Business for Social Progress
PDSSPBS	Punjab Devolved Social Service Programme (Budget Support) [Pakistan]
PEDP-II	Second Primary Education Development Program [Bangladesh]
PFM	Public Financial Management
PhilJAFA	Philippines-Japan Fellows Association
PLCEHD	Post Literacy and Continuing Education for Human Development [Bangladesh]
PNG	Papua New Guinea
PPE	pre-primary education [Nepal]
PRA	participatory rural appraisal
PRGF	Poverty Reduction Growth Facility
PRIDE	Pacific Regional Initiative for the Delivery of Basic Education
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instruments
PSQL	Primary School Quality Level
PSWB	Public Sector Wage Bill
PTA	Parents-Teachers Association
PTCA	Parents-Teachers Community Association [Philippines]
PTR	pupil-teacher ratio
PTTC	Project-Type Technical Cooperation
RGC	Royal Government of Cambodia
ROSC	Reaching Out-of-School Children [Bangladesh]
SDC	Swiss Agency for Development and Cooperation
SEATO	South East Asia Treaty Organization
SEDIP	Secondary Education Development and Improvement Project [Philippines]

SEPSP	Sindh Education Plan Support Programme
SERD-CAAM	Study for Socio-Economic Reconstruction and Development of Conflict-Affected Areas in Mindanao [Philippines]
SESP	Secondary Education Support Program [Nepal]
SFD	Saudi Fund for Development
SIDA	Swedish International Development Cooperation Agency
SIP	school improvement plan
SLC	School Leaving Certificate [Nepal]
SMC	school management committee [Nepal]
SNACF	Senator Ninoy Aquino College Foundation, Inc. [Philippines]
SSA	Sarva Shiksha Abhiyan [India]
STRIVE	Strengthening Basic Education in Selected Provinces in Visayas Project [Philippines]
SUCs	state universities and colleges
SWAp	Sector-Wide Approach
SWPAM	Sector-Wide Policy Action Matrix [Cambodia]
TESDA	Technical Education and Skills Development Authority [Philippines]
TESDP	Technical Education and Skills Development Project [Philippines]
TIM	Trade Integration Mechanism [Bangladesh]
TWG	Technical Working Group
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNYPAD	United Youth for Peace and Development, Inc.
UNICEF	United Nations Children's Fund
UPA	United Progressive Alliance [India]
UPE	universal primary education
USA	United States of America
USAID	United States Agency for International Development
USD	United States dollar
VET	Value Enhancement Training
WB	World Bank
WDI	World Development Indicators
WFP	World Food Programme

INTRODUCTION: DEVELOPING CIVIL SOCIETY'S POLICY 'ASKS' ON ODA FOR EDUCATION

RAQUEL DE GUZMAN CASTILLO, **ASPBAE**



In 2000 in Dakar¹, 164 countries reaffirmed the vision of the World Declaration on Education for All (Jomtien, 1990), that all children, young people and adults have the human right to benefit from an education that will meet their basic learning needs in the best and fullest sense of the term, an education that includes learning to know, to do, to live together and to be.²

Four of the six goals that the global community committed to achieve until 2015 encompassed life-long learning and education – from early childhood or pre-primary education, to primary schooling, to appropriate learning and life skills for young people, to adult literacy and continuing education. The two other goals were cross-cutting: gender parity in education by 2005 and gender equality by 2015; and improvement of all aspects of education quality (See Box).

THE SIX GOALS OF EFA INCLUDE:

1. Expanding and improving comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children;
2. Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to and complete, free and compulsory primary education of good quality;
3. Ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning and life-skills programmes;
4. Achieving a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults;
5. Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality; and
6. Improving all aspects of the quality of education and ensuring excellence of all so that recognized and measurable learning outcomes are achieved by all, especially in literacy, numeracy and essential life skills.

The Dakar Framework of Action made a very strong statement that “no countries seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources”.

Concretely, the international community was to immediately launch a global initiative to mobilise resources and to consider the following options:

- 1) Increasing external finance for education, in particular basic education;
- 2) Ensuring greater predictability in the flow of external assistance;

¹ “*Education For All: Meeting Our Collective Commitments*”, Dakar Framework for Action, World Education Forum, Dakar, Senegal, 26-28 April 2000. http://www.unesco.org/education/efa/ed_for_all/dakfram_eng.shtml.

² “*World Declaration on Education for All: Meeting Basic Learning Needs*”, Jomtien, Thailand, 5-9 March 1990. http://www.unesco.org/education/efa/ed_for_all/background/jomtien_declaration.shtml.

- 3) Facilitating more effective donor coordination;
- 4) Strengthening sector-wide approaches;
- 5) Providing earlier, more extensive and broader debt relief and/or debt cancellation for poverty reduction, with a strong commitment to basic education; and
- 6) Undertaking more effective and regular monitoring of progress towards EFA goals and targets, including periodic assessments.

To hold governments to account in meeting their obligations and fulfilling their pledges on financing for universal education, the international community and civil society organisations have been tracking performance on education aid, national education budgets and spending.

Financing for EFA is tracked by the annual EFA Global Monitoring through their aid tables and public spending on education statistics. The Global Campaign for Education (GCE), a civil society movement that includes NGOs, trade unions, child rights campaigners, teachers, parents and students who have joined together to demand universal education, came out with Global School Report Cards that include a rating of donor countries' fulfillment of their promises.³

In the Asia-Pacific, at the regional and country levels, civil society organizations (CSOs) have overcome their hesitation to monitor, analyse and advocate on the perceived 'more technical' areas in the movement for EFA, after building together a certain level of capacity in policy research. Starting with budget tracking work on public expenditures on education under the Real World Strategies towards EFA 2015,⁴ they have gone on to examine other issues in education financing. In November 2008, the Asia South Pacific Association for Basic and Adult Education (ASPBAE) and its network of partners among national education coalitions and other social movements jointly organized a Conference on Official Development Assistance (ODA) for education, with the theme "*Financing for Education and Development: Banking on the Class of 2015*".

The six key advocacy messages agreed in 2008 were crafted during a critical point in the worsening global financial and economic crisis, and observed the ability of donor countries and large financial institutions to protect themselves from the worst impacts of the crisis with large fiscal interventions and massive bailout packages. The conclusion was that wealthy countries could easily cough up the needed resources for things considered as paramount. Civil society argued that the strategic and long-term costs of not meeting the EFA targets were high and cannot be traded off against other imperatives.

³ See for example the GCE 2010 Report Card at http://www.campaignforeducation.org/images/stories/Files/GCE_DOCS/GCEper cent20SCHOOLper cent20REPper cent20Cardsper cent20finalper cent202010.pdf

⁴ The Real World Strategies Project Phase 2 was funded by the Government of Netherlands in 2006-2010, coordinated by the GCE, and managed and implemented by regional organisations ASPBAE in Asia, ANCEFA in Africa, and CLADE in Latin America. It was aimed at providing structured facilitation and capacity-building to civil society groups in the South wishing to improve the focus, coherence, and creativity of their advocacy efforts and increase their impact at the national level.

These six CSO key advocacy messages in ODA for education called on donors and governments to:

1. Recognise the indivisibility of Education for All Goals: the accomplishment of any of them requires action on all of them. Take the six goals together as a plan of action and do not prioritise one or another of the goals to the detriment of any of the others.
2. Mobilise resources to fill the funding gap: For donor countries – provide an aid budget of 0.7 per cent of gross national incomes, 15 per cent of which is allocated to the education sector. For governments – allocate at least 6 per cent of GNP or at least 20 per cent of national budgets to education. Of the education budget, 6 per cent should go to adult education of which half or 3 per cent to adult literacy.
3. Ensure effective governance of development assistance: Reflect priorities of recipient governments, ensure local ownership, harmonise programs and policies amongst all donors in-country, ensure transparency and accountability in monitoring and evaluation mechanisms, build capacity of civil society to act as monitors, and invest in development education for the broader community to ensure meaningful stakeholder participation.
4. Develop and implement time-bound and fully-costed National Education Plans that do not exclude the most neglected of the EFA Goals on early childhood education, adult literacy and life skills and learning opportunities for youth and adults. Governments need to build their capacity to engage donors in a framework of their own priorities, integrated within an anti-poverty framework.
5. Undertake key reforms in the EFA FastTrack Initiative (FTI), a reformed steering committee, more responsive and reaching out to more countries in need of resources to meet the full EFA agenda and not just primary education, and to accelerate and broaden its coverage to countries in conflict or post-conflict and those that are at risk of not meeting the EFA targets because of poverty, disparity, untenable debt-servicing and chronic fiscal binds.
6. Ensure effective ODA based on true resource transfer, eschew types of ODA that are quickly funnelled back to donor countries such as scholarships to study in donor countries, increase grants rather than loans, untied rather than tied aid.

In developing these recommendations, civil society advocates for EFA first embarked on country case studies which provided snapshots of how ODA for education was being delivered in selected countries just prior to the 2008 conference. These researches and scoping studies were conducted by national education coalitions in Bangladesh, India, Nepal and Pakistan in South Asia; in Cambodia and Philippines in South East Asia; and in Papua New Guinea, Solomon Islands and Vanuatu in the South Pacific. In addition, studies of aid-giving for education by AusAid and NZAid in the Pacific countries were also conducted at that time. A synthesis was developed, pulling out issues and advocacy points that civil society campaigners may consider taking on.

The synthesis report and these country case studies are the subject of the succeeding chapters in this publication. These offer the material context for the development of ASPBAE and its partner education campaign coalitions' policy demands on ODA for education addressed to both donors and governments; and provide the rationale for policy positions on external assistance for national EFA plans and component programmes. There would have been some changes in the aid policy environment since those studies were written in 2008 – but not by very much. Many of the findings and observations underscored remain valid today as they were three years ago.

A little more than two years after that first Asia-Pacific CSO conference on ODA for education, ASPBAE and partner education coalitions again convened another Conference-Workshop on “*Strengthening Civil Society Engagement on ODA, Swap And Innovative Financing For Education*”. And this time they were ready to dialogue with donors and government representatives. The purpose of this April 2011 conference was to contribute to the thinking on how to make education ODA more effective in terms of quantity and quality: in terms of quantity, there is continuing need to engage the donor community to honour the commitments they made for EFA. In terms of quality, there is a need to engage governments to optimize benefits from aid to education through sound policies, effective governance, transparency and accountability, coherence, and impact on the disadvantaged. The workshop was also envisaged to provide the space to discuss new trends and emergent issues around external financing for education, and outline a framework for engagement with donors and governments on these.

ODA FOR EDUCATION IN ASIA-PACIFIC: HOW MUCH AND WHERE?

In examining the volume of ODA for education, there are 5 things CSO advocates for EFA look at:

1. The amount of ODA for education committed and actually disbursed vis-à-vis the required funding gap for EFA, after accounting for the domestic financing capacity of governments;
2. The trends of fund flows to the sector over the years;
3. The portion of total ODA that goes to the education sector;
4. Efforts by donors to improve the share of basic education allocation in the total ODA for education; and
5. If there is disproportionate neglect of allocations for particular EFA goals, like adult literacy

A decade after signing of the Dakar Framework of Action, the shortfall in needed resources to achieve EFA stands at USD 16 billion a year, while external assistance for basic education got stuck at USD 4.7 billion in 2008 and has stagnated since.⁵

Donor countries have lagged behind in their commitment to allocate aid budgets at 0.7 per cent of Gross National Incomes. Based on the EFA GMR of 2011, only

⁵ Global Monitoring Report 2011, page 109.

five out of twenty-two OECD-DAC⁶ donors have reached the 0.7 per cent UN target of percentage of gross national incomes that governments have committed to set aside for aid. The US and Japan are far behind in reaching these targets. By current trends, pledges made by the Group of 8 at the 2005 Gleneagles Summit and by the European Union countries amounting to a USD 50 billion increase by 2015 in aid will not be honoured.⁷ Public investments in education in recipient countries have also lagged behind the full requirement to guarantee free, quality basic education. Over the past decade, South and West Asia as a whole registered a slight decrease in the commitment to education, with the share of national income invested in education declining from 3.7 per cent in 1999 to 3.5 per cent in 2008 – far below the world average of 5 per cent. In East Asia and the Pacific, the average share of national income invested in education increased slightly, from 4.5 per cent in 1999 to 4.6 per cent in 2008 – but still behind the world average of 5 per cent and the benchmark of 6 per cent as recommended by the UNESCO 1996 Report *‘Learning: The Treasure Within* (Delors et al.; EFA GMR 2011 regional reports for the Asia Pacific)

On ODA pledges and commitment, there was improvement in the proportion of ODA disbursed as against ODA pledged. But after 2006, the gap widened until 2008. According to UNICEF studies, the gap between commitments and actual disbursements is still large – about USD 5 billion.⁸

There are 46 UNESCO member states from the Asia-Pacific region. The OECD database covering Asia only and excluding the Pacific shows that in general the total ODA to education has been rising since 2002, especially from bilateral sources. Up to 2002, the ODA from both bilateral and multilateral sources have gone up and down, but bilateral sources have shown bigger variances.

Data on education ODA in relation to the social sector shows that education always ranked second and there is a rising trend in education ODA as compared to the entire social sector. There is rising trend on education ODA by the DAC, from where bilateral ODA usually comes from. Big efforts by DAC donor countries raised the proportion of education ODA in the total aid disbursement in Asia and the Pacific (from 4.6 per cent in 2002 to 9 per cent in 2009).⁹

⁶ Organisation for Economic Cooperation and Development – Development Assistance Committee is an international forum of many of the largest funders of aid, including 24 members. The World Bank, the IMF and UNDP participate as observers.

⁷ Global Monitoring Report 2011, page 107.

⁸ Le Thu Houng, Programme Specialist, Education Policy Reform Unit, UNESCO Regional Bureau for Asia and Pacific, presentation on “*Regional Overview of ODA for Education in Asia*”, ASPBAE ODA Conference, Manila, 7-8 April 2011.

⁹ Ibid.

TABLE 1. DATA ON ODA FOR EDUCATION IN SELECTED COUNTRIES IN ASIA AND PACIFIC, 2002-2008

ASEAN COUNTRIES	TOTAL AID DISBURSEMENTS TO EDUCATION (IN CONSTANT 2008 USD MILLIONS)			SHARE OF BASIC EDUCATION IN ODA FOR EDUCATION, 2008 (%)	SHARE OF EDUCATION IN TOTAL ODA, 2008 (%)
	2002-2003 annual average	2007	2008		
Brunei D.	-	-	-	n/a	n/a
Cambodia	42	50	42	50	7
Indonesia	157	399	471	58	29
Lao PDR	25	38	41	42	14
Malaysia	17	24	38	5	14
Myanmar	11	21	29	69	6
Philippines	35	50	69	43	7
Singapore	-	-	-	n/a	n/a
Thailand	34	39	38	12	12
Vietnam	123	346	269	35	10
OTHER EAST ASIAN COUNTRIES					
China	447	840	842	5	29
DPR Korea	2	2	2	29	1
Timor-Leste	20	27	28	53	10
SELECTED PACIFIC					
Papua New Guinea	74	31	40	57	10
Solomon Is.	7	8	11	73	5
Vanuatu	15	12	14	38	15
SOUTH ASIA					
Afghanistan	40	186	233	58	5
Bangladesh	137	246	217	76	8
Bhutan	8	22	24	59	32
India	381	305	508	61	13
Iran	62	66	61	2	58
Maldives	8	5	8	7	30
Nepal	49	81	91	77	12
Pakistan	105	510	128	69	9
Sri Lanka	44	40	51	24	5

Source: Basic data are from the Global Monitoring Report 2011; latest available aid figures contained were for 2008.

Looking at Table 1, there are some surprising observations on the trends of ODA for education in the period 2002-2008. Asia-Pacific is so diverse and disparate. It is home to very big economies like China and India, both having joined the BRICS of emerging high-growth economies. China holds trillions of dollars of US debt, and both China and India are known to be donor countries to their smaller neighbours (China going as far as helping out African countries). In the region, there are also small landlocked and post-conflict states like Nepal, and small island states in the Pacific, in danger of disappearing in the oceans as the effects of climate change begin to be felt.

It is interesting to note that China is a recipient of ODA for education, with total aid for education doubling for China between the years 2002 (USD 447 million) and 2007 (USD 840 million) and tapering off in 2008. India, likewise, had been recipient of ODA for education. Disbursements of education ODA to India stayed almost at the same levels from 2002 to 2007 but suddenly jumped in 2008 by almost 70 per cent. Despite its recent economic strides, India is still grappling with huge education deficits, great disparities and high poverty incidence in such a densely populated country.

Countries that showed increasing allocations of ODA funds for education throughout this period include Indonesia, Lao PDR, Malaysia, Myanmar and Philippines among the ASEAN countries; China; and Afghanistan, Nepal and Pakistan among the South Asian countries.

Some countries receive much more education aid than others. In 2008, Indonesia received 7 times the ODA levels that Philippines received, and Vietnam received 6.5 times what Lao PDR received. In South Asia, Afghanistan, Pakistan, India, and Bangladesh are high education ODA recipient countries. But while ODA for education was on the increase from 2002 to 2007 to 2008 in Afghanistan, Pakistan suffered almost a 75 per cent decrease in just one year, from 2007 to 2008, plunging from USD 510 million to only USD 128 million. There was a dip in Bangladesh amounts in the same years, but not by much. It is also surprising to note that although Bangladesh was receiving much more ODA for education than any other South Asian country, except India and Afghanistan, the percentage share of education ODA in Bangladesh to their total ODA received was a measly 8 per cent in 2008. On the other hand, Nepal, which saw a doubling of its aid for education between 2002 and 2007, further received increasing ODA for education in 2008, which was 12 per cent of its total ODA.

When examining what proportion of total ODA is the share of ODA for education, the countries that received the biggest allocations for education sector were Iran (58 per cent), but only 2 per cent was for basic education; Bhutan (32 per cent); and Maldives (30 per cent), but also very low ODA allocation to basic education, at 7 per cent. Both China and Indonesia received 29 per cent ODA for education as a share in total ODA; but only 5 per cent of education ODA for China was for basic education, while a significant 58 per cent was for basic education in Indonesia. Aid for education in Lao PDR, Malaysia, Vanuatu and India ranged from 13 to 15 per cent of the total ODA disbursed to them.

These data on education aid as percentages of the total aid received by countries in the south still need to be considered together with data on governments' own domestic commitments on public education spending, and how much funds from both domestic and external sources actually go into basic education to cover the deficits in financing the EFA targets. Basic education, as defined by the OECD-DAC, includes not only primary education but also basic life skills for youth and adults, and early childhood education. Larger ODA amounts for education as against military aid, for example, would mean larger amounts also available for basic education when it is prioritized both by the donor and the recipient government. Because more and more sector-wide approaches (SWAs) are in place in sector planning and resourcing for education, it is only to be expected that such dialogues are taking place regarding what exactly to fund and therefore the resulting ODA agreements reflect the interplay of priorities by both parties.

PRIORITISING AID TO BASIC EDUCATION

Under the concept of lifelong learning, equitable access to quality upper secondary, tertiary, vocational and technical, and continuing adult education are all crucial for people's self-determination and empowerment, for building the human capital base for countries' sustainable development, and for creating a world worth living in. All merit investments in resources. In fact, it is often forgotten that Goal 4 of EFA calling for 50 per cent improvement in adult literacy goes on to add "and equitable access to basic *and continuing education for all adults*".

However, as the GMR 2011 put it, "functioning education systems cannot be built on the foundations of chronically underfinanced basic education". And for the more disadvantaged groups, it is basic education (early childhood education, primary education, relevant life skills and literacy for youth and adults) that they urgently need as a first step in escaping social, economic and other exclusions.

On average, 41 per cent of education aid worldwide is spent on basic education. The GMR estimates that if this is increased to 50 per cent, an additional USD 1.7 billion annually can be mobilized to finance Education for All.¹⁰ On average, only 1 per cent of education aid is spent on life skills and adult literacy.¹¹

Multilaterals organisations that focus on basic education include the World Bank's IDA,¹² the European Commission, the African Development Fund and UNICEF. Some 11 bilateral donors also direct about half or more of their education aid to basic education. These include the US, the Netherlands, UK, Canada, Sweden, Norway, Denmark, Ireland, Finland, Spain and Australia.

Some big donors prioritize higher education, among them Germany, France, and Japan.

In the case of Germany and France, well over half of what is counted as aid to education takes the form of imputed costs of students studying in domestic institutions. Whilst this is in accordance with DAC criteria, and whatever the benefits of these programmes, this is a form of aid that does little to close the financing gap in basic education in the poorest countries.¹³ There are hopeful signs of change with the German Ministry working on a new strategy on education in poor countries and its recent announcement to double aid for education in Africa.

There is narrow donor base for ODA on basic education. More than 62 per cent of basic education aid came from the six largest donors: EU, IDA (World Bank), Netherlands, Norway, UK and US.

¹⁰ EFA Global Monitoring Report 2011, page 110.

¹¹ OECD/DAC, 2010.

¹² The International Development Association (IDA) is the part of the World Bank that lends money (known as credits) on concessional terms. This means that IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period. IDA also provides grants to countries at risk of debt distress.

¹³ EFA Global Monitoring Report 2011, page 110

Basic education comprises about one-third of the total ODA for education in Asia. Countries receiving heftier portions for basic education are Indonesia, Myanmar, Papua New Guinea, Solomon Islands, Afghanistan, Bangladesh, Bhutan, India, Nepal and Pakistan. Close on their heels are Cambodia, Lao PDR, Philippines and Timor-Leste.

The issue of absorptive capacities by recipient governments is often posed as a reason for receiving lower aid levels than what may be actually needed. In Africa, there has been an increase in aid when all donors focused on Africa, but the absorption of aid is lower than what was pledged. Sometimes, the policy conditions of the country affect the absorptive capacity. In the Philippines, there are 12 ongoing education projects amounting to about 25 billion pesos (about USD 58 million), in which 70 per cent are loans. There is increasing ODA going into education, but the Department of Education is not ready to accept additional ODA even though there are shortages in classrooms and teachers. Its utilization rate of ODA is quite low compared to the scheduled utilization of funds. Tedious procurement processes; recurrent change of leadership during the past administration; and the change in national leadership also caused delays in implementation of ODA-funded projects. There is mutual responsibility by both donors and governments to build necessary capacity to develop systems.

THE EFA FAST TRACK INITIATIVE (FTI)

The Education for All Fast Track Initiative (FTI) is a global education partnership between donor and developing countries, which provides roughly USD 300 million annually in grant funding for national education strategies in low-income countries.¹⁴ When the FTI was launched in 2002, it embodied a new type of global compact between developing countries and aid donors to achieve universal primary completion by 2015. Developing countries were to put in place credible education sector plans to accelerate progress on EFA, with donors backing those efforts through increased, effective and predictable aid. The Mid Term Evaluation of the FTI in 2010 however suggested that, despite its potential, the FTI has fallen short of its ambitions on resource mobilisation and aid effectiveness, with limited mutual accountability, poor monitoring of the FTI “compact”, and insufficient links with national poverty reduction strategies (Cambridge Education et al., 2009).¹⁵

Another issue that needs to be examined in the performance of the FTI is its relationship with the World Bank. The World Bank was the the sole supervising entity for FTI operations and imposed World Bank IDA conditionalities on countries approved for FTI grant funding. This condition led to unacceptably long delays in disbursement, a situation which provoked the independent evaluation of the FTI in 2010.

The FTI was established to mobilise additional money to “top up” the aid countries received from bilateral and multilateral donors, including IDA (WB concessional window).

¹⁴ <http://resultsuk.wordpress.com/2011/02/08/appg-on-global-education-for-all-hears-from-head-of-key-education-funding-body/>.

¹⁵ “Mid Term Evaluation of the EFA Fast Track Initiative”, Draft Synthesis Report, Cambridge Education, Mokoro and Oxford Policy Management (2009), November. <http://www.odi.org.uk/resources/download/4755.pdf>

In 2010, a GCE-USA member released a study demonstrating that low-income countries that had been receiving IDA funding for education saw the IDA lending drop when the country was approved for FTI (grant) funding, thus disproving the additionality. Rather than being additional, it appeared that FTI funds are substituting for IDA funds, which in turn are drawn down in substitution for direct aid from donors, which is decreasing.¹⁶

It has also been a matter of concern that funds in the world's only international education financing body are nearly exhausted and threaten to reverse significant gains made in recent years.¹⁷ A campaign to replenish the FTI funds is currently underway.

EDUCATION FINANCING, POST-CRISIS

The International Monetary Fund says that most governments have been able to ring-fence their social sector budgets. But the EFA GMR 2011 asks whether “post-crisis governments’ spending plans reflect pre-crisis commitments for EFA” and if the “world’s poorest countries are being forced to either cut education spending or to maintain it at levels far below those required to achieve EFA goals”. In its preliminary scanning of 18 countries in 2009, they found 7 countries had made cuts and 3 had made no increases.

The problem is that the global financial crisis had exerted and is still exerting much fiscal pressures on donor countries themselves. In September 2010, the World Bank announced it would make USD 750 million additional funds available in IDA lending for education; this amount is 0.001 per cent of the financing gap. It is unclear how the total IDA pledge will be distributed with equity and strategy among the many countries seeking FTI financing for their education sectors, especially with many donors reducing aid for education in the aftermath of the global financial and economic crisis.

There are recent good developments,¹⁸ though, in the Asia-Pacific region. Japan committed to provide USD 3.5 billion to education in 2011-2015,¹⁹ and committed to increase contribution to FTI funds from USD 0.8 million to USD 3.5 million in 2011. However, the Japanese Government has accumulated fiscal debts of USD 39 trillion – and the amount is increasing year by year. Coupled with the recent disasters from the earthquake, tsunami and nuclear plant contamination, Japan could not afford to provide more foreign aid at the moment. Australia, which decreased its aid by 1.4 per cent in 2009, was planning to increase by 14.3 per cent in 2010 and is committed to doubling its aid budget to education with USD 5 billion between 2010 and 2015.²⁰ New Zealand, which decreased aid by 3.2 per cent in 2009, was planning to increase by 12.9 per cent in 2010. There is new emphasis on providing aid more flexibly to well-performing countries. There is also stronger focus on achieving measurable results.

¹⁶ Amy Gray, Presentation during the ASPBAE Regional Conference on Deepening the Civil Society Discourse on Public-Private Partnerships and Privatisation Issues in Education, April 5-6, 2011, Manila, Philippines.

¹⁷ <http://www.globalmarch.org/news/171110.php>.

¹⁸ Independent Review of Aid Effectiveness, 29 April 2011 http://www.usaid.gov/hottopics/topic.cfm?ID=872_6918_7937_5970_8092

¹⁹ Takafumi Miyake, Deputy Director General, Japan NGO Network for Education (JNNE), presentation on “Official Development Assistance (ODA) For Education and Aid Effectiveness” ASPBAE Regional Conference on Deepening the Civil Society Discourse on Public-Private Partnerships and Privatisation Issues in Education, April 5-6, 2011, Manila, Philippines.

²⁰ Global Monitoring Report 2011, page 119.

ADVOCACY ACTION POINTS ON THE QUANTITY AND ALLOCATION OF ODA

1. Prepare a step-up plan for reaching their fair share of the funding needed for EFA. Aid to basic education should double from USD 4 billion to USD 8 billion per year immediately, and increase incrementally to USD 16 billion per year by 2014.
2. Prioritize basic education including adult literacy and ECCE with indicative standards. At least 15 per cent of ODA should be allocated to education; with at least 60 per cent of this allocated to basic education. This was recommended at the EFA High Level Group Meeting in 2008 but was not adopted then.
3. Donors should end the practice of reporting imputed student costs and aid to overseas territories into total aid to education figures.
4. There should be better targeting for aid to basic education. About 52 per cent of illiterates in the world live in South and West Asia, but the aid to basic education they receive is only 35 per cent of all aid to basic education. Donors should target aid to countries facing the greatest challenges, including those suffering war and conflict, and where girls are most severely disadvantaged. Criteria for aid allocation should not be based on the population size of the recipient countries only. Other criteria to be considered might include education development needs/priorities, country performance, level of education poverty, and country commitment.
5. There should be more alignment of the needs of the poorest conflict-affected and post-conflict countries with development assistance for education, rather than aid being influenced solely by geopolitical and security considerations.
6. Reduce the gap between ODA pledges and commitment.
7. Revise and improve the funding criteria for education ODA to be more inclusive, results oriented and needs based.=
8. Ensure ODA financing addresses both the access of marginalized groups and the improvement of the quality of education.
9. Issues on the absorptive capacity of governments for ODA for education needs to be addressed by building the capacity of government staff and project and programme planners, and welcoming strong inputs and support from civil society and other multi-stakeholders.

THE QUALITY OF ODA DELIVERY AND AID EFFECTIVENESS

The Paris Declaration on Aid Effectiveness was adopted in 2005 and CSOs have been at the forefront of the advocacy for more quality aid. The five principles to improve quality of aid are:²¹

1. Ownership

Partner countries should exercise effective leadership over their development policies, and strategies and co-ordinate development actions. They must translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets. On the other

²¹ <http://www.oecd.org/dataoecd/11/41/34428351.pdf> for baselines; OECD-DAC 2008, as cited in EFA GMR 2011, for rest of data.

hand, donors should respect the partner country leadership and help strengthen their capacity to exercise it.

One performance criteria to see if there is progress in this aid effectiveness principle is that more partner countries should have operational development strategies in place. The target is that at least 75 per cent of them do.

2. Alignment

Donors should base their overall support on partner countries' national development strategies, institutions and procedures.

Some of the indicators include:

- a. Use of country's own procurement systems (baseline of 39 per cent in 2005, targeted at 80 per cent by 2010)
- b. Use of country's own public financial management system with baseline of 40 per cent in 2005 and targeting 80 per cent by 2010
- c. Untying aid: from a baseline of 75 per cent untied aid in 2005 and continuously progressing over time (no specific target). In 2007, it stood at 88 per cent. Untying 10 per cent of aid and allowing governments to make their own procurement decisions could increase the value of aid by 15 per cent to 30 per cent.
- d. Predictability: from a baseline of 41 per cent in 2005, it progressed to 46 per cent in 2007 and is targeted at 71 per cent of aid being more predictable (which could add another 8 per cent to 20 per cent in value for money)
- e. Targeted 50 per cent of technical assistance coordinated by 2010 (This has actually been surpassed already at 60 per cent in 2007.)

3. Harmonisation

Donors should implement common arrangements and simplify procedures. Excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs. One target is for joint donor missions to reach 40 per cent by 2010 (from a low baseline of only 18 per cent in 2005) and that 66 per cent of country analytic studies should be done jointly by 2010 (from 42 per cent in 2005).

4. Managing for Results

Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making.

One performance criteria is to reduce by one third the number of countries without transparent and monitorable performance assessment frameworks.

5. Mutual Accountability

Donors and partners are accountable for development results. All partner countries should have mutual assessment reviews in place of the progress in implementing agreed aid effectiveness commitments.

Of the targets on aid effectiveness performance criteria, there was significant progress in untying aid to 88 per cent in 2007. The target on technical assistance being more aligned and coordinated has been surpassed at 60 per cent in the same year.

In the other aid effectiveness targets, much efforts still need to be made by the donor community. In only a little more than half of ODA do donors use the partner country's own financial management systems and procurement systems, perhaps because of lingering skepticism of their efficiency and integrity. The level of coordinated mechanisms for aid delivery was only about 47 per cent in 2007 and the level of predictable aid at 46 per cent as against the 2010 targets of 66 per cent and 71 per cent respectively. While the target was that 40 per cent of donor missions should be coordinated by 2010, only half of that were joint missions in 2007.²²

ADVOCACY ACTION POINTS ON THE QUALITY OF AID TO BASIC EDUCATION

1. Aid to basic education should move from project support to more programme/sector support. In 2007, about 47 per cent of aid to basic education was already through programme sector support. The target is to reach 66 per cent by 2010.
2. Donors should make aid available for the core running costs of education – teachers, books and schools. About 90 per cent of the budget for education of low-income countries are recurrent expenditures. Technical cooperation in basic education ODA is too much (35 per cent in 2008), considering huge financing gaps in recurrent costs and other needed policy reforms to address the EFA deficits. Budget support should be increased; in 2008 it was only 2 per cent. This can be done by promoting sector/programme support.
3. Donors should contribute more to the EFA Fast Track Initiative to fill up the fund's shortfall, as this is the major global funding mechanism on EFA. It is undergoing reforms; and whereas before it provided funding for primary education only, it has now broadened its mandate to cover the whole EFA agenda, including financing for adult literacy which is still part of basic education.
4. Reducing the transactions cost, including costs in monitoring and reporting. For example in 2005, 18 countries had to deal with at least 12 donors for basic education alone. In 2007 Niger hosted 600 donor missions, of which less than 100 were joint.

In summary, ODA for Education should be more, better and faster with focus on basic education, targeting countries facing the greatest challenges. It should expand support to recurrent expenditure. Education is not consumption but investment for growth and poverty reduction.

²² EFA Global Monitoring Report 2011, page 111.

THE INVESTMENT NEEDED – NOT TOO IMPOSSIBLE

Considering that it is now only four and a half years until the EFA deadline of 2015, the urgency to accelerate the achievement of the goals should be reaching a crescendo. How difficult is it to keep the promises made in 2000 in Dakar and in 2005 in Gleneagles²³ to bankroll our dreams of Education for All? We are forced to think critically when we consider that the USD 20 billion that Wall Street bankers collected in bonuses in 2009 was more than what the world's forty-six poorest countries spent on basic education. The EFA Global Monitoring Report's best estimate in 2009 of humanitarian aid for education amounts to USD 149 million, which is only around 2 per cent of total humanitarian aid. And the annual financing gap to achieve EFA at USD 16 billion is equivalent to only 2 per cent of the bank rescue effort in the US and UK – or 6 days of military spending in the world.

However, increasing aid alone is not enough to improve education outcomes. There are factors other than aid that can contribute to improving education outcomes, such as government commitment, policies, system and capacity.

²³ Pledges by the G8 in Gleneagles Summit and the EC amounted to USD 50 billion (2004 prices) increase by 2010.

SYNTHESIS: **ODA FOR EDUCATION IN ASIA AND THE PACIFIC**

ROJA ESTRELITA SALVADOR MANZANA



This chapter is a synthesis of the studies on the nature and impact of Official Development Assistance (ODA) for education in nine countries in Asia and the Pacific: Pakistan, Philippines, Bangladesh, Cambodia, India, Nepal, Vanuatu, Solomon Islands and Papua New Guinea.

Also described are the extent and impact of the education aid programs delivered specifically by the Australian Agency for International Development (AusAID) and New Zealand's International Aid and Development Agency (NZAID) to Papua New Guinea, the Solomon Islands and Vanuatu.

LEVEL OF DEPENDENCY ON ODA

Except for India, all Asian countries that were studied are heavily dependent on ODA to finance development needs.

Foreign aid has been a major source of financing for **Nepal's** development activities. Domestic resources are not enough to meet recurrent expenditure and principal debt payment obligations. Since 1998, local revenue has been financing 97 per cent of the total recurrent and principal debt payment obligations. Hence, Nepal has had to completely rely on foreign aid in order to meet resources for development expenditures.

Yet, the country's absorptive capacity has been perpetually low. On average, less than three-fifths (58.5 per cent) of the committed foreign aid was actually disbursed by donors to the Nepal government in the period 1975-1976 to 2001-2002. The trend slightly improved over time and during the periods 2001-2002 and 2007-2008 when, on average, Nepal received 64.55 per cent of the committed aid.

Meanwhile, **Pakistan** is a low income country facing serious law and order problems, high levels of illiteracy, limited access to health services and poverty. To address low domestic savings and the public sector resource gap, Pakistan has been augmenting resources through external sources from multilateral and bilateral donors.

The country has been receiving a significant amount of ODA over the years: in 1999, Pakistan was meeting 6.5 per cent of government expenditures through aid; and this percentage had increased to 10.2 in 2004. Yet, a very high percentage of ODA is meant for infrastructure development projects, while social development or human development sectors are not prioritised.

Likewise, **Bangladesh** is a less developed country where 40 per cent of the population are living below the poverty line and where per capita income is only USD 520. ODA, representing 10 per cent of the national budget, plays a vital role in financing development programs and projects of the government. The actual commitment for aid in Bangladesh is USD 56,639 million. It ranks 38th among 76 countries in terms of aid commitment under the International Development Association (IDA) Resource Allocation Index.

Cambodia has a fairly high dependence on development assistance, with a share of ODA in GNI close to 10 per cent in 2008.¹ This does not yet include China's contribution (as a non-OECD country), which reportedly became Cambodia's largest donor in that year. The projected ODA contribution relative to total public expenditures for 2008 is USD 888 million. However, there was already a 75 per cent increase seen in the ODA support provided by China from 2006 to 2007, which is primarily geared towards the development of the infrastructure sector.

The Royal Government of Cambodia (RGC) has shown strong commitment to the Aid Effectiveness Agenda. Cambodia was a pilot country for the efforts leading to the 2003 Rome Declaration and 2005 Paris Declaration and subsequent monitoring. The RGC has been actively participating in the work of the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD-DAC) on harmonisation and alignment issues since 1999. It was a part of successive surveys that informed the two Declarations and helped develop “good practice guidelines”.

For the **Philippines**, remittances from overseas contract workers have had more significant impact on funds flows into the country than ODA. For instance, per capita remittances are about 20 times larger than ODA per capita.² The loan and grant component of total ODA for the Philippines has remained relatively stable throughout the years. ODA loans run from 83 to 87 per cent of total ODA, while grants constitute about 13-16 per cent of the total. For 2001-2006, however, share of grants increased slightly.

Among the countries studied, **India** is the only one that is not dependent on external aid for gross capital formation. In January 2006, the Government of India revised its guidelines for external assistance. It emphasized the cut on external aid and self-reliance in expenditure plans. At present, the role of external assistance is to support financing for major infrastructure projects, social development projects and building institutional capacity.

The Indian Government aims to become an assistance provider by 2015. It has already started providing aid to some countries like Afghanistan and Nepal. It also extended relief to the United States during disasters.

ODA in the Pacific was assessed in terms of Australia and New Zealand's support to Papua New Guinea, Solomon Islands and Vanuatu.

In **Papua New Guinea (PNG)**, Australia is the largest development partner by far, providing 80 per cent of PNG's net annual aid. This amounted to one-sixth of PNG's total government spending. Meanwhile, New Zealand's aid programme is explicitly linked to PNG's development priorities. The largest donors in PNG are AusAID and the European Union.

In **Vanuatu**, Australia's education aid is a modest and declining proportion of total official development assistance to Vanuatu. It declined from 18.76 per cent in 2001-2002 to 9.13 per cent in 2003-2004. Meanwhile, education aid is the largest component of NZAID's Vanuatu country aid programme (representing 52 per cent of the programme).

¹ http://www.un.org/en/development/desa/policy/mdg_gap/mdg_gap2010/mdggap_cambodia_casestudy.pdf.

² Gilles Carbonnier, Pavel Chakraborty, and Emmanuel Dalle Mulle, Asian and African Development Trajectories Revisiting Facts and Figures, accessed at <http://poldev.revues.org/682>.

For **Solomon Islands**, Australia's overall assistance has increased dramatically in recent years – from AUD 40.5 million (USD 20.8 million) in 2001-2002 to AUD 246.9 million (USD 183 million) in 2005-2006. Likewise, New Zealand's development assistance to the Solomon Islands has increased from NZD 7.1 million (USD 2.95 million) in 2001-2002 to NZD 16.1 million (USD 11.5 million) in 2004-2005.

FINANCING EDUCATION

International benchmarks set the desirable level of education expenditure at 6 per cent of GDP and 20 per cent of total public expenditure.

In Asia, most Governments have been allocating insufficient funds to education. Worse, even as ODA have been entering the countries, the governments' share on education expenditure has been declining. With this trend, it may be safe to conclude that the entry of ODA for education seems to have the effect of diminishing the government's political will to invest in and prioritise education.

Meanwhile, in the Pacific, education is getting significant share in funds from the national government coffers. Considerable amount of aid for the sector are pouring into the country as well. Yet, PNG, Solomon Islands and Vanuatu are still not getting ahead in terms of reaching education targets. Moreover, there is serious lack of transparency on how the government allocates and manages public funds.

TABLE 1: TRENDS IN EDUCATION BUDGETING

COUNTRY	EDUCATION BUDGET AS % OF TOTAL BUDGET / GDP		TRENDS	
Nepal	16.51	of total budget (FY 2008)	↑ ↑↓	Increased from 10.00 % during the 1970s to over 15.90 % during the last one decade Increased / decreased from 15.82% in 2003; 16.19% in 2004; 16.71% in 2005; 17.32% in 2006; 16.01% in 2007
Bangladesh	15.84	of total budget (FY 2008)	↓	Decreased from 17.61% (FY 2007-2008) to 15.84% (FY 2008-2009)
Pakistan	2.00	of GDP (FY 2004)	↓	Decline from 3.00% of gross domestic product (GDP) in 1990 to 2.00% percent in 2004.
Cambodia	18.10	of total budget (FY 2008)	↓	Decline from 18.30% in 2003; 19.50% in 2004; 18.50% in 2005; 18.30% in 2006; 19.20% in 2007
India	3.40	of GDP (FY 2004)	↓	Decline from <4.00% in 1989 to steady decline to >4.00% in 1990s
Philippines	11.20	of total budget (FY 2010)	↓	Decline from 11.90% in 2009 and 12.20% in 2008; and high of 16.00% in 1990s
THE PACIFIC				
Solomon Islands	22.0	of discretionary budget (FY 2005)	?	Almost no information on the budget for education
Papua New Guinea	3.10	of GNP (FY 1998)	?	Almost no information on the budget for education
Vanuatu	28.50	of total budget (FY 2002)	↑	Increase from 20.70% in 1998

In **Nepal**, education continues to be the largest absorber of public funds. For fiscal year (FY) 2008-2009, 16.51 per cent of the total planned expenditure for the fiscal year was allotted to the education sector. The spending on education as a ratio of total public expenditure has also increased from 10 per cent during the 1970s to over 15.9 per cent during the last one decade.

Likewise, education remains the largest absorber of public expenditure within the social sector. It received almost half of the total expenditure for social services: at 44.4 per cent in 1974-1975; 47.5 per cent in 1994-1995; 52.9 per cent in 2001-2002; and almost 53 per cent in 2005-2006. However, this has declined in the recent years despite the fact that total allocation and expenditure for education has been growing over the years.

Meanwhile, in the Peoples' Republic of **Bangladesh**, the government has maintained its tradition of allocating the highest amount to education in the national budget. Unfortunately, the amount is still far behind the requirement. In the national budget for FY 2008-2009, public expenditure for education sector was 4.92 per cent higher than the revised budget of FY 2007-2008. Yet, share of education went down from 17.61 per cent to 15.84 per cent.

In **Pakistan**, the education sector has never received the required resources even though the Constitution recognises primary education as a right which the state must ensure within the limitations of its resources. In fact, the resource allocation for the sector has declined from 3 per cent of gross domestic product (GDP) in 1990 to 2 per cent in 2004.

Moreover, one of the major problems with education sector financing is that the allocated amounts, especially for development projects, are not efficiently utilised. These resource constraints contribute in a significant way to the overall literacy rate of the country remaining just a little over 50 per cent.

Meanwhile, education is seen by the Royal Government of **Cambodia** as one of the top national priority sectors for country development. RGC has allocated 18.1 per cent of its national budget for education in 2008. Development partners also continue to provide strong financial support to promote the education sector in Cambodia.

In **India**, the external aid programme directly resulted to reduced domestic efforts to finance primary education.

The total plan expenditure of the union government on elementary education was increasing at a real rate of growth of 30.1 per cent per annum in 1985-1986 when the National Policy on Education 1986 was formulated; and in 1992-1993, which was the year before aid commenced for education in India.

When aid poured into the elementary education sector in 1993-1994 and 2004-2005, the increase in growth rate on the government allocation for elementary education became 18.5 per cent. At the same time, the increase in growth rate of the union government's plan expenditure on total education became 11.8 per cent. Meanwhile, the annual growth rate of external aid for elementary education was increasing by 22.6 per cent in real prices.

After the National Policy on Education 1986, there was an increase in the share of education in gross national product (GNP) to more than 4 per cent by 1989–1990. But with the flow of external aid to primary education in the 1990s, the expenditure on education started declining steadily to less than 4 per cent.

As Sadgopal (2004, p. 51) stated: “Clearly, the political will to mobilise resources for elementary education weakened following the entry of external aid.” While two assistance agreements were signed for the SSA in 2004 – World Bank loan of Rs 4,710 crores (nearly USD 1,000 million) and 240 million euros grant from the European Union – the share of education in GDP in 2004–2005 was further reduced to 3.5 per cent. This was below the level attained in 1985–1986!

Meanwhile, the **Philippines** is way off target in its goal of achieving Education for All by 2015. The National Statistics Coordination Board (NSCB) stated that the country was far from achieving the EFA goals by 2015 given the drop in net enrolment rate. Meanwhile, the National Economic Development Authority (NEDA), in its mid-term review of the MDGs, noted that education is the most threatened among the MDG targets. One study estimates the financing gap for education in the country is at PhP 348.9 billion in 2007–2015. For 2008, the gap is estimated at PhP 36 billion (USD 896 million).

UNESCO’s monitoring report placed the Philippines among the lowest spenders in Asia and among developing countries. In 1997, national expenditure on basic education was 3.2 per cent of the GDP). This went down to 2.5 per cent in 2001 and to 2.1 per cent in 2005. The proposed budget for the entire education sector for 2010 is expected to drop further from the estimated 2.36 per cent of GDP for 2009.

The share of basic education in the national budget has been shrinking over the years. By 2007, the allocation for basic education was down to only 11.9 per cent of the national budget from a high of 16 per cent in the late 1990s. For 2008, the government allocated PhP149 billion (USD 3.7 billion) for basic education which represents 12.2 per cent of the national budget. The share of DepEd (Department of Education) in the total budget for 2010 dips further to just 11.2 per cent compared to the previous year’s 11.9 per cent. This represents a consistent decline in the budget share of basic education in the total budget pie.³

In **Solomon Islands**, the government has identified education as a key component of its economic recovery and reform programme. To guide its education reforms, the government came up with its Education Strategic Plan 2002–2004. It described the existing education system as being “seen by many as being unconnected and antagonistic to the social and cultural values on which Solomon Islands communities and society is based”.

There is almost no information publicly available on education budgeting in the Solomon Islands. At the commencement of the Education Sector Investment and

³ Alternative Budget Proposals for Education 2009 and 2010. Social Watch Philippines, E-net Philippines, Alternative Budget Initiative, 2010.

Reform Program (ESIRP), the Solomon Islands Government affirmed its intention to maintain support for education at 22 per cent of its discretionary budget.

In **Papua New Guinea**, about 97 per cent of the development budget is donor funded. The Department of Education Annual Report identifies education funds allocated by the national government to provincial governments, but there is no transparency on how provincial governments manage and account for those allocations.

Provincial budget estimates are unreliable as a means to assess the overall expenditure on primary education and the realisation of EFA. Monies are easily moved to meet urgently perceived needs by provincial politicians. Nonetheless, figures for 1997 and 1998 indicate that some 2.9 per cent and 3.1 per cent of GNP respectively was expended on primary education.⁴

Meanwhile, in **Vanuatu**, the EFA National Plan of Action reports that Vanuatu Government expenditure on education excluding the contribution of donors represents around 7 per cent of the GDP. Education Department statistics indicate that the education sector has consumed an increasing proportion of the government's national budget in recent years, rising from 20.7 per cent in 1998 to 28.5 per cent in 2002.

The latest figures from the Global Monitoring Report 2011 register a rise on education financing efforts of Nepal and Pakistan for the period 1999-2008, with Nepal increasing its education spending as a share of GNP by nearly one percentage point. By contrast, India reduced education spending as a share of GNP from 4.5 per cent in 1999 to 3.2 per cent in 2008.

It was also observed that the period from 1999 to 2008 was marked by high economic growth. The rate at which growth was converted into increased education spending varied across countries. In Nepal, Pakistan, Cambodia and Vanuatu, real growth in education spending had been higher than rates of economic growth. However, Bangladesh, India and the Philippines converted a smaller share of the growth premium into education financing. In India, real spending on education increased by an average of 1.9 per cent annually between 1999 and 2008, while economic growth averaged 6.9 per cent a year. In the Philippines, real spending on education increased by 0.2 per cent annually while the economy grew, on average, by 5 per cent a year between 1999 and 2008 (Regional Report for South and West Asia, East Asia and the Pacific, GMR 2011).

ODA FOR EDUCATION

This section provides an overview of how education is financed by ODA, as reported in the country studies in the next chapters.

⁴ The EFA 2000 Assessment: Country Reports. World Education Forum (2004). UNESCO. http://www.unesco.org/education/wef/countryreports/papua_new_guinea/rapport_1.html.

TABLE 2: ODA FOR EDUCATION

COUNTRY	EDUCATION ODA AS % OF TOTAL AID	EDUC. ODA AS % OF TOTAL EDUCATION BUDGET	EDUCATION ODA PRIORITY
Nepal	24.90 (2006-07)	27.00 (2008) ↑ Increasing trend from 23.00 in 2000	Primary/Basic Education
Bangladesh	19.22 (2006-2007)	18.00 (1990) ↓ Decline of about USD 2 billion in 2005	Infrastructure development (education sector)
Pakistan	9.00	**	Basic education
Cambodia	14.00 (2008)	888 million	Primary education
India	<20.00 (2001) ↓ Declining trend over the latter years	<30.00 (2001) ↑ Increasing trend from 10% in 1993 until India decided to stop accepting ODA in 2003	Primary education
Philippines	3.90 (2005)	1.80 (ave. 1992-2005)	Maintenance and operating expenditures

In **Cambodia**, the education budget from development partners in 2008 is estimated to be over USD 888 million. In terms of the reliability of the Public Financial Management (PFM) systems, the FTI (Fast Track Initiative) Survey 2008 reported that only 6 per cent of aid flowing to the education sector use national PFM systems. This is below the overall country rate of 14 per cent. In the education sector, only the European Commission (EC) provides direct budget support, transferring funds to the national treasury and using the government's financial management systems and procedures.

In **Pakistan**, a small percentage of the total ODA is allocated for the education sector. Major focus of ODA remains on infrastructure development and other sectors. In 2008, total education ODA (USD 241 million constituted about 7 per cent of public expenditures for education (Rp 282 billion or about USD 3.5 billion)⁵.

The ODA for education disbursed in 2008 was considerably less than that of the year 2007. The reasons for the serious fluctuations in the disbursement of funds for the sector includes lack of long term commitment by donors; conclusion of an ongoing project but delays in the start up of the next one; and challenges faced in implementation that result in delays in disbursement.

Most of the ODA disbursed were meant for primary and basic education, higher education or miscellaneous projects included under the category "Others". In 2007, about 74 per cent of the total ODA was disbursed for the category titled as 'others'. Other main categories involved 13.7 per cent of total aid for primary and basic education and 7 per cent for higher education. In 2008, 51 per cent of total ODA for education was disbursed for primary and basic education, 31.8 per cent for the category "Others" and 10 per cent for higher education.

Adult education, special education, secondary education and vocational education are not the priority.

The Government of **India**, for four and a half decades since its independence, never sought external assistance for education. Likewise, quite a few international aid organisations were eager to enter into the primary education scene in India since the mid-1980s.

⁵ <http://www.pildat.org/Publications/publication/EFA/FinancingQualityBasicEducationforAllinPakistan-BriefingPaper.pdf>.

The 1989 foreign exchange crisis followed by the adoption of structural adjustment policies, which was regarded as “a necessary evil”, changed the whole situation. For the first time, the primary education sector was rather reluctantly opened to enthusiastic external aid organisations on a large scale.

Foreign assistance came pouring in once India started taking aid for primary education. Starting with a meagre Rs 37 crores (approximately USD 11.8 million) in 1993-1994, the total external aid for primary education projects in the country increased steadily to Rs 1,285 crores (about USD 275 million) by 2002-2003. The proportion of aid to the total union government’s plan expenditure on education increased from below 5 per cent in 1993-1994 to above 20 per cent by 2001-2002.

More importantly, as a proportion of the union government’s plan expenditure on elementary education, aid increased from about 10 per cent in 1993-1994 to more than 35 per cent in 2001–2002. These were indeed high proportions for a developing country like India. It could give an impression that the aid was very substantial and that elementary education critically depended on external aid. Yet relative to the total education budget in India – of the union and state governments together – foreign aid seemed to be insignificant.

The Government of India decided in 2003 to discontinue taking bilateral development assistance from small agencies other than the United Kingdom, European Union, United States and the Russian Federation. The government wanted to reduce reliance on foreign aid for education and to bring all national and international projects on elementary education under the banner of the *Sarva Shiksha Abhiyan* (SSA) project of the government.

In **Nepal**, about 24.9 per cent of foreign aid went to education in the years 2001-2002 to 2006-2007. Sector-wise, education continued to be the major absorber of ODA, followed by local development and health. During the last five years (2003-2008), Nepal received Rs 26 billion (about USD 325 million) ODA for the education sector. On average, foreign aid contributes Rs 4 billion (around USD 57 million) for education.

Meanwhile, the share of foreign financing in the total expenditure for education has been constantly growing over the years. Foreign aid used to contribute around 23 per cent of the total education budget in 2000-2001. This figure has gone up to almost 27 per cent in the budget for the current fiscal year.

However, based on experiences during previous years, the actual disbursement of foreign aid to finance education remained far less than the allocated budget and the volume of aid provided by the donors. The actual utilization during the fiscal years 2000-2001 to 2004-2005 remained Rs 12.91 billion (around USD 147 million) against the budgetary allotment of Rs 16.57 billion (around USD 237 million). This amount was almost 80 per cent of the budgetary allocation.

In the **Philippines**, government is not directly dependent on foreign funds for financing education in the country. Historically, ODA as a source of funding for government expenditure on education has been small. From the period 1992-2005, share of ODA funds to total government allocation for education averaged only 1.8 per cent of the total.

The budget for foreign-assisted projects of the Department of Education is almost equally divided between maintenance and other operating expenditures (MOOE) and capital outlays.

As of December 2005, ODA commitments to the education sector stood at USD 394 million, or about 3.9 per cent of the total commitments. Yet, it has relatively lower utilization rates compared to its cohorts in the social sector, the health and general social services sector. It only used up 38.95 per cent of the committed ODA funds for the sector from 2002 to 2005, compared to 76.30 per cent and 61.13 per cent utilization rate of the health and general social services sector, respectively. Despite low utilization rates, the education sub sector enjoys the highest available ODA funds in its category, with an average of USD 391.55 million from 2002 to 2005.

In **Bangladesh**, the education sector receives the highest ODA disbursement. In FY 2006-2007, 19.22 per cent of total disbursed ODA in Bangladesh were utilized for the education and religion sectors.⁶ Over the period 1990-1999, foreign donors' share has been 18 per cent of the total expenditure on primary and mass education.

Yet, stipend or scholarship projects received neither grants nor loans. Donors were more interested in infrastructure development.

In 2005, there was severe decline in commitments in the range of USD 2 billion. This negated the commitments of development partners to increase support to education.

THE PACIFIC

The study on education aid in the Pacific highlighted the support of New Zealand to PNG, Vanuatu and Solomon Islands.

TABLE 3: PACIFIC DONOR-COUNTRY SUPPORT TO EDUCATION

	AUSAID % OF ODA FOR EDUCATION	NZAID % OF ODA FOR EDUCATION
PNG	14.00 (2004)	36.00
Solomon Islands	0.61 (2002)	78.00
Vanuatu	9.13 (2002)	52.00

In **PNG**, in 2004, 97 per cent of the development budget for the National Education Department was derived from grants from overseas donors. The major sources of funding are AusAID and the European Union.

Australia is PNG's largest development partner, providing 80 per cent of PNG's net annual aid. This amounts to one-sixth of PNG's total government spending. About 14 per cent of AusAID's country programme assistance to PNG is committed to the education sector, with 55 per cent of education sector aid being directed to basic education.

⁶ This is a case peculiar in Bangladesh where religion and education are put under one budget head. It does not necessarily mean that the allocations go only to madrassas (the Islamic education institutions), as it can be allocated to other religion-related expenses (e.g. from mosque maintenance to funding the ministry related to religion).

Meanwhile, about 36 per cent of New Zealand's aid to PNG is education related. Yet, its total aid to PNG decreased by 19 per cent in the period 1999-2000 to 2003-2004. Teachers' salaries are the largest ongoing cost item in the national government's recurrent education budget. Funds for teachers' salaries are appropriated through the national government's budget and transferred to provincial governments for payment.

In **Solomon Islands**, the proportion of Australia's assistance directed towards education has declined from 0.89 per cent in 2001-2002 to 0.61 per cent in 2002-2003. The only source of education sector assistance is Community Support Program, which funds small-scale, community-based infrastructure and capacity-building projects.

Meanwhile, education is the principal focus of New Zealand's development assistance, with 78 per cent of its overall assistance being education related. New Zealand provides a substantial level of support (along with the European Union) for the Education Sector Investment and Reform Program (ESIRP).

In **Vanuatu**, the Australia-Vanuatu Joint Development Cooperation Strategy reflects Vanuatu's general education improvement priorities. Yet, it does not specifically refer to the EFA goals, the MDGs or Vanuatu's EFA National Plan of Action.

Meanwhile, education aid is the largest component of NZAID's Vanuatu country aid programme. It represents 52 per cent of the programme. Still, it is only a modest amount of NZD 3.27 million in a total programme of USD 6.3 million.

IMPACTS AND CHALLENGES

The different country studies all point to the need for external aid to help these countries achieve the Education for All targets and the education-related Millennium Development Goals (MDGs).

Yet, tied aid and conditionalities caused cuts in the budget for education, hampered the government's capacity to bridge financing gaps, and served as impediments in the implementation of education programs. Meanwhile, loans, instead of grants, for education only cause indebtedness to the already debt-laden countries.

CONDITIONALITIES

Donors tie aid to protect and prioritise their own interests. Tying aid increases the support of the recipient government to the donor country through contracts that allows purchase of goods and services or hiring of consultants solely from the donor country and other forms of support. The effect is aid that is more costly and less effective. It reduces competition for services so that donors do not always use the least cost provider. A study revealed that tying aid added 15-20 per cent to the costs of the programs or projects, thus significantly reducing its impact on recipient countries.

In **India**, the stabilization policies and structural adjustment policies that accompanied

the loans from the World Bank and the International Monetary Fund (IMF) caused serious cuts in the budget for education, particularly primary education

Meanwhile, an in-depth study conducted in **Nepal** in 2006 revealed that donors' unrealistic conditions have greatly limited the capacity of aid receiving countries to tap internal sources in order to mobilise funds for crucial social sectors like education and health. For example, despite Nepal's capacity to bridge the financing gap of around Rs 12 billion (about USD 171 million) through internal sources, the country cannot do so due to "too rigid" conditionalities put forwarded by the multilateral donor agencies like the International Monetary Fund (IMF).

In **Pakistan**, delays in disbursements happen when the conditions, especially the ones that are unrealistic or arbitrary, are not fully met or complied with.

In **Bangladesh**, tied education aid is a big problem: almost 93 per cent of project costs of the Complementary Sector Reform Project (CSR) project, funded by CIDA (Canadian International Development Agency), are tied (in the form of payment to international consultants, etc.).

DECREASE IN GRANT ELEMENTS

A major issue on education ODA is the increase in loans and decrease in grant components of aid. This has caused indebtedness to the recipient countries. At present countries are pressing for donors to provide education aid as grants instead of loans. In particular, grants should be more than 50 per cent of the total ODA. For the education sector, we are seeing different scenarios in different countries with ODA for education in grant form increasing in some countries in recent years while the opposite is true in others. There is also marked diversity among the multilaterals and bilateral in whether they provide more education aid in grants or in loans for different partner countries.

In the **Philippines**, ODA funded projects in the education and manpower sector are mainly coursed through the Department of Education, Department of Labor through the Technical Education and Skills Development Authority (TESDA) and state universities and colleges (SUCs). In 2007, five of the ODA for education disbursed were provided as loans while six were provided as grants. The loans came from the ADB, the IBRD (International Bank for Reconstruction and Development), the JBRC (Jamaica Business Resource Center), DANIDA (Danish International Development Agency) and Austria; while the grants came from JICA, AusAID and Spain. The loans were amounting to billions of Philippine pesos while grants were amounting to millions of Philippine pesos.

In **Bangladesh**, the share of grants has been decreasing steadily over the past few decades. The share of grants which was 89 per cent in 1971-1973 decreased to only 31.9 per cent in 2005-2006. The declining volume of grants resulted in a larger share of loans in the total aid package.

For the education sector, only three ODA-funded projects received all or partial grants while all other aid financings are loans. Also, share of grant elements has recently declined from around 80 per cent to around 10 per cent.

In **India**, World Bank aid was largely composed of loans; while much of the assistance from UNICEF (United Nations Children's Fund), the UNDP (United Nations Development Programme), non-financial institutions and many bilateral sources came in the form of grants. Only one-fourth of the total assistance received from World Bank that was received through the International Development Association (IDA) need not be paid.

In **Cambodia**, The Development Cooperation Management strategy stipulates that "at this stage of development of Cambodia, the Royal Government of Cambodia places a high priority on securing financing of development programmes/projects through grant aid from its development partners. The use of loans shall be made only in those cases where it has been established that resources from grant aid are not available and that the proposed programme/project will contribute to investments that will accelerate economic growth."

In **Nepal**, grant arrangements used to dominate until 1982-1983. However, the loan component of the total foreign aid gradually increased over the years. It reached its peak in 1998-1999 when over 73 per cent of the foreign aid received by Nepal was in the form of loans.

The composition of foreign aid coming into Nepal witnessed a remarkable change after the fiscal year 2002-2003. Since then, the proportion of grants has been increasing with the subsequent decline in the loan component. Of the total Rs 34.06 billion (USD 532 million) worth of foreign aid that Nepal received in the fiscal year 2007-2008, Rs 22.74 billion (USD 355 million) were in the form of grants.

For education, the World Bank remained the largest donor in 2003. Of this amount, Rs 7.81 billion (USD 100 million) was in the form of grants while Rs 4.10 billion (USD 52.5 million) was in the form of loans. Of the 18 ODA-funded education projects from 2003 to 2008, four were loans and the rest were grants. The loans were provided by the World Bank and the ADB. The grants were provided by bilateral donors.

In **Pakistan**, much of the ODA are in the form of loans – about 80 per cent in the period 1999 to 2008. This partly explains why Pakistan is increasingly becoming a heavily indebted country. During the late 1990s, Pakistan was already facing severe difficulties in meeting its external liabilities including debt servicing.

However, for the education sector, there is a marked difference, especially in recent years. The total ODA disbursed for the years 2007 and 2008 was USD 652 million. The share of loans in the ODA for the education sector was 35.4 per cent, as compared to 64.6 per cent provided as grants. All bilateral donors provided assistance in the form of grants; while multilateral institutions – i.e. the WB (World Bank), the ADB (Asian Development Bank) and the IDB (Islamic Development Bank) – disbursed assistance in the form of loans.

Looking at the actual amounts disbursed, in 2007, USD 203 million of ODA for education were grants while USD 208 million were loans. There was a dramatic change in 2008 when grants amounted to USD 217 million while only USD 23 million were loans.

EDUCATION ODA EFFECTIVENESS

In the studies on **Solomon Islands** and **Papua New Guinea**, the conclusion was that “aid has not had the impact in the Pacific region that it should have had” and that “is it not safe to assume that aid will always have a positive impact”.

It was observed that more aid funding – especially in the area of social services – is not necessarily the answer: “public spending on health and education in many Pacific countries is at par or above that for countries at the same level of development” and many countries, including the Solomon Islands, spend “more than half of their aid funds on social sectors”. Factors other than the amount of aid clearly have a significant impact: “indeed, where governance is poor, the impact of public spending on basic educational outcomes is almost zero”.

For **Papua New Guinea**, the general view is that donor assistance has helped double, over the last ten years, the number of children enrolled in PNG schools. Specifically, 4,200 elementary schools, which provide instruction in more than 200 languages, have been established throughout the country; more equal access to learning for boys and girls has been promoted; and revised, more relevant, primary and lower secondary school curricula have been developed.

However, donor assistance has also produced some unintended consequences: (1) the “milestone”-driven nature of project activity and limited timeframes can be counterproductive to local ownership, participation and capacity building; (2) there is a sense of too much happening, too quickly; and (3) aid projects can be too narrowly focussed, taking insufficient account of broader contexts and opportunities for better coordination.

Meanwhile, in **Vanuatu**, the Australia-Vanuatu Joint Development Cooperation Strategy suggests that Australia’s education aid has resulted in “enhanced educational opportunities following concerted efforts to strengthen the quality of teaching and facilities at a number of institutions”, but that, too often, the benefits of the aid programme were “lost in the years following activity completion”.

In **Pakistan**, ODA is needed to meet the resource gap in education, but it also seems to be creating the problem of indebtedness.

Moreover, there is lack of transparency in relation to ODA – its total size, sector-wise distribution, commitments vs. disbursements and utilization. Neither the government nor the donors have established a transparent system to allow ODA monitoring.

Participation of local civil society or other stakeholders is either non-existent or ineffective. Efforts are made to consult stakeholders on upfront country assistance strategies, Poverty Reduction Strategy Paper, Medium Term Development Framework, National Sectoral Policies, and Annual Development Plans, but “such consultations are generally superficial”.

Meanwhile, in **Bangladesh**, donors are not financing adequately and are discouraging the Government to seek greater assistance by imposing more conditions at the policy level.

Moreover, need assessments are not made accurately in identifying the targeted beneficiaries of ODA-funded education projects. In many cases, classrooms are being constructed where there is no need for additional classrooms; more teachers are being appointed in urban areas when there is severe lack of teachers in the rural areas. In effect, there are many schools with classrooms but no teachers.

In the **Philippines**, issues arising from a case study on Japan ODA Education Projects in Central Mindanao reflected the challenges to education aid projects across the country. For instance: (1) though there are initiatives for constructions of additional classrooms/buildings for learning, but there seems to be lacking of “teaching items” for qualified teachers at the localities; (2) teaching and learning materials are lacking; and (3) engagement in provision of learning facilities is an upright move, but there seems to be lack of programs/projects focusing on school age children/youths that have no opportunities or access to education.

In **Cambodia** in 2005, the government’s budget underestimated the actual aid flows by a margin of 21 per cent (USD 314 million on budget vs. USD 397 million disbursed). In 2007, again, the government budget estimate of aid flows fell short of the actual disbursements by 15 per cent (USD 522 million on budget vs. USD 612 million disbursed). These miscalculations suggest that there are problems associated with the timely and accurate notification from development partners, as well as with government’s processing and management of aid.

In **Nepal**, the government has not been able to address the donors’ demand to improve its own implementing capacity. Many donors have emphasised that “Nepal is poor, not due to lack of resources, but due to extremely weak capacity to implement its programs”. This is mainly caused by cumbersome bureaucracy and long decision-making processes, lack of local ownership, corruption and political instability.

Finally, in **India**, the United Progressive Alliance (UPA) issued a resolution to cut external aid due to conditionalities and hidden costs.

In his budget speech in February 2003, the Union Finance Minister announced that the government would be discontinuing its government-to-government development cooperation with all but six bilateral donors: the DFID (Department for International Development), the European Commission, Germany, Japan, the USAID (United States Agency for International Development) and the Russian Federation. However, the donors are welcome to continue their cooperation by channelling their funding/assistance through non-government organisations (NGOs) and multilateral agencies.

The justifications given by the government for introducing the new ODA guidelines were: (1) to reduce government’s transaction costs in processing bilateral aid; (2) to encourage direct access of bilateral donors to NGOs / civil society organisations (CSOs) for faster transaction and movement of funds for meaningful and cost effective initiatives; and (3) direct bilateral-NGO and multilateral interactions could lead to innovative initiatives, exploratory projects and new ideas for government upscaling.

A SUMMARY OF THE RECOMMENDATIONS MADE BY CIVIL SOCIETY IN THE CASE STUDIES ON ODA FOR EDUCATION

1. More aid for education, particularly basic education

There is a need to substantially increase ODA for the education sector. Specifically, the donors should make good on their pledges and commitments, despite the global financial and economic crisis. (Pakistan, Nepal, Cambodia and the Pacific)

While ODA goes up, governments must also show commitment to increased budgetary allocations for education from its own sources, and for external aid to be more of an “additionality” to the planned public expenditure for education – not to substitute for it. (Pakistan and India) A strong political will can make it possible to cut the nation’s reliance on foreign aid for basic education. (India)

The share of grants in the ODA, especially for the education sector, should be bigger (Pakistan CSOs recommends more than 50 per cent), so that aid in the form of loans do not exacerbate the highly indebted situation of countries. (Pakistan) It is also worrisome that technical assistance which used to be funded by grants is now being funded by loans. (Bangladesh)

The causes of the gap between ODA commitments and disbursements need to be effectively addressed. (Pakistan, Bangladesh and Nepal)

Currently many creditor countries actively use debt swaps (not to be confused with SWAPs, or sector-wide approaches) as a scheme to improve their levels of ODA. Debt swaps must be additional to ODA funding and not an instrument of inflating ODA figures through a simple accounting operation. The amount swapped must be additional to the national budget to ensure that swap investments are on top of already budgeted financing for the education sector. To guarantee greater additionality, swaps must be as concessional as possible. The swaps for education must be integrated into the national education plan and with the proper involvement of education ministry. (Pakistan)

2. Making Aid more Effective

The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action reforms should be pursued in full spirit. (All countries in the case studies)

Donors should develop their policy framework on education aid, which should strongly reflect the EFA goals, the education-related MDGs and regional education priorities. (the Pacific)

The existing strategic country and education policy frameworks should serve as a common reference point. An excessively technical and detailed approach may serve as a drag; clearer political directives may accelerate progress. (Cambodia)

Effective mechanisms need to be established for efficient implementation of ODA supported projects and programs. (Pakistan) Linkages among central government agencies are critical to consolidating achievements. (Cambodia) If the country goes for aid, the launching of an umbrella programme to coordinate the programmes of the various aid organisations is important. (India)

Associating aid with enhanced capacity development in the context of reform may provide the basis of future aid programming. (Cambodia) The result of aid programmes in (1) strengthening of decentralised mechanisms of planning, particularly district planning; and (2) capacity building at local levels, must be capitalised on, for more coherence, and should not result in fragmentation of national policy planning at different levels. (India)

Donors must ensure that they are paying for outcomes and not just inputs. This makes aid more effective. (Pakistan) Sector programmes should focus on concrete activities to establish the plan-resource-activity-results linkage. Overcoming “fatigue” and achieving results require sharpening of priorities. (Cambodia) Country strategy plans of donors should include specific focus on achieving quality outcomes, not just quantity targets. (the Pacific)

The donors should take more context-based discretion in the allocation of aid funds to policy leaders. In rural areas, improving roads or transportation system might increase access more than building more schools. Donors must not narrowly direct their aid programme and a more broad-based and coherent consultation should be part of planning. (Pakistan) Needs assessments need to be made more accurately in identifying the targeted beneficiaries of a project. In many cases, ODA-funded infrastructure projects were biased towards rural areas where sometimes additional classrooms were not needed. Meanwhile, teachers’ appointments and postings showed the opposite direction – they are biased towards urban areas. As a consequence, there are many schools with classrooms but without teachers and/or students; and on the other hand, there are schools without adequate sitting arrangements. (Bangladesh) There is need to focus, not only on the delivery of hard components of education (learning facilities), but also on soft components such as access to and quality of education, provision of learning materials and training of teaching professionals at the grassroots. Projects involving trainings should first target the teachers in the teaching fields before focusing on district supervisors. (Philippines)

Project based lending/financing has been replaced by policy based lending and, as a consequence, there are more conditions imposed by donors. It must be assessed which kind of lending – policy based or project based – is better for the country. (Bangladesh)

Conditional/tied aid remains an impediment to development. (Bangladesh) A country like Nepal might have the capacity to bridge the financing gap through internal sources in a bigger way, but is unable to do so due to “too rigid” conditionalities put forwarded by the multilateral donor agencies like the IMF, which had stipulated in the Poverty Reduction and Growth Facilities (PRGF) that the net domestic financing to bridge the budget deficit should be less than 1 per cent of the GDP. This should be reviewed. There should be less use of expensive international firms, contractors and consultants, and equipment from the donor’s home country which have led to large transaction costs for development aid and to a large chunk of the aid going back to the donor country. The practice of donors supporting their ailing industries at home and ‘dumping’ equipment and technologies that they want to replace with the newest ones should be stopped. Foreign-aided projects should hire more local professionals in the partner countries, who are available and can do the work more effectively and efficiently. (Nepal)

Aid needs to be made more predictable to be more useful for education planning. All mechanisms for financing development, including SWAps, should follow the criteria of predictability and sustainability. Hiring thousands of new teachers when funds might dry up after three years or so is a risky proposition. (Pakistan)

3. Recognising the important role of civil society, monitoring and evaluation

Donors need to maximise opportunities for dialogues, not only with partner governments, but also with relevant civil society groups, especially those involved in education for all advocacy and monitoring. Donors need to hear firsthand knowledge from the ground and the issues related to ODA and ODA-funded projects. (Pakistan)

A broader group of stakeholders, including the National Assembly (or Parliament or Congress in other countries) and civil society, must engage as the process matures. (Cambodia)

In view of serious challenges related to corruption, government and donors must ensure transparency in all education related matters, especially by disclosing all the relevant information to the public. Civil society organisations have an important role as watchdogs. (Pakistan) The public is too often not aware of ODA-funded development projects undertaken by the government. Project documents are not well disseminated. Stakeholders at the grassroots are not allowed to acquire copies of the project documents. (Bangladesh) CSOs should advocate for more frequent reporting of official aid expenditure at the activity level and be in a form that relates clearly to material published in the budget papers and in the donor's annual reports. (the Pacific)

Although acclaimed by implementing agencies, it is widely believed and claimed by civil society that genuine participation of target sectors and beneficiaries is absent in formulation of national plans (e.g. PRSP, NPA-II, etc.). (Bangladesh) There is a need to map out in the ODA-funded projects the concrete interventions for education that civil society groups can play and their expected contribution in the outcomes. (Philippines)

People are not aware whether the ODA programs and specific projects respond to the key issues and urgent development needs of the country. (Bangladesh) There must be more information dissemination about new aid delivery contracts awarded each year (categorised by sector and including individual project descriptions, contractor names, contract values and information about the proportion of project funding spent in-country as opposed to being spent in the home country of the contractor). (Pacific)

Donors must invest in independent and rigorous evaluation of programmes. These studies are necessary to answer questions about what works in education and how a given programme can be improved. In part, because of the lack of hard evidence, aid is notoriously driven by 'fads'. (Pakistan)

Looking forward, it is important to note that new sources of financing are likely to have considerable impact on the financing profile of particular countries. It is therefore recommended to look at how to manage increased diversity in funding sources. For example, rapid funding increases from China and the Republic of Korea have been realised in Cambodia, as well as new cooperation agreements with Qatar and Kuwait, concluded in early 2008. (Cambodia)

A POLICY SCAN OF ODA IN THE EDUCATION SECTOR: **BANGLADESH**

SHAIKH MUHAMMED SHAHID UDDIN ESKANDER,
CAMPAIGN FOR POPULAR EDUCATION (CAMPE)



SECTION I: INTRODUCTION

Foreign aid is the transfer of capital, goods or services from one country to another. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) has defined foreign aid (or foreign assistance) as financial flows, technical assistance, and commodities that are:

1. Designed to promote economic development and welfare as their main objective (thus excluding aid for military and other non-development purposes); and
2. Provided as either grants or subsidized loans.

It has emerged as a more sophisticated instrument of foreign policy after World War II in the form of assistance to war-ravaged countries and newly freed colonies. Several international organisations were created to facilitate the aid distribution and programs (e.g. United Nations Relief and Rehabilitation Administration).

Aid is of two types: concessional and non-concessional. Grants and subsidized loans are referred to as *concessional financing*, whereas loans that carry market or near-market terms (and therefore are not foreign aid) are *non-concessional financing*. According to the DAC, a loan is counted as aid if it has a “grant element” of 25 per cent or more, meaning that the present value of the loan must be at least 25 per cent below the present value of a comparable loan at market interest rates. The market interest rates are usually assumed by the DAC – rather arbitrarily – to be 10 per cent with no grace period. Thus, the grant element is zero for a loan carrying a 10 per cent interest rate, 100 per cent for an outright grant, and something in-between for other loans.

The DAC classifies aid flows into three broad categories:

1. **Official development assistance (ODA)** is the largest. It consists of aid provided by donor governments to low- and middle-income countries.
2. **Official assistance (OA)** is aid provided by governments to richer countries with per capita incomes higher than approximately USD 9,000 (e.g. Bahamas, Cyprus, Israel and Singapore) and to countries that were formerly part of the Soviet Union or its satellites.
3. **Private voluntary assistance** includes grants from non-government organisations (NGOs), religious groups, charities, foundations and private companies.

Official Development Assistance, although representing only about 10 per cent of the national budget, is playing a vital role in financing development programs and projects of the Government of Bangladesh (GoB). Being a signatory of the Millennium Development Goals (MDGs) and the Education for All (EFA), Bangladesh is committed to meet the targets of EFA. But for a developing or less developed country like Bangladesh, where 40 per cent of the population lives below the poverty line and where per capita income is only USD 520, the government usually faces budget constraints. In addition, donors’ disbursements often diverge from commitments and utilisation of ODA is questionable. Effectiveness and harmonisation of aid are other issues of concern of related stakeholders.

Donors repeatedly promise to devote 0.7 per cent of their income as aid, but only a handful of small donors achieved this level. The United States of America (USA) is the largest donor in terms of dollar amount.¹ Yet, in terms of “aid as a share of donor income”, it is one of the smallest donors at about 0.17 per cent of the US income in 2004. The most generous donors are Norway, Denmark, Luxembourg, the Netherlands and Sweden, each of which provided between 0.79 and 0.92 per cent of the gross domestic product (GDP) in 2004.

Meanwhile, 150 countries and territories around the world received aid in 2004. Iraq and Afghanistan together received nearly USD 7 billion. These amounts are unprecedented for two countries and account for about 7.5 per cent of the global total.

This short study aims to scan the policies of ODA in Bangladesh education sector. The issues will be covered in the following sections:

1. **Country ODA profile:** trends of ODA, ODA by donor, nature of ODA, tied aid, allocation of aid and stakeholder participation.
2. **ODA in education sector:** budget requirements to achieve EFA, effectiveness of ODA driven education projects.
3. **Policy issues:** tied aid, transparency, participation, prioritization, corruption, obstacle to development.
4. **Case study of a project:** a brief case study of Primary Education Development Program-II (PEDP-II).

ODA trends are showing reversal from social sectors to infrastructure in recent days. Bangladesh, when seeking for further scopes of ODA receipts, faces competition with other Least Developed Countries (LDCs) which has increased in number due to the breakup of former Soviet Union and the recent independence of some countries. Also, donor countries revised their aid commitments due to economic downturns.

Still, the change in trends and competition are not the only reasons behind the inadequate fiscal spaces Bangladesh is facing now. Donor countries, in general, never reached their commitment of donating 0.70 per cent of their GDP, and the amount falls somewhere around 0.30 per cent. Over the decade 1990-2000, the percentage of GDP given as aid by industrial governments fell from 0.33 per cent to 0.22 per cent – a far cry from the agreed target of 0.70 per cent. This was accompanied by a fall in the share of scarce ODA to the LDCs. The share of the LDCs in total ODA has fallen from 32 per cent in 1990 to 24.7 per cent in 2000. According to the *Human Development Report 2003*, per capita ODA in 2001 stood at USD 9.7 in developing countries, USD 19.8 in LDCs and \$7.3 in Bangladesh. Ironically, annual per capita government subsidy for a cow in Europe, according to one World Bank (WB) estimate, is about USD 730.

Education is recognised as a basic human right by the Constitution of the People's Republic of Bangladesh. The Government of Bangladesh has prepared the second Poverty Reduction Strategy Paper (PRSP) in order to provide guidelines to the achievement

¹ In 2004, the U.S. provided USD19.7 billion in ODA, with Japan, France, the United Kingdom and Germany as the next largest donors (including OA, the U.S. provided a total of USD 21.3 billion).

of MDGs in time. Moreover, the fiscal space assessment of EFA has been made in the National Plan of Action II (NPA-II).

The GoB has maintained its tradition of allocating the highest amount to education in the national budget, but the amount is still far behind the requirement. Thus, the government required a smooth flow of untied external financing (i.e. ODA) in order to finance the deficit. Unfortunately, the donors are not delivering on their promises, and rampant corruption made it simply impossible to maximise ODA.

This study depends entirely on secondary data including various reports of the GoB, OECD, the World Bank, the United Nations Development Programme (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and others. In addition, studies on the Bangladesh education sector conducted by ActionAid International Bangladesh contributed to assembling related information and issues. Research papers from the Centre for Policy Dialogue (CPD) and Bangladesh Institute of Development Studies (BIDS) were also cited.

This paper is structured in six intertwined sections, including the introduction. Section 2 provides a brief overview of ODA trends in Bangladesh. Section 3 presents the situation of the education sector in Bangladesh. Section 4 provides a discussion on the relevant policies to achieve EFA and its ODA linkages. Section 5 presents a case study of largest primary education project named PEDP-II in Bangladesh. Finally, section six contains the summary and conclusions.

SECTION II: COUNTRY ODA POLICY SCAN

ODA TRENDS IN BANGLADESH

Since its independence, Bangladesh has received USD 46,457 million in aid. The actual commitment for aid in Bangladesh is USD 56,639 million. It ranks thirty-eighth among 76 countries in terms of aid commitment under the International Development Association (IDA) Resource Allocation Index.

Table 2.1 presents data on aid flows (commitments and disbursements) into Bangladesh. It can be seen that disbursement as a percentage of commitment ranges from 53 to 164 per cent. The highest percentage was recorded in fiscal year (FY) 2001-2002 (164.05 per cent). It could be noted that the lowest aid commitment – at USD 879 only – was also made during this fiscal year.

In other cases, except for FY 2005-2006, the percentages were well behind the 100 per cent mark. This is an indication of Bangladesh's failure to collect, or donors' failure to disburse, the committed aid.

Bangladesh

TABLE 2.1: COMMITMENT AND DISBURSEMENT OF FOREIGN AID (IN MILLION USD)

YEAR	COMMITMENT	DISBURSEMENT	COMMITMENT AS % OF DISBURSEMENT	TOTAL COMMITMENT SINCE 1972	TOTAL DISBURSEMENT SINCE 1972
2000-01	2,053	1,369	66.68	45,672	37,706
2001-02	879	1,442	164.05	46,951	39,156
2002-03	1,693	1,585	93.62	48,644	40,741
2003-04	1,923	1,033	53.72	50,567	41,774
2004-05	1,581	1,488	94.12	52,148	43,262
2005-06	1,787	1,568	87.74	53,935	44,830
2006-07 ^R	1,436	1,166		55,371	45,996
2007-08 ^P	2,730	2,039		58,101	48,035

Source: Bangladesh Bank, <http://www.bangladesh-bank.org/econdata/debtserv.html>.

During FY 1972-1973 to FY 2006-2007, a total of USD 5,664 billion of foreign assistance was committed of which about USD 46.46 billion of aid was disbursed. About 44.43 per cent of aid disbursed were grants and 55.57 per cent were loans. Aid was received from both multilateral and bilateral sources. The multilateral sources included the World Bank, the Asian Development Bank, the United Nations Development Programme and other UN organisations. The bilateral donors included individual countries.

In terms of cumulative disbursement, Bangladesh received the highest amount of bilateral aid from Japan followed by the USA.

Meanwhile, the International Development Association (IDA) is the largest donor among multilateral development institutions followed by the Asian Development Bank. IDA contributed 32.27 per cent of the total aid disbursed between FY 2001 and FY 2006, followed by ADB, which contributed 14.95 per cent over the corresponding period. Japan's contribution during that period was 11.81 per cent, followed by the United Kingdom (UK) at 5.27 per cent. However, from FY 2004, the UK has been the largest bilateral donor to Bangladesh.

TABLE 2.2: BILATERAL VS. MULTILATERAL SOURCE ODA (IN MILLION USD)

FY	BILATERAL	MULTILATERAL	OTHERS	TOTAL	% OF TOTAL		
					BILATERAL	MULTILATERAL	OTHERS
1996-1997	675.11	737.3	68.83	1,481.24	45.58	49.78	4.65
1997-1998	435.11	739.11	77.17	1,251.39	34.77	59.06	6.17
1998-1999	556.01	883.25	96.81	1,536.07	36.20	57.50	6.30
1999-2000	707.50	768.12	112.35	1,587.97	44.55	48.37	7.08
2000-2001	587.59	653.95	127.26	1,368.80	42.93	47.78	9.30
2001-2002	444.34	706.61	291.28	1,442.23	30.81	48.99	20.20
2002-2003	481.22	875.42	228.39	1,585.03	30.36	55.23	14.41
2003-2004	333.33	501.26	198.87	1,033.46	32.25	48.50	19.24
2004-2005	215.46	1041.76	250.13	1,507.35	14.29	69.11	16.59
2005-2006	319.16	1126.86	121.62	1,567.64	20.36	71.88	7.76
2006-2007	378.06	1197.02	0.00	1,630.58	23.19	73.41	0.00

Bangladesh is not aid dependent. Its ODA accounted for only 1.5 per cent of its GDP. It earned more from remittances per annum, which accounted for 5 per cent of its GDP in the late 1990s and rose to an estimate of USD 6 billion. Also, net Foreign Direct Investments in 2004 totalled USD 456 billion, which increased by 72 per cent from the previous year.

DYNAMICS OF AID COMPOSITIONS

There has been a significant change in the composition of aid to Bangladesh over the years. The share of grants has been decreasing steadily over the past few decades. The share of grants, which was 89 per cent in 1971-1973, decreased to only 31.9 per cent in 2005-2006. The declining volume of grants resulted in a larger share of loans in the total aid package.

TABLE 2.3: SHARE OF GRANTS IN TOTAL AID (IN PERCENTAGE TERMS)

YEAR	GRANT AS A SHARE OF TOTAL AID PACKAGE
1971/1973	89.0
1979/1980	53.2
1984/1985	55.4
2005/2006	31.9

Source: ERD, Ministry of Finance, 2007.

Bilateral aid has shown a declining trend, while multilateral aid has increased positively over the years. Bilateral aid that was 75.4 per cent of total aid in 1973-1978 has declined to about 43.8 per cent in 2004-2005. Multilateral aid, on the other hand, has grown from 24.6 per cent to about 56.2 per cent in 2004-2005. The flow of food aid and commodity aid has shown a declining trend. The project aid has increased sharply from 1.3 per cent of total aid in 1971-1972 to 93.8 per cent in 2005-2006.

TABLE 2.4: CATEGORIES OF ODA (IN PERCENTAGE TERMS)

YEAR	FOOD AID AS PERCENTAGE OF TOTAL AID	COMMODITY AID AS PERCENTAGE OF TOTAL AID	PROJECT AID AS PERCENTAGE OF TOTAL AID
1971/1972	47.9	50.8	1.3
1977/1978	21.3	45.6	33.0
1984/1985	19.5	34.0	46.5
1989/1990	10.4	25.2	64.4
1994/1995	7.9	19.1	73.0
1999/2000	9.0	17.8	73.2
2005/2006	6.2	0.0	93.8

Source: ERD, Ministry of Finance, 2007.

As the ratio of grants in the total aid has been declining with respect to both commitment and disbursement, the aid flow is contributing to mounting external indebtedness. The total public sector external debt has increased from USD 973.8 million in 1974-1975 to

about USD 19.42 billion in 2005-2006. The total debt service payments have increased considerably in the past. The increasing external debt along with expiry of grace periods and unfavourable exchange rate movements has resulted in increased external debt service.

TABLE 2.5: FOREIGN DEBT SERVICE

YEAR	FOREIGN DEBT SERVICE (USD)
1990-1991	317.2
1991-1992	336.6
1992-1993	374.4
1993-1994	402.2
1994-1995	467.9
1995-1996	469.2
1996-1997	463.2
1997-1998	443.9
1998-1999	538.9
1999-2000	619.1
2000-2001	596.6
2001-2002	586.3
2002-2003	608.0
2003-2004	588.7
2004-2005	655.3
2005-2006	678.1

Source: ERD, Ministry of Finance, 2007.

Per capita debt obligation of the country has risen from USD 6.59 in 1973-1974 to USD 139.91 in 2005-2006. The reduction of the share of the grants in aid package and the rise in the volume of external borrowing has contributed to the increasing growth of per capita debt obligation.

AID EFFECTIVENESS, HARMONIZATION AND TIED AID

The share of aid that is untied is an important development indicator. It is one of the indicators associated with measuring progress on the MDGs as well as on the Paris Declaration on Aid Effectiveness. The share of total ODA that is presently untied is estimated at 42 per cent.

On the basis of data covering 90 per cent of aid, the 2006 survey reported that 82 per cent of aid provided by members of the OECD's Development Assistance Committee to Bangladesh was untied. The average level of untying for the countries participating in the 2006 survey was 75 per cent. The Paris Declaration 2010 target is for continued progress over time with untying. The most recent data, covering 94 per cent of aid provided to Bangladesh by members of the OECD-DAC, showed that progress has been made, and that 93 per cent of aid is untied.

The country report noted that a number of different efforts have been made to reduce tying. This includes re-examining internal rules relating to the bidding process; moving gradually towards local bidding; conducting surveys on international bidding and the related costs; and involving the programme-based approach through delegated cooperation.

SECTORAL AND GEOGRAPHICAL ALLOCATION OF ODA IN BANGLADESH

Education sector receives highest ODA disbursement in Bangladesh. Table 2.6 represents data which show that in FY 2006-2007, 19.22 per cent of total disbursed ODA in Bangladesh were utilized for the education and religion sectors.

TABLE 2.6: FOREIGN ASSISTANCE DISBURSEMENT BY ECONOMIC SECTOR (IN CRORE TAKAS)

FY	EDUCATION AND RELIGION	TOTAL	%
1997-1998	368.08	3,552.69	10.36
1998-1999	434.46	4,598.65	9.45
1999-2000	482.71	5,629.91	8.57
2000-2001	545.59	5,792.37	9.42
2001-2002	532.61	5,501.27	9.68
2002-2003	657.18	5,147.98	12.77
2003-2004	414.08	5,622.07	7.37
2004-2005	467.21	5,608.72	8.33
2005-2006	1,041.77	6,254.62	16.66
2006-2007	1,192.99	6,207.81	19.22

It remains a mystery to everyone why education is tagged with the religion sector. CPD (2008) has commented that this sort of arrangement might result in under-allocation in education alone because of some hidden allocations for the religion sector. This issue requires consideration from all relevant stakeholders; and GoB should clarify its stand on this issue.

STAKEHOLDER PARTICIPATION AND CONSULTATION

PRSP, which is meant to be prepared to facilitate and guide the achievement of MDGs in time, is supposed to allow civil society to participate in its preparation. But the inclusion of representatives was not beyond question as civil society members, including a Cabinet Minister, denied to own the first PRSP (in 2005). However, limited consultations had been made by concerned ministries. Also, the priorities were placed on social sectors including education in the second PRSP (2008).

When assessing fiscal spaces, Bangladesh faces deficits to finance its development projects. The donors do not deliver on their commitments. They even do not fulfil their commitment of disbursing 0.70 per cent of their GDP as aid. Also, increase in the

number of recipient countries as well as recent economic downturns in donor economies made ODA more competitive and scarce. In addition, donors are now more interested in loans rather than grants and food aids. In addition, the preference for financing projects rather than policies is increasing over decades.

Recently OECD has untied loans of 39 mostly indebted countries which do not include Bangladesh. Donors, although not tying conditions directly, forced Bangladesh to revise its economic policies. Bangladesh was bound to sign Poverty Reduction and Growth Facility (PRGF) to receive a loan from the International Monetary Fund (IMF); and in the face civil society movement, the GoB finally denied signing Policy Support Instruments (PSI) for further conditional loans from the same entity. Even the IMF offers frequent policy recommendations to Bangladesh including increasing the openness of market, exchange rate regime, etc., which are not always consistent with the well-being of the Bangladesh economy.

POLITICAL ECONOMY OF FOREIGN AID

SUPPLY SIDE: WHY DONORS GIVE AID

Political considerations. Donors have a variety of motivations for providing aid, and they are not always directly related to economic development. Foreign policy and political relationships are the most important determinants of aid flows. Both the USA and the Soviet Union used aid to strive for the support of developing countries during the Cold War.² As another example, Taiwan and China used aid in trying to gain support and recognition for their governments from global communities. Apart from these, many donors provided significant aid to their former colonies to retain some political influence (Alesina and Dollar 2000).

Economic rationale. The most rational motive for aid is to fight poverty and inequity, although this might be less important than political considerations when donors decide on allocations. Still it plays an important role as donors generally provide aid to the poorest countries.

Moreover, the objectives of fighting poverty and inequity are explicit in a number of aid programs. For example, the World Bank's concessional financing wing, the International Development Association, has an income ceiling at USD 965 per capita in 2004. In most cases, countries that reached this ceiling are not given concessional IDA loans. Rather, they are given non-concessional International Bank for Reconstruction and Development (IBRD) loans. Other programs have less formal ceilings, but still tend to provide less aid as incomes grow.

Population and size of aid. Country size matters as well in aid allocations. Countries with huge population (e.g. Bangladesh, Indonesia, Nigeria and Pakistan) received relatively small amounts of per capita aid, even though they have higher incidence of

² The two largest recipients of US foreign aid (including both OA and ODA) from 1980 until very recently were Israel and Egypt. Iraq became the largest aid recipient in the world since the beginning of 2002.

absolute poverty. By contrast, some small countries received huge amounts of aid mainly due to political reasons. Donors usually want to influence as many countries as possible, which results in higher aid incidence in smaller countries.

Ties of aid. Aid might be tied with some direct or indirect conditions to favour the interests of donors. Multilateral aid is less prone to these pressures in comparison to bilateral aid, although not completely immune.

Ties of aid can be in the form of purchasing certain goods and services from the donor country, or to support some specific purposes of donors. For example, in most cases, automobiles, airline tickets and consulting services for programs financed by US foreign aid must be purchased from US firms. Tying aid can increase the political support of the government of the donor country, but it could make aid more costly and less effective. If funds are bound to be spent in the donor country, it reduces competition for services so that donors do not always use the least cost provider.

A study revealed that tying aid added 15-20 per cent to the costs of the programs or projects, thus significantly reducing its impact on recipient countries. The USA ties 75 per cent of its aid. Greece ties about 70 per cent of its aid, while Canada and Austria tie more than 40 per cent.

Meanwhile, Ireland, Norway and the UK do not tie any of their aid.

DEMAND SIDE: WHY RECIPIENTS RECEIVE AID

To finance development projects. The basic motivation of receiving aid is to finance ongoing or proposed development projects under the supervision of government or its agencies. War-ravaged as well as poor countries are the main recipients of aid. For Bangladesh, financing government development projects is the main reason behind receiving aid.

Growth dynamics. Although debated, it is widely believed that aid can enhance economic growth and overall development of a country. In fact, proper utilization of aid and planning of aid-driven projects are vital in realising the inherent motive of development. This motive is apparently true for Bangladesh; but it is far from achieving its desired level of development mainly due to the misuse of aid.

Corruption. Corruption can be another reason behind demanding and receiving aid. Flow of aid opens up the scope of “making money” to politicians, government officials and other related stakeholders. This reason, by practice, is true for Bangladesh.

Budget deficit. Countries like Bangladesh very often faces budget deficit. To address the deficit, the country seeks help from bilateral or multilateral sources through loans, grants or aid.

CONDITIONS FOR LOAN: CASE OF BANGLADESH

In 2007, the World Bank announced an aid of USD 100 million for the development of secondary education in Bangladesh. This will also have impact on the continuation and enhancement of projects targeting the development of primary education.

Before this, the main issue related to aid was the “biblical commitment” made by the GoB by signing the Poverty Reduction Growth Facility (PRGF) of the International Monetary Fund. The PRGF is IMF’s concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 per cent and are payable for over 10 years with a 5 1/2-year grace period for principal payments.

The IMF approved a three-year PRGF arrangement for Bangladesh in June 2003 with a total lending commitment of USD 493 million. The PRGF lending commitment was later increased by an additional USD 75 million in accordance with the IMF’s Trade Integration Mechanism (TIM). This was done to help Bangladesh overcome the impact of the removal of the multi-fibre arrangement (MFA) quotas at the end of 2004.

The IMF executive board has completed four reviews of Bangladesh’s economic performance under the PRGF arrangement involving a disbursement of a total of USD 409 million (October 2006). The IMF’s PRGF arrangement was extended up to June 2007. After the completion of the PRGF, the IMF offered the PSI programme to Bangladesh. This programme, being refused all over the world, was not welcomed in Bangladesh and was not signed by the GoB.

The IMF imposed a number of conditions for taking fiscal measures for each instalment of the loan. The chief of the IMF delegation, in a media briefing on the conclusion of the Bangladesh visit, said that the IMF board will release the fund if the government “continues to implement policies aimed at macroeconomic stability and advances key reforms” particularly with respect to revenue mobilisation and reforms of nationalised commercial banks (NCBs).

In a memorandum on economic and financial policy, the government, however, committed to introduce an automatic fuel pricing formula to reduce huge losses that the Bangladesh Petroleum Corporation (BPC) incurs by importing petroleum at higher prices and selling it at lower prices in the domestic market.

Other conditions having impact on the education sector are ceiling of budget deficit, conditions to implement pay-scale and reduction of the rate of inflation.

FUTURE DIRECTIONS/INTENTIONS OF THE DONOR COMMUNITY

At the Gleneagles G8 and the UN Millennium+5 Summits in 2005, donors committed to increase their aid. The pledges made at these summits, combined with other commitments, implied increasing aid from USD 80 billion in 2004 to USD 130 billion in 2010 (at constant 2004 prices). While a few countries have slightly reduced their targets since 2005, the majority of these commitments remain in force. According

to OECD (2008), ODA has only risen at half the rate required to meet the original targets. Overall, most donors are not on track to meet their commitments to scale up aid; hence, they will need to make unprecedented increases to meet their 2010 targets.

The OECD has completed the first comprehensive survey of donors' future spending plans for 2010 and the results will be published early in May 2010. While the findings are still to be finalised, the preliminary conclusion that emerged is that donors have programmed about an additional USD 11 billion into their planned annual spending by 2010, on top of the extra US\$5 billion for country programs that they delivered in 2005.

This shows that efforts to increase aid are being factored into some donors' plans. Yet, it still leaves about US\$34 billion in 2004 – about USD 38 billion based on 2007 exchange rate – to be programmed into the donors' budgets if the commitments made in 2005 to substantially increase aid by 2010 are to be fully met.

SECTION III: ODA IN THE BANGLADESH EDUCATION SECTOR

FISCAL SPACE ASSESSMENT OF EFA AGAINST CURRENT EDUCATION BUDGET

To meet the EFA and education-related MDG targets, detailed cost estimates for universal primary education (UPE) component and summary indicative cost for non-formal education (NFE) component have been prepared within the framework of NPA-II. Table 3.1 provides an overview of the total cost estimate for meeting all targets over the NPA-II period.

TABLE 3.1: TOTAL COST ESTIMATES FOR NPA-II FOR BOTH UNIVERSAL PRIMARY EDUCATION AND LITERACY AND NON-FORMAL EDUCATION (2003-2015)

PHASES	FORMAL PRIMARY EDUCATION		NON-FORMAL EDUCATION	
	REVENUE	DEVELOPMENT	REVENUE	DEVELOPMENT
	THOUSAND TAKAS			
Phase 1 (2003-2004)	212.12	64,202,737.66	47.77	804,266.00
Phase 2 (2005-2010)	746.15	158,360,927.99	168.06	133,436,605.00
Phase 3 (2010-2015)	1,201.66	180,968,580.42	270.63	91,969,299.00
Total	2,159.93	403,532,246.07	486.46	226,210,177.00
In USD (USD 1= BDTk 62)	34.84	6,508,584.00	7.85	588,476.00
Totals	Tk 403,534,406.00		Tk 226,210,663.46	
	USD 6,543,416.00		USD 3,648,559.00	
Grand Total	BDTk 62,975.00 crore USD 10.10 billion			

Note: These estimates should be considered as tentative, to be firmed up at the time of preparation of the specific programme proposals and periodic revisions of the existing and future programme components. The exact scope and target numbers may change according to the prevailing circumstances; policy modifications of the government as well as outcome of negotiations with the DPs. Under the continued economic liberalisation policy of the government and with the effects of globalisation, market conditions may constantly change affecting unit costs.

Estimated total cost for NPA-II to meet all the EFA targets over the twelve year period 2003-2015 covering both formal and non-formal systems is BDTk 629,750 million, or USD 10.1 billion (in 2004 exchange rate). Substantial amount of external assistance will be required to meet the targets.

Financing of MDGs are made through medium-term budgetary framework (MTBF) under the PRSP guidelines. The national and education budgets are also made on this basis. Allocation for the education sector in the national budget 2008-2009 was BDTk 119,960 million. Also, according to MTBF projections, the education sector will receive BDTk 153,516.22 and BDTk 171,530.65 in FY 2009-2010 and FY 2010-2011. Table 3.2 provides education budgets from 2006 to 2009.

TABLE 3.2: PUBLIC EXPENDITURE FOR EDUCATION IN BUDGET 2006-2009 (TAKA IN MILLIONS)

FY	NATIONAL BUDGET	MOPME		MOEDU		EDUCATION	
		MOPME BUDGET	% OF BUDGET	MOEDU BUDGET	% OF BUDGET	EDUCATION BUDGET	% OF BUDGET
2006-2007R	516,220	47,210	9.15	61,700	11.95	108,910	21.10
2007-2008R	649,270	52,730	8.12	61,610	9.49	114,340	17.61
2008-2009	757,280	57,000	7.53	62,960	8.31	119,960	15.84

Source: National Budgets 2006-2009, Ministry of Finance, GoB.

Note: MoPME is the Ministry of Primary and Mass Education, and MoEdu is Ministry of Education.

In the national budget for FY 2008-2009, public expenditure (development and non-development) for education sector was BDTk 119,960 million, which is 4.92 per cent higher than the revised budget of FY 2007-2008. At the same time, share of education went down from 17.61 per cent to 15.84 per cent.

Table 3.3 provides data on Annual Development Program (ADP) allocation in education. ADP in education rose from BDTk 28,870 million in FY 2007-2008 to BDTk 33,580 million in FY 2008-2009, and the percentage share of education in ADP increased by 0.29 per cent during the same period.

TABLE 3.3: ADP ALLOCATION FOR EDUCATION 2006-2009 (TAKA IN MILLIONS)

FY	ADP	MOPME		MOEDU		EDUCATION	
		MOPME ADP	% OF ADP	MOEDU ADP	% OF ADP	EDUCATION ADP	% OF ADP
2006-2007	260,000	22,610	8.70	15,250	5.87	37,860	14.56
2007-2008R	225,000	18,870	8.39	10,000	4.44	28,870	12.83
2008-2009	256,000	23,690	9.25	9,890	3.86	33,580	13.12

Source: Annual Budgets for FYs 2007-2009, Finance Division, Ministry of Finance.

EDUCATION ODA IN COMPARISON TO PUBLIC EXPENDITURE ON EDUCATION

Foreign assistance has been available for Education for All from various bilateral and multilateral donor agencies including the World Bank, the Asian Development Bank, the UK Department for International Development (DFID), the German Development Cooperation (GTZ), the Islamic Development Bank (IDB), the Organization of the Petroleum Exporting Countries (OPEC), the Saudi Fund for Development (SFD), the Swiss Agency for Development and Cooperation (SDC), the Japan International Cooperation Agency (JICA), the German Reconstruction Credit Institute (KfW), the UNDP, UNESCO, the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA), the Canadian International Development Agency (CIDA), Swedish International Development Cooperation Agency (SIDA) and the Norwegian Agency for Development Cooperation (NORAD). However, foreign aid for education has not increased, while GoB funding for the sector has consistently increased from the period 1990-1991 to 1998-1999.

Over the period 1990-1999, foreign donors' share has been 18 per cent of the total expenditure on primary and mass education. The NGOs also obtain assistance from international/bilateral donors and private foreign donors, especially international NGOs. There is absence of aggregate data on NGO expenditure.

**TABLE 3.4: SHARE OF AID IN BUDGET AND ADP FINANCING 2006-2009
(TAKA IN MILLIONS)**

FY	NATIONAL BUDGET			ADP		
	BUDGET	AID	AID AS % OF BUDGET	ADP	AID	AID AS % OF ADP
2006-2007R	516,220	21,500	4.16	260,000	113,180	43.53
2007-2008R	649,270	43,880	6.76	225,000	144,300	64.13
2008-2009	757,280	63,460	8.38	256,000	145,900	56.99

Source: National Budgets 2007-2009, Ministry of Finance, GoB.

Table 3.4 provides data on share of aid in the national budget and ADP. It is seen that although the share of aid in budget is quite low, it is significantly higher in ADP. Also, the share of aid in the national budget has increased: from 4.16 per cent in FY 2006-2007 to 8.38 per cent in FY 2008-2009.

BASIC INFORMATION ON MAJOR EDUCATION PROJECTS IMPLEMENTED

Tables 3.5 and 3.6 are lists of major projects under the Ministry of Primary and Mass Education and the Ministry of Education. These tables contain some basic information about major education projects including project cost, aid (grant and loan) components and project outreach.

An interesting pattern of aid financing is observed: only three projects received all or partial grants while all other aid financings are loans.

Bangladesh

Meanwhile, tied aid is another problem: almost 93 per cent of project costs of the CIDA-funded Complementary Sector Reform (CSR) project are tied (in the form of payment to international consultants, etc.).

The type of project donors is another issue. Stipend/scholarship projects received neither grants nor loans; rather, donors were more interested in infrastructure development.

TABLE 3.5: MAJOR PROJECTS UNDER THE MINISTRY OF PRIMARY AND MASS EDUCATION

PROJECT	TOTAL PROJECT COSTS	AID	GRANTS	LOANS	COVERAGE
Primary Education Development Program II (PEDP-II)	49,330.80	36,998.10		36,998.10	All over Bangladesh
Reaching Out-of-School Children (ROSC) project	3,830.20	3,593.40		Partial	Disadvantaged children who are currently out of school
Primary Education Stipend project	33,123.12	0.00			All over Bangladesh
IDB-assisted government primary school (GPS) construction project phase II	618.20	538.30	0.00	538.30	311 rural government primary schools
Post Literacy and Continuing Education for Human Development Project 2 (PLCEHD-2)	6,014.10	4,954.04	0.00	4954.04	1.704 million neo literates
IDB-assisted Post Literacy and Continuing education Project (PLCEHD-3)	15.30	15.30	0.00	15.30	Neo literates
Basic education for hard to reach urban working children (Phase 2)	2,060	985.50	0	985.50	200,000 urban working children and adolescents ages 10 to 14 years of which at least 60 per cent are girls

Source: Ministry of Primary and Mass Education, Government of Bangladesh.

TABLE 3.6: MAJOR PROJECTS UNDER THE MINISTRY OF EDUCATION

PROJECT	TOTAL PROJECT COSTS	AID	GRANTS	LOANS	GEOGRAPHIC SPREAD
Complementary Sector Reform Project (CSR), CIDA 150 million	150.00	150.00	150.00	0.00	Rangpur
Female Secondary School Assistance Project Phase II (FSSAP-II)	7,662.68	6,184.25	0.00	6,184.25	119 selected upazilas of 61 districts of Bangladesh
Female Secondary Stipend Project: 2nd Phase (FSSP-II)	5,029.86	0.00			All secondary schools and madrashas of 283 upazilas, and all madrashas of 19 upazilas of NORAD-assisted Female Secondary Education Stipend Project (FESP)
Higher Secondary Female Stipend Project (Phase 3)	1,848.60	0.00			All over Bangladesh
Secondary Education Sector Development Project	7,933.31	5,950.00	0.00	5,950.00	All over Bangladesh
Teaching Quality Improvement in Secondary Education Project	630.20	504.10	1,044.00	3,996.89	All over Bangladesh

Source: Ministry of Education, Government of Bangladesh.

SECTION IV: CASE STUDY OUTLINE

Consistent with the Millennium Development Goals (MDGs) aimed at achieving human development and poverty reduction and also with the poverty reduction strategy of the government, a range of programs has been taken up in the field of primary and non-formal education. The government is committed to ensure universal primary education in the country by 2015. Hence, the primary education sector has been receiving increased allocation. In FY 2009, a total allocation of BDTk 3,829.74 crore has been made for primary education.

In order to meet the constitutional obligation of ensuring Education for All (EFA) by 2015 as well as to fulfil our commitment to the Dakar Declaration, the government focused on PRSP on school enrolment, pre-primary education, stipends and increased contact hours between teachers and students. To achieve the targets set in the MDGs, the Government of Bangladesh has undertaken special programs, such as the Stipend Program, the Second Primary Education Development Program (PEDP-II) and the Reaching Out-of-School Children Project.

In 1991, the total number of primary schools in Bangladesh was 49,539. The number has now increased to 80,401, including madrasahs. During this period, though, the number of government primary schools remained the same (37,672), while the number of non-government primary schools rose from 11,845 to 27,578, excluding madrasahs.

There is also an increasing trend in the enrolment of female students in primary schools. In 1991, the ratio of male to female students was 55:45. Currently the ratio is about 50:50.

The rate of recruitment of female teachers is also increasing, following the provision made in the relevant recruitment rules that recruitment should comprise of 60 per cent female teachers. The number of female teachers has now increased to about 44 per cent from 21.09 per cent in 1991. During this period, the rate of completion of a five-year education cycle rose to 52 per cent from 41 per cent.

While implementing a number of projects between 1991-1992 and 2004-2005, emphasis was laid on gender parity, enhancement of enrolment rate, improvement in quality, and management of education for overall development of primary education. This has resulted in remarkable success in primary education. There was continuous increase in enrolment rate in primary schools.

PRIMARY EDUCATION DEVELOPMENT PROGRAM (PEDP-II)

The largest programme for the primary education sub-sector is the PEDP-II. This programme was prepared in line with the Dakar Framework EFA and the proposed National Plan of Action. This is the largest project initiated by the GoB. It is supported by both foreign aid and government funding.

The objectives of the PEDP-II (2003-2009) are:

1. To improve the quality of primary education in Bangladesh through the introduction of Primary School Quality Level (PSQL) standards
2. To make primary education accessible to all children in Bangladesh
3. To increase enrolment, attendance and the rate of completion of primary education
4. To adopt a child-centred approach in the classroom.
5. To fully integrate the PEDP activities within the organisational and operational systems of Ministry of Primary and Mass Education (MoPME) and the Directorate of Primary Education (DPE)
6. To undertake institutional reforms in education management, including its effective decentralisation and devolution of decision making
7. To strengthen and build the capacity of the school management at all levels
8. To ensure accountability and transparency at all levels
9. To supply textbooks and other teaching and learning materials free of costs
10. To strengthen the role of the community – especially the parents – in operating and providing support for the schools.

TABLE 5.1: PROJECT INFORMATION: PEDP-II

DATE OF LOAN AGREEMENT	20 JANUARY 2004				
Implementation Period	July 2003-June 2009				
Source of Project Aid	ADB, WB, NORAD, SIDA, CIDA, EC, DFID, Netherlands, UNICEF, Aus-Aid, JICA				
Project Cost (in million takas)	Total	GoB	PA (RPA + DPA)	RPA	DPA
	49,330.80	12,332.70	36,998.10	33,293.62	3,704.49

The estimated cost of the programme is BDTk 49,330.8 million. GoB contributed about 67 per cent of the budget for this programme. The remaining 33 per cent was provided by funds pooled from 11 development partners.

The target was to recruit 35,000 assistant teachers, 1,000 assistant upazila education officers, 128 computer operators, 216 Primary Teachers' Training Institute (PTI) instructors, 397 instructors for upazila resource centres, 397 instructors and 397 assistant upazila education officers. Also, 30 thousand new classrooms in 15 thousand GPS will be constructed.

PEDP-II indicators are divided in two types, namely key performance indicators (KPIs) and primary school quality level (PSQL) indicators.

KPIs are:

1. Current public expenditure on education increased to at least 2.8 per cent of gross national product (GNP) by 2010
2. Primary education expenditure per pupil increased to 10 per cent of GNP by 2010
3. Achieved 47-48 per cent public expenditure on primary education, as a percentage of total public expenditure on education by 2010
4. Achieved 103 per cent apparent (gross) intake rate of new entrants in primary grade 1 as a percentage of the population of the official entry age by 2010
5. Achieved 90 per cent net intake rate of new entrants to primary grade 1 who are of

- official primary school entrance age as a percentage of the corresponding population by 2010
6. Achieved 107 per cent gross enrolment ratio (GER) by 2010
 7. Achieved 88 per cent net enrolment ratio (NER) by 2010
 8. Pupil-teacher ratio (PTR) of 46:1 by 2010
 9. Fifty per cent of schools operating on a single shift system (900 hours per year for all classes) by 2010
 10. About 95 per cent of primary school teachers having the required academic qualification (certificate in education, or C. in Ed.), and teaching in primary schools by 2010
 11. Teacher absence without leave reduced to 10 per cent by 2010
 12. Teacher attendance on time increased to 90 per cent by 2010
 13. Repetition rates in all classes reduced to less than 20 per cent by 2010
 14. Survival rate to grade 5 (percentage of the pupil cohort reaching and completing grade 5) increased to 82 per cent by 2010
 15. Coefficient of efficiency (ideal number of pupil years needed for a cohort to complete the primary cycle, expressed as a percentage of the actual number of pupil-years) to reach 116 per cent, or a cycle time of 5.8 years, by 2010
 16. Fifty per cent of pupils having reached at least grade 4 of primary schooling and who master a set of nationally defined learning competencies by 2010
 17. The number of disabled children out of school reduced by 30 per cent by 2010
 18. Student absenteeism reduced to 20 per cent by 2010, with no discrepancy between boys and girls
 19. Education achievement of girls improved to at least the same level as boys by 2010.
 20. The number of pupils achieving acceptable levels of literacy and numeracy (as measured by national assessment instruments) increased by 50 per cent by 2010.
 21. The proportion of class 5 students entering for the Primary Education Scholarship Examination increased to 50 per cent by 2010
 22. About 60 per cent of Class 5 students passing the Primary Education Scholarship Examination by 2010
 23. Rate of transition from Class 5 to Class 6 increased to 40 per cent, with gender parity, by 2010
 24. The number of students achieving a defined level of competency based learning achievement to reach 65 per cent by 2010

PSQL indicators are described in Table 5.2.

TABLE 5.2: PRIMARY SCHOOL QUALITY LEVEL (PSQL) INDICATORS OF PEDP-II

SI	PSQL Indicators of PEDP-II	Benchmark Target
1	Children attending school.	There are increasing numbers of children enrolled in schools.
2	Children with special needs attending school	There are increasing numbers of children with special needs attending school.
3	Numbers of pupils in each class reduced	Maximum number of pupils in a class is 40.
4	Pupil-teacher ratio reduced	Maximum pupil-teacher ratio in a school is 46:1.
5	New classrooms constructed	There are 30,000 new classrooms constructed during PEDP-II.
6	Properly constructed classrooms	Classrooms are: <ul style="list-style-type: none"> • properly constructed with durable materials; • of sufficient size (at least 26' x 19'6"); • well lighted; • properly ventilated; and • accessible to physically disabled students.

SI	PSQL Indicators of PEDP-II	Benchmark Target
7	Suitably furnished classrooms	<ul style="list-style-type: none"> Classrooms are furnished to suit the age and size of the children; Classrooms have a chalkboard (12' x 4'); and Classrooms have secure storage.
8	School toilets provided	Schools have proper hygienic latrines, separately for both girls and boys, and which are accessible to the physically disabled.
9	School water supply provided	Schools have potable water supply for both male and female staff and students.
10	Good health and hygiene standards promoted	Schools provide and promote ideals of good health and hygiene for all students.
11	Increased school contact hours	There are 900 contact hours per annum for students at each grade level.
12	Textbook availability	Textbooks are available from the first day of the new school year.
13	Student texts for each subject	Student texts are provided for each subject.
14	Teaching aids and supplementary reading and learning materials	Schools are provided with: <ul style="list-style-type: none"> teaching aids; and supplementary reading and learning materials.
15	Initial teacher training	All teachers are trained to at least certificate in education (C. in Ed.) standard.
16	Trained teacher-in-charge	One trained teacher is assigned to each class/section.
17	In-service training of teachers	All teachers receive: <ul style="list-style-type: none"> regular, annual, in-service training; and sub-cluster training.

MAJOR ACHIEVEMENTS UNDER THE SECOND PRIMARY EDUCATION DEVELOPMENT PROGRAM (PEDP-II)

The Second Primary Education Development Program (July 2003 to June 2009) is the largest education programme of the government catering to primary education for all children. Among others major achievements under PEDP-II are:

- A total of 14,200 new posts of assistant teachers for PEDP-II have been created under revenue budget out of which 12,034 post have been filled.
- In 2007, a total of 52,094,675 text books have been distributed to government and non-government primary schools.
- A total of 45,397 primary teachers have received C. in Ed. training.
- A total of 88,850 teachers, including head teachers, in 26 districts received basic in-service training.
- A total of 21,600 teachers have received subject-based training on different subjects.
- As of June 2007, a total of 14,784 classrooms have been constructed, as against the approved target of 29,580.
- As of June 2007, a total of 7,327 attached toilets have been constructed, out of approved target of 13,992.
- As of June 2007, a total of 7,168 arsenic-free tube wells have been sunk, as against the approved target of 10,224.

In order to achieve the MDG targets for universal education by 2015, Bangladesh needs to (a) reduce the student-teacher ratio from 51:1 to 40:1; and (b) increase the proportion of female teachers to 60 per cent.

But these do not seem feasible with the wage bill cap in place. According to the UNDP (2005), in order to achieve MDG targets on education, the rate of increase in enrolment should be 1.25 per cent for girls and 1.5 per cent for boys. Considering these growth rates, the total number of primary students will be 20,867,284 in 2015.

Meanwhile, to reduce the pupil-teacher ratio to 40:1, there is a need for 521,682 primary teachers in 2015 (if the current ratio of 51:1 is allowed, then the requirement is 409,162). To attain these figures, primary school teacher recruitment should be increased at the average rate of 18.8 per cent from 2007 to 2015. The current recruitment rate for primary school teachers is 1.25 per cent.

Also to achieve the target of 60 per cent female teachers, 313,009 female teachers are needed in 2015 (at PTR of 40:1). To achieve this, recruitment of female teachers should be increased by 26.9 per cent. Currently, recruitment rate of female teachers is 7.9 per cent.

Again, if the current rate of recruitment of teachers has been considered, total number of teachers will be only 190,218 in 2015. Also, the student-teacher ratio will double into 110:1. In fact, if the present ratio of 55:1 is to be maintained, the total number of teachers by 2015 should be 379,405 (i.e. incremental recruitment must be 209,308 during 2007-2015). Unfortunately, GoB's plan for the next six years is to recruit only 35,000 assistant teachers under the PEDP-II project.

It is clear and evident that the GoB has to increase education financing by huge amounts to ensure quality education. It has to double the Public Sector Wage Bill (PSWB) allocation to education to maintain the prevailing student-teacher ratio. Hence, there is a need for ODA to be untied and for donors to disburse funds according to their commitments.

RECOMMENDATIONS

To have significant impact on education in Bangladesh, dramatic improvements along with a multi-pronged strategy to address budget deficiencies are required. Each basic cause needs to be tackled in terms of financial and management aspects to ensure large scale change.

Increase expenditures for education. There is a need to scale up the infrastructure of the education system – to construct more classrooms, recruit more teachers and procure more blackboards and furniture – in order to support universal enrolment. Domestic resources and foreign aid are potential sources to increase spending on education.

To achieve UPE, the bulk of increment funds can be generated domestically by increasing the percentage of national budgets devoted to education. Recent high GDP growth rates should make it easier for Bangladesh to allocated at least 20 per cent of public expenditure to education.

According to Bruns (2003), Bangladesh requires only USD 84 million (out of USD 640 million) annually to achieve UPE by 2015. Bangladesh receives inadequate external

assistance for education. Hence, ODA should be increased. Likewise, donors should practice regularity and remove unnecessary conditionality when providing aid.

Allocate sufficient fund for the education sector. To ensure that the social contract for education forms an essential part of the political commitment of successive governments, it is important to exhibit commitment by prioritising financing for education. Unfortunately this remains a serious challenge for Bangladesh. In order to give primary education its due attention, there is a need to ensure a larger budget for social services so that there could be more allocation to all sectors, including education.

In Bangladesh, where achieving UPE is still a distant goal, primary education should be prioritised over defence and debt servicing. Even if a trade-off situation arises, tertiary education should not be prioritised at the cost of the basic or primary education.

Besides, subsidies need to be pro-poor in nature. More subsidies should be allocated to rural primary schools where the incidence of poverty is relatively higher (43.3 per cent in rural areas in comparison to 37.9 per cent in urban areas). Government primary schools (GPSs) should be established more in rural and marginalised areas in order provide universal access to primary/basic education.

Improve efficiency of education financing to improve quality. In Bangladesh, 40 per cent of students at the primary level had to pay admission fees which are supposed to be free; 22 per cent of the students engaged private tutors from the same institution where they are enrolled; and 32 per cent of primary school students who are entitled for government stipend had to pay to receive their entitlement, which is often not paid in full. These irregularities have to be addressed.

Bangladesh has a high student-teacher ratio of 51:1 in primary education. To make primary education universal in nature, more recruitment is required. GoB has a plan to recruit 35,000 additional teachers under PEDP-II, which seems insufficient to reduce the pupil-teacher ratio and to ensure quality education.

Although it should be free, students of GPS in Bangladesh has to pay user fees in various forms. This made primary education unaffordable for the poor and an obstacle in the achievement of universal primary education. Overwhelming existence and flourishing of qoumi madrassa (Islamic religious schools) in Bangladesh is considered a consequence of such user fees. About 82 per cent of qoumi madrassa students are from poor families of rural areas and small towns who cannot afford the cost of modern schooling.

Selection of areas/schools to receive funding should be made on a need basis. In case of PEDP-II, an assessment by ActionAid Bangladesh revealed the case of several schools where political considerations work behind the construction of new classrooms. On one hand, there are schools with classrooms without students and/or teachers. On the other hand, there are schools requiring three or four additional classrooms, but no new constructions were made. These incidences require the attention of concerned authorities.

SECTION V: SUMMARY AND CONCLUSION

This study highlights the donors' promise to finance development activities of developing or less developed countries under MDG outlines. Particular focus was given to the development of the education sector under the Dakar framework EFA. The promise of EFA (Education for All) is that, by 2015, every child, youth, woman and man will be able to claim their right to quality education and learning. The second goal of the MDGs underscores governments' responsibility towards Universal Primary Completion of education for all children by 2015.

Among the urgent issues regarding donor financing in Bangladesh include the nature of ODA flows, decrease in grant elements, and tied aid.

In 2005, there was severe decline in commitments in the range of USD 2 billion, throwing everything back to 2002 levels. The decrease is at odds with positive statements made by development partners in recent years about their intentions to significantly increase support to education – to put hopes on and to bank on the Class of 2015. For Bangladesh, the trend of lower disbursement in comparison to commitment has long been a problem. Also, share of grant elements has recently declined from around 80 per cent to around 10 per cent.

Moreover, conditional/tied aid remains an impediment to development. On the basis of data covering 90 per cent of aid, the 2006 survey reported that 18 per cent of aid provided by members of the OECD's Development Assistance Committee to Bangladesh was tied. In case of specific projects, this figure might be even closer to 90 per cent. For example, almost 93 per cent of the project cost of the CIDA-funded CSR project is supposed to be tied.

Transparency remains an internal problem for Bangladesh. The masses are not aware of ODA-funded development projects undertaken by the GoB. Project documents are not well disseminated. Stakeholders at the grassroots are not allowed to acquire copies of the project documents.

Although acclaimed by implementing agencies, it is widely believed and claimed by civil society that genuine participation of target sectors and beneficiaries is absent in formulation of national plans (e.g. PRSP, NPA-II, etc.). People are not aware whether the ODA programs and specific projects respond to the key issues and urgent development needs of Bangladesh.

ODA policies require some revisions in order to make them more attuned to the country's development. It is also worrisome that technical assistance which used to be funded by grants is now being funded by loans. Another disturbing development is the decrease in food aid while the total food import is still very high. In order to be able to deliver on their promise of helping achieve the MDGs by contributing 0.70 per cent of their GDP, the donors will have to change the prevailing trends in ODA in Bangladesh.

Again, decline in grants might be generated from the decline in bilateral aid. On the other hand, commodity aid has almost stopped. But a different kind of project aid, which is financing of import through Poverty Reduction Growth Facility (PRGF), has been introduced. The sector loans that have replaced commodity loans also cover a large amount of import bills. So the concept of project has changed. Project now covers sectoral developments instead of looking out at specific projects.

Besides, it is seen that the project based lending/financing has been replaced by policy based lending and, as a consequence, there are more conditions imposed by donors. In fact, it is time to assess which kind of lending – policy based or project based – is better for the economy.

In Bangladesh, there are two reasons behind the absence of need-based programming and funding in ODA-driven projects:

First, donors are not financing adequately and are discouraging the GoB to seek greater assistance by imposing more conditions at the policy level. For example, donors provided only 33 per cent funding for the PEDP-II. This will not suffice to fulfil the education MDGs in time for Bangladesh.

Second, needs assessments are not made accurately in identifying the targeted beneficiaries of the same project. In many cases, construction works were biased towards rural areas where additional classrooms are not needed. Meanwhile, teachers' appointments and posting showed the opposite direction – they are biased towards urban areas. As a consequence, there are many schools with classrooms without teachers and/or students; and on the other side, there are schools without adequate sitting arrangements.

Hence, it is evident from investigation into the dynamics of ODA in Bangladesh that the amount of ODA receipts by Bangladesh is not sufficient to finance the MDGs. Moreover, ODA is increasing the indebtedness of Bangladesh. Donors should come up with more unconditional grant elements and the GoB and civil society should move together to ensure ODA financing in its benefiting form.

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A POLICY SCAN OF ODA IN THE EDUCATION SECTOR: CAMBODIA

RESEARCH TEAM, NGO EDUCATION PARTNERSHIP (NEP)



FOREWORD

The scan of Official Development Assistance (ODA) in Cambodia has been prepared by NGO Education Partnership (NEP) for the Asia South Pacific Association for Basic and Adult Education (ASPBAE) and the Asia-Pacific Conference on Official Development Assistance held in Manila, Philippines on 10-12 November 2008.

The definition of ODA being used for the purpose of this report is as follows:

Flows of official financing administered with the promotion of economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 per cent (using a fixed 10 per cent rate of discount).

By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies – with the pure purpose of export promotion – is excluded.

Source: IMF (International Monetary Fund), 2003, External Debt Statistics: Guide for Compilers and Users – Appendix III, Glossary, IMF, Washington, DC.

According to this definition, NGO (non-government organisation) contributions are not included in ODA and do not include funding for natural crises, conflict or world hunger programmes.

The contents of this ODA scan have been drawn from interviews with key informants listed in Annex 1 as well as narrative and data taken directly from sources listed in the bibliography in Annex 2.

Some discrepancies in narrative accounts and data on ODA at the country and education sector levels presented challenges to accurate reporting on ODA. However, there are some clear areas of needs and opportunities that were addressed through this report’s recommendations.

Furthermore, given the request to limit this report’s length, the contents do not reflect the full range of issues discussed or relevant data gathered during the scan.

For more information on this document’s content and recommendations, please contact NEP’s Executive Director, In Samrithy, at dir@nepcambodia.org.

NGO Education Partnership wishes to thank the all organisations and individuals for their contribution of resources and perspectives.

COUNTRY ODA POLICY SCAN

1.0 TOTAL ODA: COUNTRY PROFILE AND TRENDS

1.1 HISTORICAL TRENDS IN ODA

Cambodia's reintegration into the free market economy in the 1990s attracted significant foreign assistance for rehabilitation and development after a long chronic civil war. According to the *Cambodia Aid Effectiveness Report 2008*, during the period 1992 to 2007, a total of USD 7.86 billion in disbursements has been reported by development partners to Cambodia, including contributions of:

- USD 3.1 billion by non-European Union (EU) bilateral countries (39 per cent of the total)
- USD 2.2 billion (29 per cent) by United Nations (UN) agencies, international financial institutions (IFIs) and multilaterals
- USD 1.9 billion (24 per cent) by EU member countries and the European Commission
- USD 1.56 billion (20 per cent) from Japan
- USD 0.65 billion (8 per cent) of core funding provided by NGOs

The largest single development cooperation contributor is Japan, which has provided 20 per cent of all development cooperation resources in the period 1992-2007. Other major development partners are:

- United States: provided nearly USD 550 million
- European Commission: provided over USD 500 million
- France: provided over USD 450 million
- Australia: provided over USD 330 million
- China: provided over USD 300 million, 75 per cent of which has been disbursed since 2004

Cambodia continues to be heavily dependent on external aid. A substantial part of its education sector is externally financed. The Royal Government of Cambodia (RGC) showed that active leadership in harmonisation and alignment and reforms lead to significant improvement, such as in public financial management. However, high levels of corruption have curbed further progress.

1.2 ECONOMIC CONTEXT

The *Cambodia Human Development Report 2007* highlights that in the mid-1990s (circa 1996), the agricultural sector's share of gross domestic product (GDP) was more than 45 per cent, followed by services at 35 to 40 per cent and a small industrial sector at 15 per cent.

This scenario has changed significantly, with the agricultural contribution to the economy shrinking to 30-32 per cent of GDP and the industrial contribution rising to more than 27 per cent. The contribution of the service sector to the overall economy has remained stable, ranging between 35 and 40 per cent between 1993 and 2005.

1.3 AID EFFECTIVENESS AGENDA

The Royal Government of Cambodia (RGC) has shown strong commitment to the Aid Effectiveness Agenda. Cambodia was a pilot country for the efforts leading to the 2003 Rome Declaration and 2005 Paris Declaration and subsequent monitoring. The RGC has been actively participating in the work of the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD-DAC) on harmonisation and alignment issues since 1999. It was a part of successive surveys that informed the two declarations and helped develop “good practice guidelines”.

Cambodia’s Aid Effectiveness Agenda is based on the following principles:

1. Development of programme-based approaches at the sector level under the framework of the National Strategic Development Plan (NSDP);¹
2. Alignment of development assistance with national priorities;
3. Use of the Technical Working Group (TWG) mechanism to encourage a coherent policy dialogue;
4. Improved joint work at the level of policy making, planning and project implementation;
5. Greater harmonisation among donors providing sectoral support, particularly through delegated cooperation; and
6. Move towards unified sectoral budget frameworks as budget systems improve.

In recent years, the RGC has shown significant efforts and progress in moving from donorship to ownership and partnership as set out in the government’s *Declaration on Harmonisation and Coordination* (2004) and, more recently, in the joint *Declaration on Enhancing Aid Effectiveness* (2006). The RGC has published a *Harmonization, Alignment and Results (H-A-R) Action Plan*. Both the *Aid Effectiveness Review 2006* of the World Bank (WB) and the OECD-DAC *2006 Country Chapter on Cambodia* portray the government as exercising greater leadership in aid coordination.

In 2007, the RGC took the lead in organisation and chairing the high level government-donor consultations. On that occasion, the Government published a comprehensive report on donor’s aid effectiveness – *Cambodia Aid Effectiveness Report*. The report has been promoted as a potential model for other countries.

1.4 ODA BY DEVELOPMENT PARTNERS, LEVELS OF AID AND NATURE OF DISBURSEMENTS

The source of development cooperation financing is shown in Table 1 below. As in previous years, the largest source of development cooperation in 2007 was from Japan, which contributed USD 122.1 million (15 per cent of the total and an 18 per cent annual increase). Also notable is the significant support provided by China, a 75 per cent annual increase, primarily to the infrastructure sectors, which is based on negotiated framework arrangements and corroborated records of disbursements.

¹ The NSDP is the Cambodian version of the Poverty Reduction Strategy Paper (PRSP).

Cambodia

TABLE 1: DISBURSEMENTS AND PROJECTIONS BY DEVELOPMENT PARTNER 2002-2010 (USD MILLIONS)

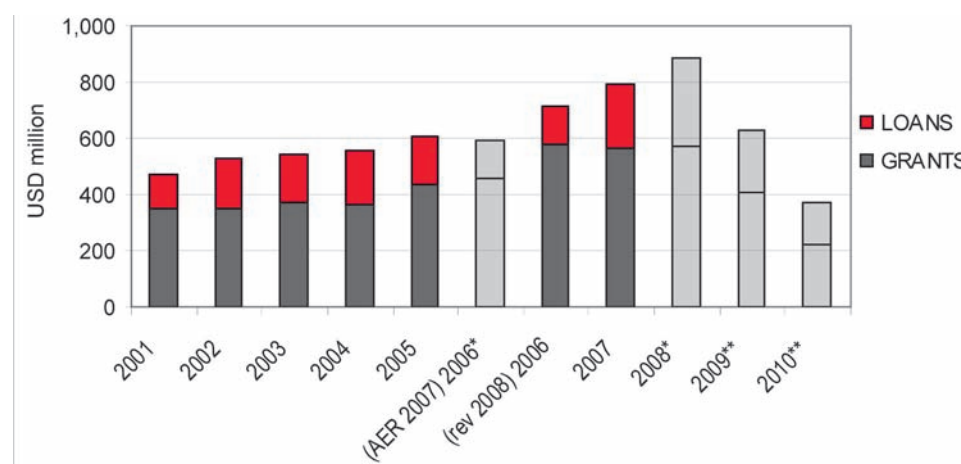
DEVELOPMENT PARTNER	2002	2003	2004	2005	2006	2007 (PROV) USD %		2002-2007 USD %		2008 (EST)	2009 (PROJ)	2010 (PROJ)
UN and multilaterals												
UN programmes (all funds)	81.8	88.3	73.8	91.8	96.3	96.4	12.2	528.4	---			
UN (own resources)	42.2	44.2	36.3	41.1	54.0	52.4	6.6	270.2	7.2	94.1	58.4	40.2
World Bank	47.2	63.7	49.5	37.8	24.5	47.6	6.0	270.3	7.2	57.1	27.6	7.9
IMF	23.5	12.3	2.4	0.3	83.5	0.9	0.1	122.9	3.3			
Asian Development Bank	78.5	73.3	76.7	89.4	67.5	69.4	8.8	454.7	12.2	114.0	99.5	90.8
Global Fund				18.8	21.9	21.1	2.7	61.8	1.7	32.3	17.4	
Subtotal: UN and multilaterals	191.4	193.4	164.8	187.5	251.2	191.4	24.2	1,179.8	31.6	297.4	202.9	138.9
European Union												
European Commission	25.8	32.7	15.0	23.7	46.5	44.9	5.7	188.6	5.0	52.1	40.4	18.0
Belgium	2.2	3.7	5.2	11.7	7.3	8.0	1.0	38.2	1.0	3.3	4.0	
Denmark	4.8	4.3	5.8	4.8	4.1	9.8	1.2	33.5	0.9	10.1	12.9	10.4
Finland	0.9		3.3	3.3	4.5	5.2	0.7	17.2	0.5	6.8	5.3	0.2
France	28.3	25.9	23.0	24.4	21.8	21.8	2.8	145.3	3.9	33.3	30.4	32.2
Germany	17.2	17.6	14.1	27.3	32.4	36.5	4.6	145.1	3.9	33.0	38.6	19.5
Netherlands	3.7	2.8	1.6	1.1	0.1	0.1		9.4	0.3	0.0		
Spain					2.8	4.1	0.5	7.0	0.2	7.4	3.5	
Sweden	13.6	12.4	22.0	13.6	16.0	17.3	2.2	94.9	2.5	17.9	21.0	10.1
United Kingdom	11.6	15.4	17.0	20.6	20.7	23.7	3.0	108.9	2.9	37.8	35.3	35.8
Subtotal: EU	108.2	114.7	107.1	130.6	156.1	171.4	21.7	788.1	21.1	201.7	191.5	126.3
Other bilateral partners												
Australia	17.8	22.7	24.3	16.8	22.5	29.6	3.7	133.6	3.6	23.0	19.3	17.3
Canada	3.4	2.6	1.5	9.1	7.9	8.7	1.1	33.2	0.9	19.2	15.2	6.1
China	5.7	5.6	32.5	46.6	53.2	92.4	11.7	236.1	6.3	127.9	67.1	47.5
Japan	105.6	101.2	101.8	111.7	103.7	122.1	15.4	646.0	17.3	144.6	53.0	26.3
New Zealand	1.3	1.9	2.4	2.1	1.7	3.8	0.5	13.2	0.4	3.3	3.6	3.6
Norway	3.4	2.7	3.4					9.5	0.3			
Republic of Korea	22.5	10.3	24.1	14.9	13.3	31.4	4.0	116.5	3.1	12.1	19.6	5.6
Switzerland	2.9	2.5	3.2	2.8	2.4	3.6	0.5	17.5	0.5	3.8	2.8	
United States of America	22.1	34.3	40.6	43.3	51.0	58.1	7.4	249.3	6.7	54.9	52.7	
Subtotal: Other bilaterals	185.7	184.2	234.1	247.2	255.7	349.8	44.3	1,456.6	39.0	388.8	233.4	106.4
NGOs (core funds)												
	45.6	47.2	49.4	44.7	50.2	77.7	9.8	314.9	8.4			
GRAND TOTAL	530.9	539.5	555.4	610.0	713.2	790.4	100	3,739.4	100	887.9	627.8	371.6

Source: Cambodia Aid Effectiveness Report 2008.

Note: 2008 data is estimated outturn. Some partners provide indicative 2009-2010 figures for active/pipeline projects only.

Figure 1 below shows that the rate of growth in development cooperation has also increased over time, a notable achievement given the stagnant or even declining global ODA volume. However, 2009-2010 projections indicate a significant decline. The graph also reflects aid and projected aid distributed through loans and grants:

FIGURE 1: DISBURSEMENTS AND PROJECTIONS 2001-2010 (USD MILLIONS)



Source: Cambodia Aid Effectiveness Report 2008.

The estimated 2006 disbursement reported in the *2007 Aid Effectiveness Report* was USD 590.4 million (shown in the hatched area, above). This has now been revised upwards by 20 per cent, principally as a result of recording IMF debt relief of USD 82 million. The Development Cooperation Management strategy stipulates that “at this stage of development of Cambodia, the Royal Government of Cambodia places a high priority on securing financing of development programmes/projects through grant aid from its development partners. The use of loans shall be made only in those cases where it has been established that resources from grant aid are not available and that the proposed programme/project will contribute to investments that will accelerate economic growth.”

1.5 TIED AND UNTIED AID

According to the *Paris Declaration Monitoring Survey for Cambodia*,² some development partners pass funds through a multilateral organisation, which can have the added effect of reducing or removing the tying that might be associated with bilateral funding. The ODA database, which records support from a wide range of development partners shows that 20.9 per cent of aid is partially tied and 27.5 per cent is fully tied, meaning that nearly half (48.4 per cent) is either fully or partially tied.

1.6 SECTORAL ALLOCATION OF ODA

Table 2 below illustrates sectoral allocation of ODA as of year 2007. (National statistics addressing the geographic allocation of ODA are not available at this time.) Education is one of the top priority sectors.

² Cambodian Rehabilitation and Development Board / Council for the Development of Cambodia (CRDB/CDC), 2008.

TABLE 2: SECTORAL ALLOCATION OF ODA (2007)

SECTORS	USD
1. Health	74,494,417
2. Education	69,887,864
3. Agriculture	41,005,248
4. Manufacturing, Mining Trade	15,026,211
5. Rural Development	62,518,909
6. Banking and Business Services	15,570,762
7. Urban Planning and Management	1,955,919
8. Information and Communications	31,299,552
9. Energy, Power and Electricity	12,609,999
10. Transportation	99,131,899
11. Water and Sanitation	17,420,070
12. Community and Social Welfare	41,832,732
13. Culture and Arts	7,170,873
14. Environment and Conservation	8,602,738
15. Gender	6,405,963
16. HIV/AIDS	40,974,410
17. Governance and Administration	109,559,012
18. Tourism	3,043,492
19. Budget and BoP Support	29,131,280
20. Emergency and Food Aid	2,068,450
21. Other	22,931,168
TOTAL ODA (2007)	712,640,968

Source: CDC ODA database, October 2008.

1.7 ODA IN COMPARISON TO TOTAL PUBLIC EXPENDITURE

Projected ODA contribution relative to total public expenditures for 2008 is USD 888 million. This represents 21.1 per cent of the 2008 National Strategic Development Plan (NSDP) 2008 budget.

TABLE 3: NATIONAL STRATEGIC DEVELOPMENT PLAN ALLOCATIONS
2006-2010 (USD MILLIONS)

SECTOR	2006 NSDP	2006 % ALLOCATION	2008 MTR REVISION	2008 % ALLOCATION	2006-2008 % CHANGE
Social Sectors					
Education (basic = 60%)	550	15.71	670	15.95	22
Health	600	17.14	720	17.14	20
Subtotal	1150	32.85	1,390	33.10	21
Economic Sectors					
Agriculture and Land Mgmt: other than crops	150	4.29	200	4.76	33
Seasonal crops: rice etc	200	5.71	370	8.81	85
Rural Development	350	10.00	420	10.00	20
Manufacturing, Mining and Trade	80	2.29	100	2.38	25
Subtotal	780	22.29	1,090	25.95	40
Infrastructure					
Transportation (Primary and Secondary Roads)	550	15.71	690	16.43	25
Water and Sanitation (excluding rural)	150	4.29	180	4.29	20
Power and Electricity	120	3.43	160	3.81	33
Post and Telecommunications	60	1.71	75	1.79	25
Subtotal	880	25.14	1,105	26.31	26
Services and Cross Sectoral Programmes					
Gender Mainstreaming	30	0.86	40	0.95	33
Tourism	30	0.86	45	1.07	50
Environment and Conservation	100	2.86	120	2.86	20
Community and Social Services	80	2.29	100	2.38	25
Culture and Arts	30	0.86	40	0.95	33
Governance & Administration	220	6.29	270	6.43	23
Subtotal	490	14.00	615	14.64	26
Unallocated	200	5.71			
Grand Total:	3,500	100.00	4,200	100.00	20.00

Source: NSDP, 2006-2010 (Assumes inclusion of ODA).

The overall trend in development cooperation to the end of 2008 is positive (although it must be noted that 2008 figures are still tentative).

1.8 EXISTING MECHANISMS FOR CONSULTATION AND CIVIL SOCIETY PARTICIPATION IN COUNTRY PROGRAMMING

According to a 2008 World Bank Report titled “Cambodia – Linking Citizens and the State”, given NGOs’ high dependence on donor funding (which some observers see as mirroring the dynamics of traditional patron-client relationships), NGOs currently have strong incentives to cater to donors’ programmed priorities and reporting requirements; but they have weak motivation to respond and account to grassroots constituencies. NGOs’ dependence on external donor funds also makes their financial sustainability uncertain and creates challenges in terms of reconciling foreign concepts and agendas with local (cultural, political and social) realities.

There are, however, a variety of opportunities for NGOs and other civil society actors to access information and engage in consultation and discussions, as indicated in Table 4.

TABLE 4: EXAMPLES OF SOCIAL ACCOUNTABILITY PRACTICES IN CAMBODIA (AND THE INSTITUTIONS SUPPORTING THEM)

	LOCAL	NATIONAL
Policies/plans	Participatory local planning, citizen/commune council dialogue and partnership (Commune councils, PACT Cambodia, Commune Council Support Project (CCSP), German Development Cooperation (GTZ))	Citizen/civil society influence on/participation in policymaking (NGO Forum, Community Legal Education Center (CLEC), MEDiCAM)
Public revenues	Public dissemination of financial transfers to commune councils	Monitoring government revenues (Extractive Industries Transparency Initiative, Publish What You Pay)
Public budgets	Monitoring the management of commune council budgets (provincial accountability committees)	National budget monitoring (NGO Forum)
Public expenditures	Monitoring local expenditures (monitoring of Priority Action Programme budgets by school support committees)	Independent expenditure tracking (NGO Education Partnership, World Bank/Government Public Expenditure Tracking Survey)
Public services	Citizen monitoring and feedback on local level public service delivery (Krom Aphiwat Phum)	Civil society participation in sectoral technical working groups (NGO Education Partnership, MEDiCAM, NGO Forum, Commune Council Support Programme)
Public oversight	Citizen Rating Report of Commune Council Performance (Commune Council Support Programme)	Corruption studies, parliamentary monitoring, legal aid for persons adversely impacted by government policies/actions, CLE “court watch” project (Centre for Social Development)

Source: Cambodia – Linking Citizens and the State, World Bank, 2008.

1.9 COUNTRY PROGRAMMING PROCESS

Country programming varies according to different development partners. This high level scan will, however, capture government-development partner process issues and how they have been addressed.

The Strategic Framework for Development Cooperation Management³ identified three factors which caused the changes in aid coordination and management during the recent years: (1) an increasing flow of external assistance; (2) an increasing mix and number of foreign and national players in development; and (3) a more complex, cross-sector

³ A policy document of the Royal Government of Cambodia, adopted on 27 January 2006.

and multidisciplinary development agenda. The RGC has set up management systems and institutional mechanisms to support aid coordination and management through the Council for the Development of Cambodia (CDC).

In spite of major improvements, a significant proportion of ODA still bypasses the national budget process because of the practice of direct funding by development partner agencies to project implementers. This situation has resulted in inadequate government ownership of many projects; “piece-meal” efforts and insufficient coordination by development partner agencies on sector issues and institution building; proliferation of different procurement, disbursement, auditing and progress monitoring procedures among agencies; and formation of development partner-supported project management units staffed either by expatriates or by nationals with “topped up” salaries, which have adversely impacted on the government’s institution building efforts.

An important principle of the New Development Cooperation Partnership Paradigm for Cambodia (2000) was the principle of building development cooperation partnerships based on a common vision, shared objectives, mutual trust, mutual accountability and mutual transparency.

Cambodia’s National Strategic Development Plan and Rectangular Strategy provide another strong framework for government-development partner priority setting and planning. They are well supported by the Sector-Wide Approach (SWAp).

Information from the Paris Declaration Monitoring Survey⁴ describes the mutual accountability tools and mechanisms that have been established in Cambodia. Efforts to strengthen these initiatives are part of an ongoing process that takes place at the Government-Development Partner Coordination Committee (GDCC) and Technical Working Group Level.

1.9.1 ACCOUNTABILITY TOOLS

Joint Monitoring Indicators

A set of indicators, jointly agreed by Government and development partners, are identified by Technical Working Groups, negotiated at the Government-Development Partner Coordination Committee and endorsed at the high-level dialogue meeting, the Cambodia Development Cooperation Forum (CDCF). Mutual joint monitoring indicator (JMI) reviews are to be undertaken annually.

National and Sector Review Arrangements

A provision is made for annual and mid-term review of the National Strategic Development Plan (NSDP) while each TWG identifies and jointly monitors progress based on mutually agreed indicators. The more mature sector programmes (e.g. health and education) have well-established joint review mechanisms.

⁴ CRDB/CDC, 25 March 2008.

Cambodia ODA Database and Aid Effectiveness Report

Development partners now routinely update their information at the web-based ODA database (<http://cdc.khmer.biz>) which allows for sector level coordination and provides support for planning and budgeting. It is also an information portal for civil society.

Meanwhile, the Aid Effectiveness Report that is produced for the Cambodia Development Cooperation Forum meeting presents data and analysis for dialogue within and between Government, development partners and civil society.

1.9.2 MUTUAL ACCOUNTABILITY PROCESSES

Technical Working Groups (TWGs)

TWGs were part of the RGC's paradigm proposal to development partners in 2004 to support dialogues and mutual review of progress. Civil society representatives are active in most of the 18 TWGs, including one for education, which are chaired by the Government and co-facilitated by development partners. Each TWG is invited to identify a key Joint Monitoring Indicator as well as to establish its own set of indicators to be jointly monitored by Government, development partner and civil society representatives in the TWG.

Government-Development Partner Coordination Committee (GDCC)

The meeting is held three times a year and is chaired by the Senior Minister of Economy and Finance and First Chairman of the CDC. TWG Progress Reports are prepared for this Committee which also oversees the annual JMI Review (which, in the future, will inform the review of budget support).

Civil society representatives are invited to participate. They prepare statements to share their organisation's perspectives.

Cambodia Development Cooperation Forum (CDCF)

This Forum provides the highest level of policy dialogue between the government and development partners. Civil society groups are also invited. Statements are exchanged as a prelude to a dialogue on key development issues. This forum includes discussions on the progress of the JMIs and endorsement of a new set of JMIs that is prepared by the GDCC.

Independent Reviews

Based on analyses conducted for the Cambodia Aid Effectiveness Report, the Government commission an independent review of technical cooperation, which comprises approximately 50 per cent of total ODA. The findings will be used as input in the preparation of a Government guideline on the use of technical cooperation.

2.0 ODA IN THE EDUCATION SECTOR

2.1 CONTEXT

There are currently 14 development partners supporting Cambodia's education sector. Thirteen have signed the Paris Declaration. All in-country representative offices have

signed the *2006 Declaration by the Royal Government of Cambodia and Development Partners on Enhancing Aid Effectiveness*. Donors are the ADB (Asian Development Bank), the AUF (Agence universitaire de La Francophonie), Belgium, the DFID (Department for International Development), the EC (European Commission), France, JICA (Japan International Cooperation Agency), SIDA (Swedish International Development Authority), UNICEF (United Nations Children's Emergency Fund), UNESCO (United Nations Educational, Scientific and Cultural Organization), the UNFPA (United Nations Population Fund), the USAID (United States Agency for International Development), the WB and the WFP (World Food Programme).⁵

The Royal Government of Cambodia (RGC) actively supports a collaborative approach to policy reform. There is a shared recognition among the Ministry of Education, Youth and Sport (MoEYS) and development partners that (1) over the past seven years, there has been a significant shift from donorship to partnership in the education sector; (2) that MoEYS is strongly committed to ownership; and (3) that it is demonstrating increasing leadership in policy development and implementation of the education reform process.

In 2001, the MoEYS embarked on a policy-led reform process within a Sector-Wide Approach. Over the past seven years, the Ministry has worked with development partners to foster and strengthen the partnership and develop more collaborative approaches. The sector has a comprehensive policy framework that assists the MoEYS and development partners in identifying national priorities in a collaborative manner.

All development partners are working with government to strengthen education leadership and management capacity, e.g. EC, JICA, USAID, UNICEF and SIDA. Several donors have called for a more coherent MoEYS-led capacity building strategy to avoid fragmentation.

The Joint Technical Working Group on Education (JTWG-Ed) is one of the existing coordination bodies and mechanisms to facilitate education policy dialogue and programme implementation. It is recognised both by the MoEYS and development partners as the crucial instrument for MoEYS-Development Partner coordination.

The NGO Education Partnership is the organisation which represents the education NGO sector in the JTWG-ed. NEP occupies five seats in the JTWG-Ed which holds bi-monthly meetings. It is also a member of the Education Sector Working Group (ESWG) which involves monthly meetings among development partners and the NEP. Each year, Government, development partners, NEP and its education NGO members and other stakeholders participate in the government-sponsored Education Congress to review progress made in education, issues and opportunities for action.

According to the *FTI (Fast Track Initiative) Survey 2008 Country Report on Aid Effectiveness in the Education Sector*, comparative overall country results show that partners in the education sector in Cambodia are doing better than other developing countries.

⁵ *Increasing Aid Effectiveness in the Cambodian Education Sector: Analysis and Recommendations*, EC, 2007.

TABLE 5: FTI EDUCATION SECTOR REPORT CARD

CAMBODIA EDUCATION SECTOR (FTI – EDUCATION SECTOR PLAN REVIEW, 2008)					
Policy Monitoring	Financing Monitoring	Data Monitoring	Capacity Monitoring	FTI Overall Score	FTI Score Converted
✓	✓	✓	✓	4/4	A
CAMBODIA COUNTRY LEVEL (WORLD BANK – RESULTS-BASED NATIONAL DEVELOPMENT STRATEGIES, 2007)					
Quality of Development Information	Stakeholder Access to Information	Coordinated country-level M&E	Score		
C	C	C	C		

Source: Aid Effectiveness in the Education Sector, FTI Survey 2008.

2.2 EDUCATION ODA IN COMPARISON TO PUBLIC EXPENDITURE ON EDUCATION

Cambodia's education budget from development partners in 2008 is estimated to be over USD 888 million. It is important to note that the table below depicts the education budget for recurrent expenditures only. Capital budget figures were not available from MoEYS.

TABLE 6: PUBLIC EXPENDITURES ON EDUCATION (NOT INCLUDING ODA)

YEARS	APPROVED NATIONAL BUDGET (IN USD)	EDUCATION SECTOR APPROVED BUDGET (IN USD)	% OF EDUCATION TO NATIONAL BUDGET
2003	426,844,015	78,113,664	18.3
2004	457,315,599	89,165,659	19.5
2005	479,709,794	88,695,284	18.5
2006	583,858,525	106,892,382	18.3
2007	686,136,034	132,043,531	19.2
2008	832,386,143	150,423,216	18.1

Source: MoEYS, Department of Economics and Finance.

2.3 ALLOCATION, DONORS, COMPOSITION OF ODA

As indicated in Table 3: National Strategic Development Plan (NSDP) Allocations 2006-2010, education is seen by the RGC as one of the top national priority sectors for country development.

RGC has allocated 18.1 per cent of its national budget for education in 2008.⁶ Development partners also continue to provide strong financial support to promote the education sector in Cambodia. The table below illustrates the share of ODA by subsector and applications.

⁶ MoEYS, Department of Economics and Finance, November 2008.

TABLE 7: SHARE OF ODA BY SUBSECTOR

SUB-SECTOR	2006			2007		
	# PROJECT	USD	% OF ODA	# PROJECT	USD	% OF ODA
1. Primary/Basic	15	22,365,549	30.0	15	20,773,960	29.7
2. School and Facilities	15	8,149,125	10.9	16	2,744,890	3.9
3. Secondary Education	3	958,949	1.3	3	1,695,754	2.4
4. Sector Policy	8	19,583,370	26.3	8	18,498,241	26.5
5. Teacher Training	3	859,121	1.2	6	2,722,660	3.9
6. Tertiary, Vocational and Higher	24	11,960,503	16.0	30	12,409,917	17.8
7. SWAp	2	3,835,886	5.1	2	6,721,515	9.6
8. Other	14	6,813,435	9.1	11	4,320,927	6.2
ODA		74,525,938	93.5		69,887,864	100.0

Source: CDC ODA database, October 2008.

2.4 GEOGRAPHICAL ALLOCATION OF ODA ON EDUCATION

In 2007, a large share of the education budget was allocated to small provinces located close to Phnom Penh, such as Prey Veng, Kampong Thom and Kompong Speu. In 2006, the greatest share of the budget was allocated to high population density provinces Kampong Cham and Siem Reap and border provinces such as Otdar Meanchey. Phnom Penh received the highest share for both years. The table below depicts fund distribution and percentage share across Cambodia for 10 provinces.

TABLE 8: GEOGRAPHIC SPREAD OF EDUCATION ODA IN 2006 AND 2007

PROVINCE	2006 (USD)	2007 (USD)
1. Phnom Penh	5,171,104	3,128,312
2. Prey Veng	1,969,842	2,182,071
3. Kampong Thom	1,937,952	1,871,329
4. Kampong Speu	1,434,484	1,630,255
5. Otdar Meanchey	2,726,071	1,607,118
6. Stung Treng	1,394,066	1,582,412
7. Svay Rieng	1,299,587	1,511,704
8. Kampong Cham	2,508,913	1,231,071
9. Mondul Kiri	-	910,309
10. Siem Reap	2,563,915	907,289
11. Kratie	815,588	-
Total of 10 largest of ODA:	21,821,520	16,561,870
Total of Other Province :	52,643,588	53,325,995
Total ODA:	74,465,108	69,887,864

Source: CDC ODA database, 2008.

2.5 LOCAL PARTICIPATION IN ODA SECTORAL PROGRAMMES AND SPECIFIC PROJECTS

Donor coordination takes place primarily through meetings of the Education Sector Working Group. The ESWG meets on a regular basis to allow donors (and also NGO representatives) to develop a common understanding on issues of major concern to the MoEYS and, as far as possible, to harmonise their support to the ministry. Informal consultations also take place among donors between meetings. A part-time donor coordination advisor has been hired for the last several years to assist the ESWG with sector activities and reports.

The ESWG participates in the Joint Technical Working Group on Education, which was formed to allow for coordinated development of the education sector in Cambodia under the government's leadership and ownership. It is one of a number of working groups established under the umbrella of the GDCC.

As participants in a sector-wide approach, all donors are committed to support the strategic planning of the MoEYS, as set out in the successive *Education Strategic Plans* for 2001-2005, 2004-2008 and 2006-2010. None of the donor-funded programmes has been developed without the involvement of the Royal Government of Cambodia.

2.6 FAST TRACK INITIATIVE CATALYTIC FUND (PARTNERSHIP)

The Fast Track Initiative Catalytic Fund Program was approved in 2008 by the World Bank and its partners. As such, it is too early to speak of issues associated with its implementation.

However, the planning and consultation process supporting this USD 57.4 million funding for Cambodia's education sector is one example of how the country's government and its development partners are continuing to work together more effectively.

The RGC commenced work on the Fast Track Initiative programme proposal in 2003. In the four years that followed, the Government worked on revisions and refinements in collaboration with development partners through the Education Sector Working Group (ESWG – development partners and NEP) and Joint Technical Working Group (development partners, MoEYS and NEP). This process also required development partners to collaborate closely on the review of successive versions of the proposed programme and to resolve any differences that arose concerning priorities.

Technical advisors have been retained by MoEYS to support the more detailed design, implementation, budgeting and monitoring of the national FTI programme. It is aligned with the Education Strategic Plan (ESP) and key policy priorities but is being managed as a discreet programme, outside of the annual education operating programme and budget.

3.0 ISSUES AND CONCERNS

Cambodia's existing strategic country and education policy frameworks serve as a common reference point to help all key stakeholders monitor and evaluate progress and issues involved with the implementation of policy.

There is a strong commitment among development partners to use the Sector-Wide Policy Action Matrix (SWPAM) national benchmarks and indicators. The MoEYS also actively support Program-Based Budgeting (PBB), which promotes closer alignment with programme performance, not simply budget disbursement. Shared performance assessments (JTWG and Education Congress) are ongoing.

However, some significant challenges continue to cause issues to both the government and its development partners:

Capacity and systems alignment. While attempts are being made to consolidate and streamline monitoring and evaluation of ODA, multiple methods of evaluation and monitoring of ODA continue to be used by RGC, MoEYS, development partners and other key stakeholders.

Some development partners continue to be sceptical about using government systems for management and finance, particularly at the national level. The government also expressed concerns regarding the diversity and requirements of development partner systems and processes.

Transparency and corruption. Development partners' lack of confidence in Cambodia's systems can be justified on the basis of continued high levels of corruption in Cambodia. Thus, they make limited use of Cambodia's own national systems and procedures.

In 2005, the government's budget underestimated the actual aid flows by a margin of 21 per cent (USD 314 million on budget vs. USD 397 million disbursed).⁷ In 2007, again, the government budget estimate of aid flows fell short of the actual disbursements by 15 per cent (USD 522 million on budget vs. USD 612 million disbursed).⁸ These miscalculations suggest that there are problems associated with the timely and accurate notification from development partners, as well as with the government's processing and management of aid.

In terms of the reliability of the Public Financial Management (PFM) systems, the *FTI Survey 2008* reported that only 6 per cent of aid flowing to the education sector use national PFM systems. This is below the overall country rate of 14 per cent. In the education sector, only the European Commission provides direct budget support, transferring funds to the National Treasury and using the government's financial management systems and procedures.

Priority setting. Cambodia's Education Strategic Plan is instrumental in helping Government and development partners identify national priorities in a collaborative manner. However, both development partners and government officials are concerned that there are too many priorities included in the Education Sector Support Program.

Fragmentation. An overabundance of priorities is further complicated by the number of development partners and financial and technical assistance being given Cambodia

⁷ OECD-DAC, 2006:68.

⁸ OECD-DAC, 2008:A-3.

through a variety of channels. The net result is considerable fragmentation and overlap of assistance; issues that development partners must address in a more coordinated and concerted manner.

Global economic crisis. According to *The Cambodia Aid Effectiveness Report 2008*, the effective use of aid takes on an additional significance in a deteriorating global economic climate; given the risk that either external or domestic resources may become increasingly scarce.

It is essential that government and development partners continue to collaborate closely and on a sustained basis to ensure effective allocation of ODA.

Equally important is the need for development partners to communicate and collaborate with each other in a more transparent and sustained manner.

RECOMMENDATIONS FOR IMPROVED CIVIL SOCIETY ENGAGEMENT

ODA cannot be addressed in isolation of the communities it serves. Within the education sector, education NGO engagement and inputs need to be factored in government and development partner discussions concerning continuous improvements that influence effective ODA in Cambodia.

At the community level, the NEP supports the recommendations for improved multi-party and civil society engagement made in *Cambodia: Linking Citizens and the State*⁹

Priority Actions for the Government of Cambodia

- Instruct and support commune councils to convene biannual public forums.
- Make clear provisions for citizen/CSO (civil society organisation) participation in newly created district and provincial councils.
- Instruct schools and health facilities across the country to publicly share budget information.

Priority Actions for CSOs

- Expand grassroots level mobilisation/empowerment initiatives.
- Introduce “downwards” transparency/reporting practices.
- Develop expertise in participatory, “people-centred” advocacy approaches.
- Develop roles as facilitators of citizen-state dialogue.

Development Partners

- Support training and coaching for existing and emerging local level leaders.
- Introduce “downwards” transparency/reporting practices.
- Expand support for grassroots level initiatives.
- Advocacy for and support a more enabling policy environment for citizen/CSO participation.

⁹ World Bank, August 2008.

4.0 CONCLUSION/FUTURE DIRECTIONS

The *2008 Paris Declaration Monitoring Survey* process demonstrated continued commitment to implementing the Paris Declaration and to jointly monitor progress through enhanced country-based systems. In this respect, there is encouraging evidence that the development partnership is strong and there is a clear joint commitment to the principles of more effective aid.

The survey reported that, “while overall progress in strengthening development partnerships has been good, there is, however, more mixed evidence of actual progress in implementing existing policy frameworks. Some deterioration in four of the indicators highlight that continued emphasis needs to be placed on aid effectiveness issues, in particular, at the sector level. While there is cause for optimism, it is now necessary to translate existing partnerships into the implementation of an agreed policy framework. Only this will lead to more effective aid delivery and management mechanisms that can contribute to the achievement of development results.”¹⁰

Aid Effectiveness Evaluation

1. The overall picture is very mixed with clear evidence of significant progress in some sectors contrasted by difficulty in others.
2. Leadership and capacity – both the government and the development partner – are the most notable determinants of success.
3. Linkages among central government agencies are critical to consolidating past achievements in NSDP management.
4. Sector programmes should focus on concrete activities to establish the plan – resource – activity – results linkage.
5. An excessively technical and detailed approach may serve as a drag; clearer political directives may accelerate progress.
6. A broader group of stakeholders, including the National Assembly and civil society, must engage as the process matures.
7. Alignment and development effectiveness may require reallocation of aid resources towards agriculture and decentralised services.
8. Relationship dynamics require a retooling by both the government and development partners to enhance partnership competencies.
9. Associating aid with enhanced capacity development in the context of reform may provide the basis of future aid programming.
10. Overcoming “fatigue” and achieving results require sharpening of priorities, broader engagement and greater mutual accountability.

Source: Cambodia Aid Effectiveness Report 2008.

Looking forward, it is important to note that new sources of financing are likely to have considerable impact on the financing profile. Rapid funding increases from China and the Republic of Korea have been realised. Meanwhile, new cooperation agreements with Qatar and Kuwait, which were concluded in early 2008, will be translated into formal commitments, and then disbursements, primarily to the rural sectors.

¹⁰ Paris Declaration Monitoring Survey, CRDB/CDC, 2008.

The profile of support in other sectors will also be affected. For example, within a short period, the Global Fund and the Education for All Fast Track Initiative have established themselves as major sources of assistance for health and education, respectively.

The future challenge may, therefore, be framed in terms of managing increased diversity in funding sources. This challenge is mirrored globally as there are now some 56 official donors and over 230 multilateral agencies and funders (over 100 in the health sector alone). This trend has been increasing in spite of Paris Declaration commitments to greater efficiency.¹¹

¹¹ *Aid Architecture: An overview of the main trends in ODA flows*, World Bank, May 2008.

ANNEX: KEY INFORMANTS

BENG SIMETH
World Bank

DYLAN GÉLARD
UNDP

HIRO HATTORI
UNICEF

MAR SOPHEA
Asian Development Bank (ADB)

PHILIP COUNADGE
Council for the Development of Cambodia

SAM SEYRERATH
Planning Department
Ministry of Education, Youth and Sports
Cambodia

SOK SOHEMA
Economics and Finance Department
Ministry of Education, Youth and Sports
Cambodia

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A POLICY SCAN OF ODA IN THE EDUCATION SECTOR: **NEPAL**

RESEARCH TEAM, **NATIONAL CAMPAIGN FOR EDUCATION (NCE)**



CHAPTER 1: ODA FOR EDUCATION IN NEPAL

1.1: HISTORICAL TRENDS AND FLOW OF ODA FOR EDUCATION

Modern education in Nepal began with the opening of the first school in 1853. However, this school was only for the members of the ruling Rana families and their courtiers. Schooling for the general public began only after a popular movement toppled the Rana's totalitarian regime and initiated a democratic system in 1951.

The history of foreign aid flow into Nepal began when the Rana government, led by Prime Minister Chandra Shamsar, signed a technical cooperation deal with the US (United States) government under the Point Four Program in 1950. As per the agreement, which was inked just a month before the downfall of the 104-year-old Rana regime, the US government provided grant assistance worth Rs 22,000 (USD 3,000) to Nepal. This marked the beginning of official flow of foreign aid into Nepal.

Initially, Nepal received assistance in the form of grant, guided by strategic considerations of the donors consisting of the US, the former Soviet Union, China and India (Khadka, 1997). Records show that Nepal received its first loan amounting to Rs 13.44 million in the year 1963-1964 to implement programs incorporated in the second periodic plan.

Nepal's entry into the Colombo Plan in 1952 opened a new channel for the flow of foreign aid. Nepal's dependency on foreign aid increased remarkably after the country initiated a periodic development in 1956. The number of donors increased to 37, comprising 19 bilateral and 18 multinationals. Along with the official flow of foreign aid that comes in the form of grants and loans from both the bilateral and multilateral donors, Nepal also receives a huge amount of aid from international non-government organisations (INGOs). According to estimates of the Ministry of Finance (MOF), Nepal received almost Rs 8 billion from 163 INGOs actively working in the country during 2008-2009.

TABLE 1.1: FLOW OF AID THROUGH OFFICIAL CHANNELS AND INGOS

Fiscal year	FLOW OF AID FROM MULTILATERAL AND BILATERAL DONORS			FLOW OF AID FROM INGOS	
	Bilateral	Multilateral	Total	Amount	No. of agencies
2003/2004	8.22	15.51	23.73	10.06 billion	106
2004/2005	21.22	16.93	38.15	4.45 billion	136
2005/2006	14.75	6.17	20.92	4.02 billion	126
2006/2007	9.45	16.40	25.85	4.88 billion	129
2007/2008	11.78	22.27	34.05	3.99 billion	144
2008/2009*	23.93	41.85	65.78	7.87 billion	163

Source: Profile of technical assistance and INGOs and budget speeches, MOF.

*Estimate

1.2: COMPOSITION OF ODA

A closer look at the composition of foreign aid to Nepal reveals that grant, which does not have repayment obligations, used to dominate until 1982-1983. However, the loan component of the total foreign aid gradually increased over the years. It reached its climax in 1998-1999 when over 73 per cent of the foreign aid received by Nepal was in the form of loans.

The composition of foreign aid coming into Nepal witnessed a remarkable change after the fiscal year (FY) 2002-2003. Since then, the proportion of grants has been increasing with the subsequent decline in the loan component. Of the total Rs 34.06 billion worth of foreign aid that Nepal received in the fiscal year 2007-2008, Rs 22.74 billion were in the form of grants.

TABLE 1.2: COMPOSITION OF AID TO NEPAL (IN %)

FY	GRANT	LOAN	TOTAL
1999/2000	32.59	67.41	100
2000/2001	35.93	64.07	100
2001/2002	46.48	53.52	100
2002/2003	71.38	28.62	100
2003/2004	59.66	40.34	100
2004/2005	60.83	39.17	100
2005/2006	62.75	37.25	100
2006/2007	61.12	38.88	100
2007/2008	66.76	33.24	100

Source: Economic surveys and budget speeches, MOF.

1.3: TRENDS IN COMMITMENTS AND DISBURSEMENTS

It is a well accepted fact that the country's absorptive capacity has been perpetually low. Foreign assistance data for the period of 1975-1976 to 2001-2002 show that, on average, less than three-fifths (58.5 per cent) of the committed foreign aid was actually disbursed in the period. The trend slightly improved over time and during the periods 2001-2002 and 2007-2008 when, on average, Nepal received 64.55 per cent of the committed aid.

Among the major reasons for the low absorption of ODA (Official Development Assistance) are ad-hoc introduction of projects without detail study; slow progress in implementing projects due to lack of ownership at the local level; corruption; administrative hassles and sluggishness and delay in decision making; insufficient counterpart fund; impracticable conditions tied up with the aid disbursement; and weak political commitment for specific projects due mainly to political instability. Moreover, disbursement rates are simply the expenditure statistics released for the purpose of implementing assigned projects. They do not necessarily show whether the money was spent productively. If disbursement is considered in terms of real price and efficient use, only 25 per cent of the aid can be said to have been absorbed efficiently (Khadka, 1991).

TABLE 1.3: GAPS BETWEEN THE COMMITMENT AND DISBURSEMENT OF AID TO NEPAL (RS IN MILLIONS)

FISCAL YEAR	COMMITMENT	DISBURSEMENT	RATIO OF COMMITMENT AND DISBURSEMENT
2001/2002	30.54	14.38	47.09
2002/2003	26.97	15.88	58.88
2003/2004	28.33	18.91	66.75
2004/2005	32.31	23.66	73.23
2005/2006	33.22	22.05	66.38
2006/2007	40.64	25.85	63.61
2007/2008	44.83	34.05	75.95
2008/2009	65.79	-	-

Source: Economic surveys and budget speeches, MOF.

1.4: WHY NEPAL IS DESPERATE FOR ODA

Foreign aid has been a major source of financing for Nepal's development activities, as the resources generated from domestic resources are hardly enough to meet recurrent expenditure and principal debt payment obligations, let alone financing for development activities.

TABLE 1.4: SOURCES OF FINANCING (RS IN BILLIONS)

FY	TOTAL EXPENDITURE	REVENUE	ODA	ODA % OF EXPENDITURE	REVENUE % OF EXPENDITURE
1999/2000	66.27	42.89	17.52	26.44	64.72
2000/2001	79.84	48.89	18.80	23.55	61.23
2001/2002	80.07	50.44	14.34	17.91	62.99
2002/2003	84.00	56.23	15.88	18.90	66.94
2003/2004	89.44	62.33	18.91	21.14	69.69
2004/2005	102.56	70.12	23.66	23.07	68.37
2005/2006	110.88	72.28	22.04	19.88	65.19
2006/2007	103.60	87.71	25.85	24.95	84.66
2007/2008	163.31	107.54	34.07	20.86	65.85
2008/2009	236.01	141.72	65.79	27.88	60.05

Source: Economic surveys and budget speeches, MOF.

Table 1.5 shows that domestic revenue has been able to finance just 97 per cent of the total recurrent and principal debt payment obligations during the last 10 years. This clearly indicates that Nepal has to completely rely upon foreign aid in order to meet resources for development expenditures. The growing dependency to foreign aid, which has been financing over a quarter of the total expenditures, demonstrates its major role in running Nepal's economy.

TABLE 1.5: REVENUE DEFICIT SITUATION OF NEPAL (RS IN BILLIONS)

FY	REVENUE	RECURRENT EXPENDITURE + PRINCIPAL DEBT PAYMENT
1999/2000	42.89	40.80
2000/2001	48.89	51.53
2001/2002	50.44	55.30
2002/2003	56.23	61.65
2003/2004	62.33	66.34
2004/2005	70.12	75.23
2005/2006	72.28	81.28
2006/2007	87.71	93.87
2007/2008	107.54	107.78
2008/2009	141.72	144.71

Source: Red books and budget speeches, MOF.

1.5: ODA DONORS

In the early fifties, the US and India used to be Nepal's largest bilateral donors. Besides hidden political and strategic interests of the donors, bilateral donors' aid seemed to be guided by the global development agenda. Infrastructure development, poverty reduction and social service development are the key areas of interest of bilateral donors. Japan, the UK, Nordic countries, Germany, India and China are the major bilateral donors of Nepal. Its major multilateral donors are the World Bank, the International Monetary Fund (IMF), the Asian Development Bank (ADB) and various United Nations agencies. The World Bank and the Asian Development Bank started extending assistance to Nepal after it joined these institutions in 1961 and 1966, respectively.

TABLE 1.6: COMPOSITION OF ODA (RS IN BILLIONS)

FY	TOTAL ODA	BILATERAL		MULTILATERAL	
		Amount	% of total	Amount	% of total
2000/2001	18.80	2.77	14.7	16.03	85.27
2001/2002	14.38	4.68	32.5	9.71	67.52
2002/2003	15.88	10.04	63.2	5.84	36.78
2003/2004	18.91	9.01	47.6	9.90	52.35
2004/2005	23.66	9.23	39.0	14.43	60.99
2005/2006	22.04	7.66	34.8	14.38	65.25
2006/2007	25.85	16.40	63.4	9.45	36.56
2007/2008	34.00			11.32	33.34

Source: Economic survey, MOF.

Table 1.7 shows that multilateral donors provided about 62 per cent of the total ODA that Nepal received while bilateral donors contributed 38 per cent.

TABLE 1.7: DONOR-WISE FLOW OF ODA (RS IN MILLIONS)

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Australia	-	93.95	0.00	0.00	643.30
Canada	465.90	0.00	0.00	46.11	0.00
China	710.00	451.00	1,044.08	900.00	857.00
Denmark	727.60	2,684.92	0.00	2,187.00	0.00
Finland	-	913.30	160.43	1,348.94	1,408.37
France	-	27.60	0.00	0.00	0.00
Germany	2,447.61	764.62	2,786.10	1,916.42	2,725.00
India	969.52	153.92	7,576.00	1,600.00	6,828.00
Japan	2,246.23	3,726.99	1,242.18	4,022.22	261.62
Netherlands					177.60
Norway	378.98	2,241.30	0.00	1,380.00	240.73
Saudi Fund					985.50
Switzerland	67.80	0.00	450.62	1,321.44	227.50
South Korea				82.00	432.20
United Kingdom	65.40	9,411.42	0.00	460.07	931.42
USA	57.04	756.34	1,496.04	2,441.90	0.00
Subtotal	8,136.08	21,225.36	14,755.45	17,706.10	1,5718.24
ADB	4,534.61	5,706.83	2,284.45	12,323.76	8,526.40
EC					2,634.00
FAO	27.54	0.00	0.00	0.00	0.00
IFAD	-	828.40	0.00	0.00	270.00
ILO					194.70
OPEC Fund			506.10	0.00	1,275.00
UNDP			918.83	0.00	6,030.88
UNDP					1,789.00
UNFPA					4,358.00
World Bank	11,039.75	10,391.73	2,459.40	6,993.00	16,264.33
Sub Total	15,601.90	16,926.96	61,68.78	19,316.76	41,342.31
M Total (A+B)	23,737.98	16,926.96	6,619.40	37,022.86	57,060.55

Source: MOF.

During the last five years, India has become the largest donor among the 16 bilateral donors of Nepal. India provided ODA worth Rs 16 billion followed by the UK and Japan, which extended Rs 10.80 billion and Rs 9.25 billion, respectively. Altogether, bilateral donors provided a total of Rs 69.04 billion ODA during the last five years, which was almost half of the total ODA that Nepal received. Likewise, with ODA totalling Rs 47.19 billion, the World Bank continued to remain at the top position among the multilateral donors, followed by the ADB and the UNDP (United Nations Development Programme), which extended Rs 33.37 billion ODA and 6.95 billion ODA, respectively, during the five-year period.

1.6: SECTOR-WISE FLOW OF ODA

Sector-wise, education continued to be the major absorber of ODA, followed by local development and health. During the last five years (2003-2008), Nepal received Rs 26 billion ODA for the education sector. Likewise, local development attracted Rs 24 billion, while the health sector received over Rs 17 billion. Transportation is also one of the major areas of attraction for ODA. It received a total of Rs 11 billion during the period.

Table 1.8 highlights major sectors that attract ODA. Education has been able to attract the highest amount of ODA from 2003 to 2005, followed by the local development and health sectors.

TABLE 1.8: FLOW OF ODA IN MAJOR SECTORS (RS IN MILLIONS)

SECTOR	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	TOTAL
Agriculture	1,543.54	698.69	65.35	1,450.80	270.00	4,028.38
Education	899.84	1,0945.92	372.42	6,243.40	7573.70	26,035.28
Finance	5,487.00	0	167.47	4666.16	0	10,320.63
Governance	769.70	756.34	201.67	0	0	1,727.71
Health	220.68	12,437.27	1,219.66	3,418.91	0	17,296.52
Irrigation	539.52	73.92	1,925.42	0	4,223.50	6,762.36
Labour	128.07	0	0	0	0.00	128.07
Local Development	7,063.46	3,102.20	3,642.57	1,768.45	8,531.57	24,108.25
Power	1,866.44	0	1,230.30	1,728.62	2,965.00	7,790.36
Science and Technology	1,336.69	1,320.95	0	3,083.00	2,265.50	8,006.14
Supply	227.85	313.10	294.50	180.00	234.40	1,249.85
Transport	44.25	3,120.49	0	4,621.20	3,353.72	11,139.66
Water Supply	3,007.20	1,888.39	691.26	0	0	5,586.85
Women and SW	484.40	14.00	783.13	46.11	0	1,327.64
Others	119.34	2,627.82	8,994.55	8,128.79	26,282.48	46,152.98

Source: MOF.

Initially, development of infrastructure was the first priority of multilateral donors. However, following the financial crisis, the World Bank and the IMF also started providing assistance

for policy reforms and persuaded the government to adopt the policy of liberalization and private sector growth. Likewise, the ADB has been more focused on providing assistance to develop infrastructures though it has also provided aid for policy level reforms.

During the nineties, almost all the major donors unveiled country specific assistance strategies. Most of them highlighted poverty reduction as the major objective for assisting Nepal.

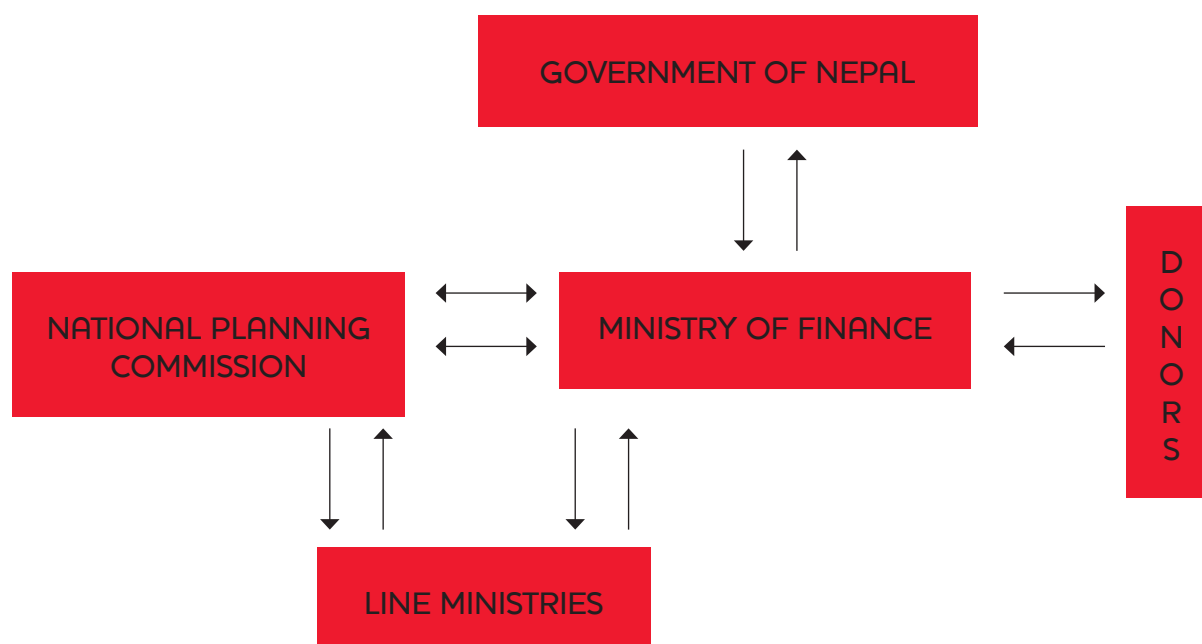
1.7: EXISTING MECHANISM FOR ESTABLISHING ODA

Even after five decades of aid-funded development endeavours, there is still lack of serious work in identification, priority fixation, designing and costing of projects on the part of the recipient. The government and the donor community follow no specific modality to initiate development projects.

There are generally two major methods that are often practiced for a long period of time. In the first method, the donor agency informs the government, particularly the Foreign Aid Coordination Division (FACD) of the Ministry of Finance, that it has available resources that could be invested in particular sectors such as education, health or sanitation. Based on available resources and donor's preferred sector, the FACD asks concerned line ministries to forward the project proposals that are in their priority list. The line ministries then forward their proposal for development projects, matching the expenditure with the available resources, to the National Planning Commission (NPC) to verify whether the proposed project does not contradict with the periodic plans.

After approval from the NPC, the project proposal is handed over to the Ministry of Finance, which forwards the proposal to the cabinet for its final approval. If the cabinet endorses the project, the Ministry of Finance and the donor agency sign an agreement, specifying the line ministry as the main implementing agency.

FIGURE 1: PROCESS OF FOREIGN AID COORDINATION AND MOBILIZATION



In the second method, the government outlines its development needs during the periodic planning. This includes identifying the sectors needing foreign assistance and how much the government is willing to invest for the sector from its own resources. Based on the periodic plan, the government requests potential donors to extend the necessary financial support and explore possibilities for technical cooperation. During the negotiation, which generally takes three to six months, the donor agencies will assess the costs of the project, set out objectives, and set a plan of action.

Line ministries also play important roles in determining the final form of the projects. If the negotiations are successful, then both the donor agency and the aid-receiving government will seek approval from concerned authorities before signing a formal agreement. In the case of bilateral donors, the proposal is forwarded to the concerned government for its approval. For multilateral donors, the executive board will take the final decision.

The concerned line ministry of the aid recipient country will forward the final draft agreement to the Ministry of Finance, which presents the proposal to the cabinet for final approval. The cabinet shall authorize the MOF to sign the agreement with the donor.

The annual national budget includes allocation for foreign-assisted projects based on commitments made by the government. The concerned line ministry is made responsible for the execution of the project.

However, in this whole process, lack of people's participation is glaring. Consultation with the public is very limited, if not absent. There are no programs or organizing work that will help local beneficiaries understand the objectives of the project and how it will benefit the local communities. Hence, there is no local ownership of the development project despite the fact that the projects aim to support local socio-economic development.

1.8: QUALITY OF ODA AND CONDITIONALITIES

According to the Human Development Report, there are three major conditions for effective aid. First, it has to be delivered in sufficient quantity to support human development initiatives. Aid provides governments with resources to make the crucial investments in sectors like health, education and economic infrastructure, and break cycles of deprivation, support economic recovery and provide resources needed to bridge financing gaps. Second, aid has to be delivered in a predictable, low-transaction cost and value-for-money basis. Third, effective aid requires "country ownership". The recipient countries have the primary responsibility to create an environment under which aid can yield optimal outcomes. While there has been progress in increasing the quantity and improving the quality of aid, none of these conditions have yet been met.

Donors have acknowledged the importance of tackling problems in aid quality. In March 2005, the Paris Declaration on Aid Effectiveness set out important principles for donors to improve aid effectiveness along with targets for monitoring progress by applying new practices. Coordination is improving, there is less use of tied aid, and there is emphasis on improving country ownership.

However, implementation of good practices lags far behind the declared principles. Aid delivery still falls short of pledges, undermining long-term financial planning for poverty reduction. At the same time, specific forms of conditions often weaken national ownership and obstruct additional aid flows. Donor reluctance to completely comply with national systems adds to transaction costs and weakens national capacity (UNDP, 2005). This global assessment on the quality of aid is applicable, in the case of ODA, to selected Least Developed Countries (LDCs) as well.

1.9: UNTYING AID

In general, the use of international firms, contractors and consultants, and equipment from the donor's home country have led to large transaction costs for development aid. In many cases, the donor country also uses aid to support their ailing industries and to "dump" equipment and technologies that they replace with the newest ones. Some of the bilateral donors also use aid to hire expensive consultants and technical manpower from their home countries. As a result, a large chunk of aid goes back to the donor country. A large number of foreign-aided projects hire expatriate consultants though Nepali professionals would be available to do the work more effectively and efficiently (Acharya, 2003).

According to Ministry of Finance officials, almost every aid, except budgetary support, is tied. The practice of "tied aid" is rampant in the aid provided by bilateral donors compared to those extended by the multilateral donors. Policy conditions are most often associated with the multilateral donors, but, in general, conditions from multilateral donors are less problematic than that of bilateral donors.

Untied aid is considered cost-effective and quality aid as it gives recipient countries more flexibility to mobilize resources based on national priorities. Thus, one of the most important decisions of the Brussels Program of Action was the recommendation that, by 1 January 2002, ODA to LDCs should be untied in the following areas: balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts; and ODA to NGOs for procurement related activities. The Organisation for Economic Cooperation and Development – Development Cooperation Directorate (OECD-DAC) has been monitoring the implementation of this recommendation. It has been reported that, in general, DAC members' implementation of the provision to untie aid has been "rapid and comprehensive". Both prior to and since the recommendation, numerous DAC member countries including Australia and Japan have also untied ODA beyond the requirements of the recommendation.

However, in order to maximize economic benefits, not only will all donors have to proceed swiftly with untying as comprehensively as possible, but the LDCs will also have to make major efforts to improve their government procurement systems.

TABLE 1.9: STATUS OF IMPORT AID IN TOTAL AID (RS IN MILLIONS)

YEAR	TOTAL AID	IMPORT AID	NON-IMPORT AID	LOAN	PERCENTAGE OF IMPORT AID TO NON-IMPORT AID (%)	PERCENTAGE OF IMPORT AID TO LOAN (%)
1999	16,189.0	5,725.4	10,463.6	11,852.4	35.37	48.31
2000	17,523.9	6,791.8	10,732.1	11,812.2	38.79	57.50
2001	18,797.4	7,117.7	11,679.7	12,044.0	37.87	59.10
2002	14,384.8	5,539.6	8,845.2	7,698.7	38.51	71.96
2003	15,885.5	3,241.4	12,644.1	4,546.4	20.40	71.30

Source: Nepal Rastra Bank.

Transparency of foreign aid funded projects has been a long-running serious problem. To address the problem, the government brought out Foreign Aid Policy in 2002. Yet its implementation remained weak due to the indifference shown by both the government and donor community. As a result, more than one-third of the aid coming to Nepal still remains unaudited (Khanal, 2007). In such projects, donor agencies themselves keep all the expenditures records. Such records are made available to the concerned ministry at the end of each financial year. According to experts, such opaque practices are commonly done to conceal aid-tying practices. This system compels the recipient country to use materials of donor countries. This adds to the high costs of hiring experts and consultants for feasibility studies and preparing detailed project reports.

CHAPTER 2: ODA FOR EDUCATION

2.1: ODA FOR THE EDUCATION SECTOR

The development of the education sector has been a prime focus of the government. Education continues to be the largest absorber of public funds. For example, Rs 39 billion (around USD 550 million), which represents 16.51 per cent of the total planned expenditure for the fiscal year was allotted to the education sector in FY 2008-2009.

Likewise, education remains the largest absorber of public expenditure among the social sector. Education received almost half of the total expenditure for social services: at 44.4 per cent in 1974-1975; 47.5 per cent in 1994-1995; 52.9 per cent in 2001-2002; and almost 53 per cent in 2005-2006. However, this has declined in the recent years despite the fact that total allocation and expenditure for education has recorded an encouraging growth over the years.

The spending on education as a ratio of total public expenditure has also increased from 10 per cent during the 1970s to over 15.9 per cent during 1990s. Over the period of

1998-1999 to 2007-2008, the average growth rate of the education budget was 13.4 per cent. Its average growth rate in relation to the size of total budget was 11.5 per cent. Meanwhile, the GDP (gross domestic product) grew by 3.5 per cent.

TABLE 2.1: EDUCATION BUDGET VS. TOTAL BUDGET (RS IN BILLIONS)

YEAR	TOTAL BUDGET	EDUCATION BUDGET	SOCIAL SECTOR BUDGET	EDUCATION BUDGET AS % OF TOTAL BUDGET	SOCIAL SECTOR BUDGET AS % OF TOTAL BUDGET	EDUCATION BUDGET AS % OF SOCIAL SECTOR BUDGET
1998/99	56.12	8.54	17.64	15.22	31.43	48.41
1999/00	66.27	9.61	20.73	14.50	31.28	46.36
2000/01	79.84	11.13	23.75	13.94	29.75	46.86
2001/02	80.07	13.14	24.88	16.41	31.07	52.81
2002/03	84.00	13.29	25.94	15.82	30.88	51.23
2003/04	89.44	14.48	27.94	16.19	31.24	51.83
2004/05	102.56	17.14	31.69	16.71	30.90	54.09
2005/06	110.89	19.21	36.18	17.32	32.63	53.10
2006/07	133.60	21.39	46.22	16.01	34.60	46.28
2007/08	163.31	26.98	59.66	16.52	36.53	45.22

Source: Economic survey, budget speeches and red books.

2.2: FUNDING FOR EDUCATION

The increasing budget allocation for the education sector over the years shows that Nepal has been giving due priority for the development of this sector, particularly basic and primary education.

Table 2.2 shows that Nepal's public expenditure for education grew to over 16 per cent in the 2007-2008 annual budget; from 9 per cent in 1990. Similarly, education budget as a per cent of GDP also increased to 3.28 per cent in the fiscal year 2007-2008 as compared to less than 2 per cent in the early nineties. However, it still less than the average of the South Asian expenditure for education sector. The inadequate per capita level of public investment on school education calls for the need to increase this share. International experiences suggest that there is a need to allocate about 6 per cent of the country's GDP to bring a visible change in the education sector.

TABLE 2.2: PUBLIC EXPENDITURE IN EDUCATION (RS IN MILLIONS)

YEAR	EDUCATION BUDGET	ODA FOR EDUCATION	EDUCATION BUDGET AS % OF GDP	AID AS % OF EDUCATION BUDGET	PER CAPITA EDUCATION EXPENDITURE
2000/2001	11,045	1,424	2.8	12.9	477
2001/2002	13,050	1,880	3.2	14.4	551
2002/2003	13,242	2,029	3.0	15.3	547
2003/2004	14,477	2,426	3.1	18.3	585
2004/2005	17,269	4,656	3.2	26.9	656
2005/2006	19,331	5,540	3.6	28.6	747
2006/2007	21,388	6,580	3.5	28.6	871
2007/2008	26,975	6,580	3.5	28.6	871

Source: Budget speeches, MOF.

Likewise, the per capita education expenditure has also increased remarkably over the years to Rs 871 (USD 12.5) in the fiscal year 2006-2007 as against Rs 250 recorded in the 1990s.

2.3: EDUCATION BUDGET AND UTILISATION

During Nepal's more than five-decade long development endeavour, low utilisation of the available resources has always been a major weakness. For example, between 1964-1965 and 2001-2002, the utilisation of public expenditure averaged 87 per cent. The underutilisation of the earmarked budget is primarily due to the inability of government to spend resources allocated under capital expenditures, which largely finances development activities. Various studies revealed that the common factors responsible for low utilisation of the allocated budget are allocation of budget without detail project homework, delay in release of the earmarked budget and high degree of political interferences (Sharma and Khanal, 2005).

However, education was the only major sector among social services that has maintained the budget utilisation of over 90 per cent. The budget utilisation rate of the sector over the period of 1998-1999 to 2007-2008 stood at 94.34 per cent. High utilisation was mainly due to the dominance of recurrent expenditures in the total education budget. For example, over 91.12 per cent of the total budget in FY 2008-2009 goes to financing recurrent expenditures. Perks and benefits for 148,000 permanent and temporary teachers amounted to Rs 19.26 billion, which was almost half of the total budget for education.

TABLE 2.3: UTILISATION OF EDUCATION BUDGET

FISCAL YEAR	EDUCATION BUDGET (RS IN BILLIONS)		
	EARMARKED	UTILISED	IN %
1998/1999	8.54	8.70	98.16
1999/2000	9.61	10.17	94.49
2000/2001	11.13	11.75	94.72
2001/2002	13.14	14.00	93.86
2002/2003	13.29	14.37	92.48
2003/2004	14.48	15.57	93.00
2004/2005	17.27	18.05	95.68
2005/2006	19.33	21.25	90.96
2006/2007	22.77	21.39	93.94
2007/2008	28.07	26.97	96.08

Source: Budget speeches, MOF.

2.4: EDUCATION BUDGET AND FOREIGN ASSISTANCE

Foreign aid has long been an important source of financing education expenditure in Nepal. The share of foreign financing in the total expenditure for education has been constantly growing over the years. For example, the foreign aid used to contribute around 23 per cent of the total education budget in 2000-2001 but the figure has gone up to almost 27 per cent in the budget for fiscal year 2007-2008. On average, foreign aid contributes Rs 4 billion (around USD 57 million) for education. About 24.9 per cent of foreign aid went to education in the years 2001-2002 to 2006-2007.

TABLE 2.4: TARGET AND ACTUAL FLOW OF FOREIGN AID (RS IN BILLIONS)

FISCAL YEAR	BUDGETARY TARGET	FOREIGN AID (UTILISATION)
2000/2001	2.59	1.93
2001/2002	2.46	1.88
2002/2003	2.89	2.03
2003/2004	3.23	2.41
2004/2005	5.40	4.66
2005/2006	5.54	4.62
2006/2007	6.58	-
2007/2008	7.75	-

Source: MOF.

However, based on experiences during previous years, the actual disbursement of foreign aid to finance education remained far less than the allocated budget and the volume of aid provided by the donors. For example, the actual utilisation during the fiscal years 2000-2001 to 2004-2005 remained Rs 12.91 billion (around USD 147 million) against the budgetary allotment of Rs 16.57 billion (around USD 237 million). This amount was almost 80 per cent of the budgetary allocation.

2.5: MAJOR DONORS FOR EDUCATION

With the aid totalling Rs 11.91 billion, the World Bank remained the largest donor during the fiscal year 2007-2008. Of this amount, Rs 7.81 billion was in the form of grant while Rs 4.10 billion was in the form of loans. During this period, ADB extended support worth Rs 5.47 billion, while the European community and Denmark remained the third and fourth largest supporters of Nepal's education sector.

TABLE 2.5: DONOR SUPPORT FOR THE EDUCATION SECTOR (RS IN MILLIONS)

FY	DONOR	NAME OF THE PROJECT	TYPE OF ODA	AMOUNT
2003/2004	World Bank	Community School Support Project (CSSP)	Loan	373.75
	Japan	Construction of Primary Schools in Support of the Education for All (EFA)	Grant	458.29
	Switzerland	Technical Cooperation Agreement	Grant	67.80
2004/2005	World Bank	Education for All	Loan	3,732.00
	Denmark	Education for All	Grant	2,449.92
	Finland	Education for All	Grant	913.30
	Norway	Education for All	Grant	18,560.00
	Japan	Construction of Primary Schools in Support of the EFA Programme	Grant	581.70
	ADB	Skills for Employment Project	Loan	1,413.00
2005/2006	Japan	Construction of Primary Schools	Grant	372.42
2006/2007	ADB	Education Sector Program (ESP) I	Loan	2,124.00
	ADB	Capacity Development Project	Grant	141.60
	World Bank	Second Higher Education Project	Grant	3,924.00
	Switzerland	Raising the Impact of National Skill Testing System in Nepal Programme Phase I	Grant	53.80
2007/2008	World Bank	Education for All	Grant	3,780.00
	ADB	Education Sector Program (ESP) II	Grant	516.40
	Australia	Education for All (EFA) Programme	Grant	643.30
	EC	Education for All (EFA) Programme	Grant	2,634.00

Source: MOF.

2.6: MAJOR PROJECTS ON EDUCATION

2.6.1: EDUCATION FOR ALL 2004-2009

Education for All (EFA), the biggest education related project that Nepal has implemented, aims to increase primary enrolment rates, especially of girls and children from socially disadvantaged groups. It also aims to improve the overall quality of education.

EFA is a five-year strategic programme developed in the context of the Tenth Plan and the Education for All National Plan of Action (EFA-NPA) developed by the Nepali government. Among the objectives of this plan are to develop and expand secondary education; produce middle-level technical work force through the expansion of vocational and technical education; and produce higher-level skilled labour through the development of higher education. The NPA is divided into two programme periods: the first phase will be implemented from 2004 to 2009, while the second one will be implemented from 2010 to 2015.

The Department of Education (DOE) is the central agency that leads the implementation of the Education for All (EFA) programme through two different financing modalities, namely, pooled and parallel fundings. Denmark, Finland, Norway, the United Kingdom

(UK) and the World Bank supported the pooled funding as guided by the Joint Financial Arrangement (JFA). The parallel funding donors are the Asian Development Bank; the Government of Japan; the United Nations Educational, Scientific and Cultural Organization (UNESCO); and the United Nations Children's Fund (UNICEF).

2.6.1.1: PROJECT FINANCING

The EFA 2004-2009 Core Document has presented a total EFA budget of USD 815 million. Of this total budget, USD 480 million (59 per cent) is allocated for recurrent expenditure while the remaining USD 335 million (41 per cent) is for capital expenditure. The government has committed resources of USD 536 million (66 per cent) both for recurrent and capital expenditures, while the remaining 34 per cent will be financed by the donor community.

TABLE 2.6: SUMMARY OF FINANCING FOR EDUCATION FOR ALL PROJECTS (IN MILLION USD)

	FY 2003/2004	FY 2004/2005	FY 2006/2007	FY 2007/2008	FY 2008/2009*	TOTAL
Total pooled costs						
Planned	111.18	121.35	136.43	143.44	141.67	654.07
Actual	122.40	141.20	172.50	245.50	319.60	1001.20
Government						
Planned	89.82	90.55	98.64	99.54	100.52	479.07
Actual	92.50	102.40	126.80	172.00	204.89	698.59
Pooled donors						
Planned	21.36	30.80	37.79	43.90	41.15	175.00
Actual	29.90	38.80	45.70	73.50	114.70	302.60
Donor share, %						
Planned	19.21	25.38	27.70	30.61	29.05	26.76
Actual	24.43	27.48	26.49	29.94	35.89	30.22

Source: Department of Education.
*Estimate

Higher actual expenditure against the planned expenditure is mainly due to unexpected salary increment and higher than expected inflation during the implementation period. According to officials of the Department of Education, donors usually commit assistance in lower volume, but they gradually increase the budget for assistance when they see that projects and programs are running according to plan. For example, the World Bank released USD 60 million more than the amount it had committed.

Inclusion of programs that were not included in the initial plan, such as the recently declared free education for up to grade 8, also swells the real expenditure figures.

The exchange rate is also another factor. Most donors provide assistance based on their own currencies. Hence, when their currencies gain against the US dollar, the amount of assistance also increases.

2.6.1.2: MID-TERM REVIEW OF EFA

The Mid-Term Review of the Education for All (2004-2009) Programme in Nepal was commissioned through the Joint Financing Arrangement signed between the Government of Nepal and pooling partners. The review was coordinated and managed by the Finnish Embassy in their current role as coordinator for the pooling donors.

TABLE 2.7: SUMMARY OF STATUS AND GENERAL PROGRESS TOWARDS EFA STRATEGIES

STRATEGY	RELEVANCE	EFFECTIVENESS	EFFICIENCY	SUSTAINABILITY	ACHIEVEMENT
Improving Access & Equity					
Incentives					
a. Scholarships (dalits)	High	Medium	Low	Low	Medium
b. Gender (50% girls)	High	Medium	Medium	Medium	Medium
Improved physical environment of schools	High	High	Medium	Medium	Medium
Recruitment and proper deployment of teachers	High	Low	Low	Low	Low
Expanding Early Childhood Development (ECD) and Pre-Primary Education (PPE)	High	Medium	Medium	Medium	Medium
Adoption of inclusive education (InEd)	High	Medium	Low	Medium/Low	Medium
Reducing adult literacy	High	Medium	Medium	Medium	Medium
Enhancing Quality and Relevance					
Improving teaching and learning	High	Low	Low	Low	Low
Improving teaching and learning materials	High	High	Medium	Medium	High/Medium
Continued curriculum development process (Centre)	High	Low	Low	Medium	Medium
Develop monitoring and evaluation systems (Centre)	High	Medium	High	High	Medium
Improving Efficiency and Institutional Capacity					
Transfer of school management to the community	Medium	Low	Low	Medium	Low
School improvement plans (SIPs)	High	Low	Medium	High	Medium
Implementation of Human Resource Development (HRD) Plan	High	Low	Low	Low	Low
Building partnerships	High	Medium/Low	Low	Medium	Medium

Source: Mid-Term Review of EFA-Nepal.

2.6.1.3: MAJOR FINDINGS

- EFA greatly helped in the shift towards decentralization of education. It remains highly appropriate in implementing the development partners' policies based on local needs and priorities.

- EFA helped develop partnership approaches between schools and district authorities, opening a new platform for future collaboration.
- There is a need for renewed capacity building measures to support the overall framework of decentralisation.
- Major gains have been achieved in terms of access to schools.
- Improvement of the quality of education continues to be a matter of great concern for all stakeholders in education.
- There is a need to demand accountability from decision makers.
- The implementation of various activities at the district level became complicated.

2.6.1.4: KEY RECOMMENDATIONS

- Harness decentralisation and its role in empowering the community;
- Build accountability on service delivery at the community level;
- Develop a strategy for teacher redeployment and recruitment;
- Develop a strategy for implementing capacity building at all levels by reviewing and implementing a Human Resource Development plan; and
- Improve monitoring and reporting at all levels.

2.6.2: SECONDARY EDUCATION SUPPORT PROGRAM (SESP)

Secondary Education Support Program (SESP) is a programme based on agreements of the Government of Nepal (GON), the Asian Development Bank (ADB) and the Danish Assistance for International Development (DANIDA). It aims to improve access to quality secondary education in Nepal. The implementation period of the programme is 2003 to 2008. The estimated programme cost is USD 75 million.

The development objective of SESP is to expand quality secondary education in aid of national development. This is supported by three intermediate objectives:

- To improve the quality and relevance of public secondary schooling;
- To improve access to public secondary education, especially among girls, students with disabilities and students from poor and disadvantaged groups and districts; and
- To develop the institutional capacity and management of central and district education institutions and public secondary schools based on a decentralised system of planning and management.

TABLE 2.8: THE SESP BUDGET (USD MILLION)

SOURCE	TOTAL COST	PER CENT
Asian Development Bank (loan)	30.00	40
DANIDA (grant)	30.00	40
As CIP funds	23.70	
As direct funding	6.30	
Nepal Government	14.83	20
Total	74.83	100

Source: SESP Core Document.

2.6.3: TEACHER TRAINING PROGRAM

The core objective of the Teacher Training Program, funded by the Asian Development Bank (ADB), is to assist the government in improving the quality and efficiency of and access to basic education through better quality teachers. The specific objectives are (1) to improve the quality and coverage of teacher training by enhancing institutional capacity for teacher training system; and (2) to improve access for girls and other disadvantaged groups.

The objective will be achieved by building capacity for policy making, planning and managing teacher training programs; enhancing the professional skills of teachers by training trainers and teachers and developing the curriculum and materials; and encouraging increased recruitment of female teachers and those from other disadvantaged groups.

The project is mainly designed to address deficiencies in the teacher training system, comprising pre-service, in-service and recurrent training, in order to improve the quality of basic education. This will be achieved by strengthening teacher training institutions; providing training to key administrative personnel, trainers and teachers; and developing curriculum and teaching learning materials.

Also, the project will promote improving access for girls and disadvantaged groups by providing support for the training of prospective teachers belonging to disadvantaged groups from 12 districts. It will promote the recruitment and training of additional 2,500 teachers belonging to disadvantaged groups from these districts against vacancies arising due to natural attrition, among others.

The total cost of the six-year project that commenced in 2001 is USD 26.20 million. Of this amount, the ADB has provided loan assistance worth USD 18.73 million, while the government made commitments to provide the remaining USD 7.47 million.

2.6.4: COMMUNITY SCHOOL SUPPORT PROJECT (CSSP)

The government announced a major policy shift in the education sector in 2002 and adopted a strategy of decentralising school governance in line with the Local Self-Governance Act (LSGA) by handing over the school management responsibility to the School Management Committees (SMCs). This move was prescribed by leading donor agencies including the World Bank and the IMF.

The main purpose of the change was to involve the community in educational processes, with emphasis on ownership, accountability, local control to ensure effective utilisation of resources, and local resource mobilization. The SMCs, which include representatives of parents, teachers and village education committee members, were given authority to recruit teachers locally.

The high absentee rate of teachers in rural Nepal and lack of local ownership in schools were some of the main factors for the deteriorating quality of education. Hence, through the programme, teachers were made accountable to the school they are assigned to – and not to

the District Education Office as in the past. Accordingly, the role of district and central level agencies, was changed to that of facilitator, monitor and evaluator rather than controller.

Prior to nationalisation of schools in 1972, Nepal used to rely almost exclusively on community-owned schools for education. These schools, established through community initiatives, were funded through tuition fees and block grants from the government. The government nationalised schools to improve the quality of education through assured funding and technical support and to expand access to education. However, despite sizeable government investments, the improvement in quality and efficiency of education deteriorated.

Reflecting the widely shared public perception that nationalisation of schools was a mistake, the Seventh Amendment of the Education Act was passed in 2001. This articulated the policy of devolving school management responsibilities to communities.

The government, in the budget for fiscal year 2002-2003, declared the policy of handing over the management of public schools to local communities. It announced plans of handing over 100 schools during the period. In addition to regular financial grants and other support, the government also promised a one-time block grant of Rs 100,000 for schools that are handed over to the community. The World Bank, which was the principal architect of the plan, extended a USD 5 million credit under the Community School Support Project to accelerate the process of handing over the management of public schools to communities.

TABLE 2.9: TARGET AND ACHIEVEMENT OF MANAGEMENT TRANSFER

YEAR	TARGET	ACTUAL	% OF TARGET
2002/2003	100	93	93.00
2003/2004	1,000	1,000	100.00
2004/2005	1,500	1,092	72.8.00
2005/2006	1,500	241	16.10
2006/2007	1,600	949	59.31
2007/2008	2,500	3,308	132.00

Source: Department of Education.

Despite the upheavals and unpredicted obstructions during the handover process, the Department of Education records showed that the government was able to hand over the management of 6,590 schools to communities by the end of fiscal year 2007-2008.

2.6.4.1: A MID-TERM REVIEW OF THE PROJECT

An independent survey of 30 selected schools that were handed over the community management between 2003-2004 and 2005-2006 concluded that the process has been successful in improving local participation rate in education, enhancing educational quality and deploying more infrastructures.

According to the survey report, after transfer of management to the community, the schools demonstrated various achievements in the areas of participation, planning,

community-school partnership, resource mobilization and, above all, being responsible for school management.

However, the survey noted that there is an urgent need to improve the capacity and performance of school management committees without diverting it from its core objectives of extending quality education. For that, there is a need to develop school management performance indicators. Similarly, the study also underlined the need for a clear accountability structure to ensure better implementation of the CSSP policies and measures. This will remove existing mistrust among major stakeholders.

2.6.4.2: MAJOR OBSERVATIONS OF THE SURVEY (DETAILED REPORT IN ANNEX 1)

- Share of out-of-school children of primary age (5 to 9 years) decreased from 41 per cent to 15 per cent;
- Share of out-of-school girls of primary age decreased from 42 per cent to 15 per cent;
- Share of out-of-school dalit (lowest Hindu caste) children of primary age decreased from 50 per cent to 18 per cent;
- Share of out-of-school janajati (indigenous groups) children of primary age decreased from 44 per cent to 15 per cent;
- Increased community ownership and participation expressed in terms of higher frequency of SMC meetings, increased resource generation, and more frequent parent visits to schools;
- Transfer of children from private schools to community-managed schools (CMSs);
- Reduction in teacher absenteeism; and
- Improved learning environment.

2.7: MDGS AND EDUCATION

Nepal made a commitment to achieve the goal of education for all. However, due to poor socio-economic situation and problems on accessibility of schools, it has become increasingly challenging for Nepal to achieve the target of universal primary education by 2015.

TABLE 2.10: NEPAL'S COMMITMENTS FOR THE MDGS

Indicators	STATUS				TARGET	
	1990	1995	2000	2005	2007	2015
Net enrolment in primary education	64	69	81	84	90	100
Proportion of pupils that started grade 1 and reached grade 5	38	NA	63	76	75	100
Literacy rate of 15- to 24-year-olds	49.6	56.2	70.1	73.0	79.0	100.0
Adult literacy	33	40	48	50	63	75

Source: Millennium Development Goals, Needs Assessment for Nepal.

According to statistics of the Ministry of Education, the net enrolment rate (NER) in grades 1-5 in the past ten years has shown encouraging results. Data for 2007-2008 showed that the primary level NER has reached 89.1 per cent. It was 87.4 per cent a year before, and it was 81 per cent in 2001. Moreover, the gender gap in NER was reduced from 23 per cent to 12 per cent in the same period. The enrolment rate among girls was also higher than among boys.

Despite the recent progress achieved by the country in NER in primary education, one-fourth of the school-going ages are out of school and one-half of those enrolled never complete the primary level. There are several reasons for such a low completion rate. If social and economic constraints are important reasons, the poor education environment in the schools is also a responsible factor (Technical Review of School Education, 2006). The physical facilities in schools are poor. Most of the teachers are poorly trained and lack teaching attitude. Likewise, textbooks are not supplied on time; sometimes they are distributed almost at the end of the academic season.

2.7.1: RESOURCES NEEDED TO ATTAIN MDGS ON PRIMARY EDUCATION

According to the UN (United Nations) estimates, the total cost of attaining the MDGs (Millennium Development Goals) on primary education for the period 2005-2015 is Rs 334.52 billion. This is based on 2004-2005 exchange rates (around USD 4.78 billion). That means the average annual investment need to be Rs 30.4 billion (around USD 760 million), which is much higher than the actual current investment of the government. However, the private sector, including communities, will also bear a sizable proportion of the total required public investment. Hence, actual public investment requirement to achieve the MDG targets on education is estimated to be Rs 289.66 billion (around USD 4.14 billion) for 2005-2015. The possible financing gap on education within this period was calculated based on three different scenarios: (1) traditional allocations, (2) soar in security expenses, and (3) reduction in security expenses.

TABLE: 2.11: RESOURCE GAP ON ATTAINING THE MDGS (RS IN BILLIONS, USD 1= RS 70)

SCENARIOS	REQUIRED PUBLIC INVESTMENT	GOVERNMENT RESOURCES	FINANCING GAP
Based on traditional allocations	289.66	147.21	142.44
Soar in security expenses	289.66	137.61	152.04
Reduction in security expenses	289.66	159.80	129.85

Source: MDGs needs assessment for Nepal, UNDP.

2.7.2: RESOURCE GAPS IN ACHIEVING MDGS

According to the study conducted by the UNDP, the total resources requirement for 2005 to 2015 to meet the MDGs for education is Rs 335 billion (around USD 4.78 billion). Of this amount, private sector is expected to invest Rs 45 billion (around USD 643 million) while the remaining Rs 290 billion (around USD 4.14 billion) has to be

invested by the public sector. However, given the domestic resources that the country can generate from revenue and domestic borrowing, it is estimated that the available government resources for education is only Rs 160 billion (around USD 2.29 billion). This creates a resource gap of Rs 130 billion (around USD 1.86 billion).

TABLE 2.12: FINANCING GAP ON EDUCATION (RS IN BILLIONS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Resource Requirement	22.13	23.37	24.78	26.31	27.94	29.69	31.59	33.61	35.83	38.27	41.04
Public Investment Requirement	19.51	20.53	21.75	23.03	24.39	25.83	27.38	28.98	30.75	32.69	34.83
Available resources	11.17	11.70	12.40	13.29	14.05	14.29	15.00	15.76	16.54	17.36	18.23
Resource Gap	8.34	8.83	9.35	9.74	10.34	11.54	12.38	13.22	14.21	15.33	16.60

Source: Millennium Development Goals, Needs Assessment, UNDP.

The Medium Term Expenditure Framework (MTEF) for the period 2006-2007 to 2009-2010 reported that the annual financial gap to achieve the MDGs set for education is Rs 12.93 billion (NPC, 2006).

2.8: DONORS' CONDITIONS AND CAPACITY TO FINANCE EDUCATION

An in-depth study conducted in 2006 revealed that donors' unrealistic conditions that come along with foreign aid have greatly limited the capacity of aid-receiving countries to tap internal sources in order to mobilise funds for crucial social sectors like education and health. For example, despite Nepal's capacity to bridge the financing gap of around Rs 12 billion (about USD 171 million) through internal sources, the country cannot do so due to "too rigid" conditionalities put forward by the multilateral donor agencies like the IMF.

According to a study titled "Financing Education in Nepal", the net domestic financing to bridge the budget deficit should be less than 1 per cent of the GDP. This is based on conditions of the Poverty Reduction and Growth Facilities (PRGF). However, the study argued that the limitation is too small for a country like Nepal, which has been trying hard to manage excess liquidity in the financial market.

According to the study, "the limit can be comfortably stretched to 2.5 per cent of the GDP without putting the economy at risk. If Nepal is allowed to do so, it can mobilise additional six billion rupees (around USD 86 million) from the domestic market and additional Rs 23 billion (around Rs 329 million) in the next three years. This amount will be enough to finance up to 60 per cent of the financial gap in primary education likely to emerge in 2005-2006 to 2008-2009."

With the condition to limit the inflation to less than 1 per cent, the Central Bank opted for tight monetary policies. This has increased the borrowing rate and discouraged the private sector to invest in infrastructures and social sector.

Likewise, the study also pointed to other sectors in which the government can limit its financial obligations by introducing massive reforms. For instance, it is a well-accepted fact that Nepal's bureaucracy is oversized. Massive reforms in the bureaucracy can save a sizeable amount of public expenditure by streamlining the oversized sectors. The amount can be used to recruit additional manpower for other sectors like education, which has inadequate manpower. The Ministry of Education reported that the country needs to recruit 82,000 teachers to achieve the MDGs. The ministry sought additional Rs 5 billion (around USD 71 million) for this purpose. The Ministry of Finance, however, said that the education ministry is unable to manage the fund.

The study also estimated that the government can save up to four billion rupees (around USD 57 million) by downsizing security agencies and civil service. This amount is enough to support 80 per cent of the requirement for more teachers.

It was also pointed out in the study that decentralisation of basic services like education enhances participation of local people in managing such services. In this context, the ongoing process of handing over the management of public schools to communities is a step towards the right direction. However, as a result of hasty implementation of the handover process without enough preparations and homework, a lot of problems and confusion have emerged. This slowed down the process. The study concluded that most of the problems being encountered by the government could have been easily averted had it done necessary groundwork, including in-depth consultations with all stakeholders.

2.9: FUTURE DIRECTIONS

Given the rapidly growing need to accelerate development activities in the changed political context, Nepal will need more and more development assistance in the days to come. Though there has been encouraging increment in revenue collection despite slow economic growth, the government will not be in the position to avail of additional resources for development. This is due mainly to the rapidly growing recurrent expenditure of the state.

Therefore, the government has no alternative than to seek more ODA from donors. Following the major political change in 2006, the donor community seems to be more willing to support Nepal's development needs. However, Nepal has not been able to address the donors' renewed call to improve its own implementing capacity. Many donors have reiterated that Nepal is poor not due to lack of resources, but due to extremely weak capacity to implement its programs. This is mainly caused by cumbersome bureaucracy and long decision-making processes, lack of local ownership, corruption and political instability.

Nepal's development will depend on how quickly it will be able to improve its implementation capacity.

ANNEX 1

A panoramic view of process and results of CSSP based on an independent study conducted in 30 schools that were handed over to the community in years 2003-2004 and 2005-2006

ACTIONS	RESULTS
<p>a) <u>Management Initiatives</u></p> <ul style="list-style-type: none"> • Collective visioning leading to preparation of annual action plan • Participatory management by involving parents in different committees in school • Transparent management: sharing of information with parents • Resource mobilization in the community, especially special interest groups, business community and INGO active in the district <p>b) <u>School-Community Partnerships</u></p> <ul style="list-style-type: none"> • Evolution of a new sense of ownership and community responsibility towards school. • Consultation with parents and influential community people in various school improvement activities. • Coalition building at the local, district and national levels. • Transition of school to a social institution of community concern, leading to a heightened interest in their children's education 	<ul style="list-style-type: none"> • Annual action plan usually prepared after management transfer (this has remained a one-shot affair) • Participatory management structure in the form of functional groups in addition to active SMC and Parent-Teacher Association (PTA) • Display of income and expenditure of school (only a few cases) display of process in enrolment, progress made by the school • Significant resource generation subsequent to incentive grant after management transfer <ul style="list-style-type: none"> • Increased community participation in school activities (such as increased participation in PTA activities) • Formation of Child Education Interest Group (CEIG) to support children's education in their locality • Involvement of CBO and Civil Society in school development Positive parental attitude towards sending their children to community school • Community School National Network (CSNN) to support community managed schools • Gradual increase with better demand for better quality education for their children • Significant reduction in out-of-school children
<p>a) <u>Physical Transformation</u></p> <ul style="list-style-type: none"> • SMC and/or head teacher initiative and leadership in mobilizing support and resources for physical improvement • Rapport or good relationship with INGO's (such as Plan International and Room-to-Read) • Community contribution in kind, cash and labour 	<ul style="list-style-type: none"> • Addition of <ul style="list-style-type: none"> - Classroom blocks - Toilets, - Drinking water taps, - Playground, - Compound walls, - Landscaping, - Library, etc
<p>b) <u>Teaching Learning Improvement</u></p> <ul style="list-style-type: none"> • SMC/Parental concern for instructional improvement • Reorganisation of classroom for making learning interesting effective • Team efforts on the part of teachers and head teacher 	<ul style="list-style-type: none"> • SMC positive in meeting teachers' needs/providing support • PTA monitoring teacher regularly. • Grade 1 classroom reorganized (it has yet to happen in other grades) • Collective concern in enhancing children's learning

POLICY IMPLICATIONS

Some of the policy implications of the progress achieved and problems encountered by the community-managed schools are indicated here. Obviously, these policy shifts or directions have to be widely discussed. There should be a consensus before field implementation.

A) AGE-SPECIFIC ENROLMENT AND PRIMARY EDUCATION COMPLETION POLICY

The community-managed schools, after management transfer, have significantly reduced the number of out-of-school children. However, correct age (i.e., six years) enrolment did not increase. In this context, generic enrolment policy, such as increase in NER by some percentage points, is not enough.

- Hence, it is important that the community-managed school will be required to enrol all six-year-old children in grade 1. This needs to be clearly stated in the policy statement.
- As a corollary, students will be required to complete each year of education in stipulated time.
- Financial grants will be provided in accordance with correct age enrolment and completion rate rather than NER.

The implementation of these policies will also reduce overage children in primary schools. If the prevalence of overage children persists, they should be placed in Non-Formal Education programs.

B) SCHOOL MANAGEMENT PERFORMANCE

The transfer of school management to the community has witnessed the emergence and/or continuation of active SMCs in planning and generating resources. However, a balance between different aspects of school transformation and a focus on the core function of the school, i.e. students learning, has yet to be achieved.

In order to sustain innovative school development activities, *school-management performance indicators need to be established.*

C) LEARNING CONDITIONS

Allocation of resources to improve teaching condition in school, such as classroom blocks, does not necessarily lead to or result in improved learning conditions. The utilisation of school resources needs to be focused in creating and facilitating learning conditions. Although school facilities have improved dramatically after management transfer, the classrooms are still not conducive to learning. The transition from *more teaching* to *more learning* also remained unchanged.

Cooperative and consultative efforts of district education personnel have to be started at the school level in order to articulate a policy of creating essential learning conditions in the school.

D) TEACHING AND LEARNING STANDARDS

SMCs and parents expect better performance in the part of teachers in promoting effective learning to the children. However, a clear articulation of teaching and learning standards appears to be missing, hence, creating confusion in working towards instructional improvement. Primary curriculum and textbooks are content doses to be delivered through

teaching. There is little explanation about the learning and achievement levels that are to be expected. These target levels should provide the benchmarks in teaching and learning.

E) STATE-COMMUNITY PARTNERSHIPS

The evolution of functionally efficient and instructionally effective community managed schools will require a state-community partnership based on a clear understanding of the responsibility of the state and that of the community in providing primary education. In the course of implementation of the CSSP, there were several instances of shifting responsibility and putting the blame to others. A clear accountability structure has not yet evolved. A set of policy statements is required to establish and institutionalize a responsibility structure at the school, district and state levels.

These are only some of the policies adversely affecting the progress of schools recently transferred to community management. These policy issues should be addressed not only at the central level but also at the school and community levels.

TOWARDS A SUSTAINABLE REFORM IN COMMUNITY-MANAGED SCHOOLS

Introducing change is relatively easy in the context of Nepal. There exists enough willingness in the part of school personnel and community people to do something new and effective. Sustaining the new practices for effective school transformation has proved to be extremely difficult.

After management transfer to the community-community managed schools have demonstrated various achievements in the areas of participating, planning, community-school partnership, resource mobilization and, above all, being responsible for school management. These practices have to be continued for a certain period to become a regular feature of school functioning and school effectiveness. The continuity has been difficult to achieve.

Each community-managed school requires a different mix of strategies. The operation of each school should make it function effectively and achieve results in line with the demands and aspirations of the community. Some measures that will facilitate an atmosphere of effective transformation of schools are mentioned here.

• MOVING FROM MISTRUST TO PARTNERSHIP

The existing mistrust between the transferred community-managed schools and DEO/DOE, between school and community, and between SMC/parents and teachers hindered continued progress in schools. Hence, this mistrust has to be replaced by effective partnerships among key stakeholders of the school, including education officials.

• STANDARD SETTING WITHIN THE POLICY FOR SCHOOL REFORM

Some forms of standards are evolving with respect to physical facilities in primary school. However, standards with respect to classroom organisation, instructional practices, and achievement levels are lacking. Hence, community-managed schools need to be guided

within a national policy frame, to formulate locally relevant instructional standards. Such standards can be used in joint monitoring and evaluation of school programme.

- **PROGRESS MONITORING BY PARENTS, COMMUNITY AND EXTERNAL VALIDATION**

For instructional improvement, regular monitoring of the teachers' and students' time-on-task and periodic assessment of learning achievement has to be done. Such practice is almost non-existent at present. Parents are willing to visit school and monitor progress. Still, schools have to design and put in practice simple achievement benchmarks and involve parents in assessing results at specific intervals. Such practice also needs to be externally validated.

- **LOCAL RESOURCE GENERATION AND UTILISATION FOR QUALITY IMPROVEMENT AND ENHANCED ACHIEVEMENT LEVEL**

The new feelings of ownership and responsibility generated by the management transfer can be strengthened by convincing parents to contribute according to their capacity for school improvement. Such contribution enhances the sense of ownership, and gradually leads to accountability in managing schools. In order to establish accountability within the school system, regular involvement and contributions of the community (beyond SMC and PTA) should be included as a policy.

ANNEX 2

JANAK HIGHER SECONDARY SCHOOL, METHINKOT, KAVREPALANCHOK

Janak Higher Secondary School, established in 1972, is situated at ward number 8 of Methinkot Village Development of Kavrepalanchok District. The school, which currently has 900 students, lies 30 kilometres away from the district headquarters Dhulikhel. It also runs higher secondary education, which is popularly known as 10+2 in Nepal.

The school participated in the nationwide School Leaving Certificate (SLC) examination 13 years after its establishment. It was handed over to the community in 2004 under the multimillion Community Support School Program funded mainly by the World Bank.

According to school principal Isthir Lamsal, there was significant improvement in the school's infrastructure after the school was handed over to community. The absentee rate of both the teachers and students also declined. "There has been remarkable improvement in the quality of education. The number of students has also increased," said Lamsal. He added that the school was able to upgrade to 10+2 by using the block grant it received from government while being transferred to the community.

Being a school run by community, it has been able to receive additional domestic and foreign assistance. Recently, the school received German assistance to construct additional 22 classrooms. It also received additional financial support for recruitment of four additional teachers – three teachers for the lower secondary sections and one for the primary section.

The improving educational quality has been reflected in the results of SLC. A total of 87 students out of 97 passed the exam, which is much better than its past performance. Teachers of the school also say that the account-keeping system became more transparent than before.

The school principal said that new challenges also came up along with the increment of the community's interests in the management of the school. For instance, the improvement in the regularity of both teachers and students are not enough. There is a need for more proactive role on the part of the community to deal with the problems. The school management also faced resistance against its attempts to introduce marginal increases in tuition fees, which is necessary to upgrade education quality. The resources that the school generates from its regular resources are just enough to meet perks for teachers. Hence, the school management often faces problems in managing resources to provide perks for non-teaching staff. Raising tuition fees also became difficult due to government's unclear policies on free education.

Though the school has been handed over to community, the local school management committee is not in position to take over all responsibilities to ensure smooth operation of the school. The government did not delegate enough teachers for the school. "These are the biggest challenges to the success of policies enabling communities to run local schools", said Lamsal.

High school teacher Ramesh Chandra Poudel said that the overall performance of the school improved after being handed over to the community. The community became more helpful in mitigating problems faced by the school. He is happy that the community is gradually taking more and more responsibilities in the day-to-day operation of the school, but he was quick to add that there is still a need for additional efforts to encourage the community to take full responsibility.

CHAKRA DEVI PRIMARY SCHOOL, DHULIKHEL, KAVREPALANCHOK

Chakra Devi Primary School is situated at ward number one of Dhulikhel Municipality, which is just two kilometres away from the downtown. It was established in 1982. It runs classes from grades one to five and has currently 85 students. It was handed over to the community in 2003. Majority of the students are from Tamang community, one of largest indigenous groups of Nepal.

Though the overall education quality of the school has improved after being handed over to the community, the decreasing number of students has been worrisome. Teachers of the school say the growing attraction of the local people towards private schools is the major cause of the dwindling number of students. Also, the deprived Tamang community has shown little interest in taking active roles in the management of the school. The community also lacks interests in the management of the schools. Only those parents whose children go to the community-managed school showed some interest. The number of students is shrinking together with the inclination of society towards community-managed schools.

According to Yamuna Devi Shrestha, principal of the school, there has been remarkable improvement in the infrastructures of the school since the community started to manage it. The teacher-student ratio was also reduced.

The school principal added that there are rumours that the school is getting enough funds from the government after being handed-over to the local management. Hence, it has become difficult to mobilise local volunteers for the school's infrastructure development. There has been decline in cooperation from the community after the school started receiving support for educational materials and scholarships from various institutions. Enhancing cooperation and support from the community are the major challenges for the school.

Teacher Kadar Prasad Wagle expressed concerns over the shrinking number of students of the school. Remittances that families are getting from abroad enabled a lot of families to afford private schools. Hence, their affection towards community-managed schools declined.

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A POLICY SCAN OF ODA IN THE EDUCATION SECTOR: **PAKISTAN**

MUKHTAR AHMAD ALI, **PAKISTAN COALITION FOR EDUCATION (PCE)**



1. INTRODUCTION

Need for Official Development Assistance (ODA) is widely recognised in view of its importance in addressing the development needs of low-income countries, which face problems on poor law and order situation, illiteracy, limited access to health services and poverty.

Organised crime and terrorism affect all nations in this age of globalisation. It is recognized that peace, security and sustainable development will not be achieved without international cooperation and solidarity. It is, therefore, in the interest of all nations to efficiently and effectively address problems of illiteracy, injustice and insecurity. This alone is enough reason to seek ODA that has both national and global impact.

Pakistan is one of those countries that have received significant amount of ODA since its independence in 1947. While the country desperately needed inflow of external resources to meet its financial and capacity needs, its geostrategic location helped in attracting ODA from the developed countries.

In particular, there was there was significant number of ODA entered Pakistan after it joined the South East Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO) in the 1950s; and later when it became a frontline nation against the Soviet Union, which had moved into Afghanistan in 1979. Following the withdrawal of the Soviet Union from Afghanistan in 1989, there was significant decrease in ODA until 2001, when it again started going up in view of the US-led “war on terrorism”.

This brief background makes it clear that ups and downs in ODA for Pakistan have been closely linked to the changing geostrategic interests and less with any real commitment to specific objectives related to development like better access to health or education. This also explains that a significant percentage of foreign aid has been meant for military and not development.

While Pakistan has received significant amount of ODA, there has been few studies on how it is utilised and whether it has really contributed to achieving specific development goals. Such research is especially scarce in relation to the education sector, which is pivotal for any other sector to grow and develop. This paper aims to bridge this gap.

2. EDUCATION SECTOR IN PAKISTAN: AN OVERVIEW

In the Constitution of Pakistan, primary education is recognised as a right, which the state must ensure within the limitations of its resources. Article 37 of the Constitution, in the chapter on Principles of Policy, asserts that “the state shall remove illiteracy and provide free and compulsory secondary education within minimum possible period”.¹ Furthermore, the Government of Pakistan is a signatory to a number of relevant

¹ Constitution of the Islamic Republic of Pakistan 1973.

international conventions like the UN (United Nations) Convention on Child's Rights 1989, the Millennium Development Goals (MDGs) and Education for All goals. These commitments require the government to spend adequate resources for the education sector. However, this sector has never received the required resources, as the successive governments failed to make it a priority focus. On average, less than 3 per cent is spent on education in the country, which explains the fact that the overall literacy rate is still just a little over 50 per cent. In fact, the resource allocation witnessed a decline from 3 per cent of gross domestic product (GDP) in 1990 to 2 per cent in 2004.²

Table 1 provides an overview of recurrent budget of the federal and provincial governments. In five years, from 2002-03 to 2006-07, the federal and provincial governments allocated only Rs 569 billion, which makes it an average of Rs 115 billion per year.

TABLE 1: RECURRING BUDGET FOR EDUCATION OF FEDERAL AND PROVINCIAL GOVERNMENTS

YEAR	MILLION (RS)		
	FEDERAL	PROVINCIAL	TOTAL
2002-2003	14.3	65.1	79.4
2003-2004	17.0	77.3	94.3
2004-2005	20.0	86.6	106.6
2005-2006	26.0	102.6	128.9
2006-2007	28.7	131.2	156.9
Total (2002-2007)	106.0	463.1	569.1

Source: Ministry of Education, Government of Pakistan.

The budgetary allocations for education sector development for the years 2002-2003 to 2006-2007 are presented in Table 2. The total amount allocated in five years was only Rs 172 billion, which means that, on average, only Rs 34.4 billion were allocated per year. In view of the extensive development needs and the gaps that exist in terms of low enrolment or missing facilities, this allocation was clearly very low.

TABLE 2: DEVELOPMENT BUDGET FOR EDUCATION OF FEDERAL AND PROVINCIAL GOVERNMENTS

YEAR	MILLION (RS)		
	FEDERAL	PROVINCIAL	TOTAL
2002-2003	4.8	5.6	10.4
2003-2004	10.4	19.5	29.9
2004-2005	14.0	19.3	33.3
2005-2006	19.5	22.3	41.8
2006-2007	25.8	30.8	56.6
Total (2002-2007)	74.5	97.5	172.0

Source: Ministry of Education, Government of Pakistan.

² World Development Indicators (WDI), 2006.

One of the major problems with education sector financing is that the allocated amounts, especially for development projects, are not efficiently utilised. In the year 2006-2007, for instance, the Education Division of the Federal Government utilised only 33 per cent of the total budget allocated for development projects.³

The reasons for low utilization of allocations for education development projects included, among others, the late releases by the Ministry of Finance, delays in site selection and acquiring land, interdepartmental differences, non-availability of technical staff, failures in appointing full-time project directors, delayed consultant reports, late issuance of work orders, and late submission of reports or requests for release of funds by the related implementing organisations.⁴

The government is also criticised for having questionable priorities for new development projects. In the year 2007-2008, for instance, the Education Division allocated Rs 772 millions for establishment of 24 new cadet colleges.⁵ In the annual development budget of the division for the year 2008-2009, funds were allocated for 25 cadet colleges. Total allocation for these projects was Rs 910 million, which was significantly higher than the Rs 772 million allocated for cadet colleges in 2007-2008.⁶ Many analysts, however, argue against this approach, as cadet colleges involved high costs, catered mostly to the needs of middle or upper middle classes, and were generally not accessible to large populations, especially the poor.

3. COUNTRY ODA POLICY SCAN

In view of the low domestic savings and the public sector resource gap, Pakistan has been making frequent efforts to mobilise resources from external sources, including multilateral and bilateral donors. The result is that Pakistan has received significant ODA over the years, although there is no consistent pattern in on ups and downs in ODA inflows. In 1999, Pakistan was meeting 6.5 per cent of government expenditures through aid; and this percentage had increased to 10.2 per cent in 2004.

TABLE 3: AID AS PERCENTAGE OF TOTAL GOVERNMENT EXPENDITURES

	1999	2004
Ghana	-	73.2
India	2.2	0.6
Kenya	13.4	-
Pakistan	6.5	10.2
Senegal	91.0	-

Source: World Development Report, 2006.

³ Centre for Peace and Development Initiatives (CPDI), *Budget Watch Report 3: Development Budget for the Education Sector and Its Utilization (July 2006-September 2007)*, Islamabad, 2007. See at <http://www.cpd-pakistan.org/administrator/downloads/budget2.pdf>.

⁴ Ibid.

⁵ Ibid.

⁶ Press release issued by CPDI on 15 June 2009. See www.cpd-pakistan.org.

In general, the relatively high dependence of Pakistan on foreign aid is due to a variety of reasons. These include:

- Low domestic savings;
- Need for large investments for infrastructure development, especially where the private sector is not interested or efficient;
- Budgetary deficit – need for support;
- Balance of payment problems;
- Investments in social sector where returns are expected in long terms; and
- Capacity building needs.

3.1. TOTAL ODA: COUNTRY PROFILE AND TRENDS

3.1.1 FOCUS ON INFRASTRUCTURE

In the case of Pakistan, a very high percentage of ODA is meant for infrastructure development projects, while social development or human development sectors remain low on the priority. For instance, in the years 2000-2001 to 2004-2005 (July-March), the total commitment by the Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) for infrastructure development was USD 1,275 million, as opposed to USD 343 million for human development, USD 220 for good governance and USD 250 for social development.

TABLE 4: PROJECT AID – SECTOR-WISE COMMITMENTS 2000-2001 – 2004-2005 (JULY-MARCH)

MAJOR HEADS	(USD MILLIONS)			
	ADB	IBRD	IDA	TOTAL
Infrastructure Development	901.2	174.9	198.6	1,274.7
Human Resource Development	93.7	-	249.7	343.4
Good Governance	57.2	24.4	138.4	220.0
Social Sector Development	153.4	-	97.0	250.4
Agriculture	92.6	-	81.4	174.0
Others	220.7	-	28.3	249.0
Total	1,518.8	199.3	793.4	2,511.5

Source: Economic Affairs Division (EAD), Government of Pakistan.

Note: Overall total excludes programme loans

3.1.2 COMMITMENTS AND DISBURSEMENTS OF LOANS:

In general, there is a significant difference between the committed amount of ODA and amount actually disbursed. Table 5 shows that out of the total USD 6,492 million committed from 2002 to 2005, only USD 4,319 million were actually disbursed. Hence, the total disbursement was 66.5 per cent of the total loan committed.

TABLE 5: ADB AND WB – COMMITMENTS/DISBURSEMENTS OF LOANS (2001-2005*)

(USD MILLIONS)					
DONORS	2001-2002	2002-2003	2003-2004	2004-2005	TOTAL
I. ADB					
Commitments	876	1,193	886	736	3,691
Disbursements	351	538	476	539	1,904
II. IBRD					
Commitments	0	0	50	349	399
Disbursements	38	40	12	200	290
III. IDA					
Commitments	839	269	691	603	2402
Disbursements	825	317	291	692	2125
Total (I+II+III)					
Commitments	1,715	1,462	1,627	1,688	6,492
Disbursements	1,214	895	779	1,431	4,319

Source: Economic Affairs Division (EAD), Government of Pakistan.

Table 6 further illustrates the difference between the commitments and disbursements. Disbursements for non-project loans were 60 per cent in the years 2001-02, 100 per cent in 2002-2003 and 100 per cent in 2003-2004. Meanwhile, disbursements for project loans were 38 per cent in 2001-2002, 45 per cent in 2002-2003 and 63 per cent in 2003-2004. This means that delays in disbursements or differences in commitments and disbursements are more common in project loans.

TABLE 6: ABD AND WB – LOAN COMMITMENTS AND DISBURSEMENTS

(USD MILLIONS)						
YEAR	ADB		IBRD		IDA	
	COMMITMENT	DISBURSEMENT	COMMITMENT	DISBURSEMENT	COMMITMENT	DISBURSEMENT
2001-2002						
Project	185	166	-	38	24	128
Non-Project	691	185	-	-	815	697
Subtotal:	876	351	-	38	839	825
2002-2003						
Project	433	130	-	40	70	104
Non-Project	760	408	-	-	199	213
Subtotal:	1,193	538	-	40	269	317
2003-2004						
Project	310	128	50	12	495	99
Non-Project	576	348	-	-	196	192
Subtotal:	886	476	50	12	691	291
2004-2005						
Project	449	102	149	-	201	167
Non-Project	287	437	200	200	401	525
Subtotal:	736	539	349	200	602	692
Grand Total						
Project	1,377	526	199	90	790	498
Non-Project	2,314	1,378	200	200	1,611	1,627

Source: Economic Affairs Division (EAD), Government of Pakistan.

Some of the causes for the difference in commitments and disbursements are as follows:

- Attached conditionality or so-called policy actions not being met, which cause the donors to delay disbursements;
- Slow progress on the related projects or programs;
- Administrative reasons relating to required paper work and approvals; and
- Technical reasons.

3.1.3 ODA DISBURSEMENT AND DEBT SERVICING

The disbursement of ODA needs to be understood in relation to the debt servicing commitments of Pakistan. On the one hand, ODA is needed to meet the resource gap; on the other hand, it seems to be creating the problem of indebtedness. It happens when ODA and other public sector investments are not appropriately handled and do not lead to increase in productivity. As a result, the country's capacity to pay back loans remains limited. Table 7 shows that between 1999 and 2008, on average, 75 per cent of ODA were consumed in servicing the loans that the country had already accumulated.

TABLE 7: ODA – DISBURSEMENT AND DEBT SERVICING

(USD MILLIONS)			
YEAR	TOTAL ODA DISBURSED	DEBT SERVICING	DEBT SERVICING AS % OF TOTAL ODA DISBURSED
1999-2000	2,241.1	1,803.7	80
2000-2001	2,409.6	2,099.5	87
2001-2002	3,238.5	1,783.0	55
2002-2003	2,392.1	1,826.8	76
2003-2004	2,075.2	3,459.8	167
2004-2005	3,436.3	1,746.9	51
2005-2006	3,966.7	2,162.7	55
2006-2007	4,046.9	2,025.4	50
2007-2008	3,991.1	2,024.1	51

Source: Economic Affairs Division (EAD), Government of Pakistan.

3.1.4 GRANTS VS. LOANS

Most of the ODA provided to Pakistan is in the form of loans and not grants. This partly explains the fact that Pakistan is increasingly becoming a heavily indebted country. Pakistan may not be able to sustain it in the long run. During the late 1990s, Pakistan was facing severe difficulties in meeting its external liabilities including debt servicing. Later on, this pressure was reduced when the loans were rescheduled. The same situation can again erupt if adequate measures are not taken to address the situation.

The table below shows that between 1999 and 2008, only 20 per cent of the ODA, on average, was in the form of grants which varied from 9 per cent to 41 per cent. During the same period, 80 per cent of aid was in the form of loan.

TABLE 8: DISBURSEMENT – GRANTS AND LOANS (US\$ MILLIONS)

YEAR	GRANTS DISBURSED	LOANS DISBURSED	TOTAL	GRANT AS % OF TOTAL ODA
1999-2000	922.1	1,319.0	2,241.1	41
2000-2001	206.1	2,203.5	2,409.6	9
2001-2002	1,002.3	2,236.2	3,238.5	31
2002-2003	400.8	1,991.3	2,392.1	17
2003-2004	286.7	1,788.5	2,075.2	14
2004-2005	467.6	2,968.7	3,436.3	14
2005-2006	917.0	3,049.7	3,966.7	23
2006-2007	627.8	3,419.1	4,046.9	16
2007-2008	484.0	3,507.1	3,991.1	12

Source: Economic Affairs Division (EAD), Government of Pakistan.

Table 9 shows that the average grants as percentage of total was only 14 per cent between 1990 and 2005. Also, the share of grants was higher in 1990-2005 and 2000-2005, as compared to 1995-2000. Such fluctuations may be attributed to various factors including political considerations on the part of bilateral and multilateral donors.

TABLE 9: LOAN AND GRANTS DISBURSED

(USD MILLIONS)			
PARTICULARS	LOAN	GRANT	TOTAL
1990-1995	10,243	1,704	11,947
1995-2000	10,567	885	11,452
2000-2005*	6,641	1,773	8,414
Total	27,451	4,362	31,813
% Share	86%	14%	100%

Source: Economic Affairs Division (EAD), Government of Pakistan.

3.2. ODA IN THE EDUCATION SECTOR

The data on ODA show that most of the aid goes into infrastructure development, and that the percentage of aid that is meant for education is generally very small. It is only in certain years since 2001 that the share of aid for education increased. The increase happened because of the realisation that terrorism cannot be addressed without combating illiteracy and improving the education system.

3.2.1 TOTAL ODA FOR THE EDUCATION SECTOR

It is difficult to have a complete picture of the total ODA for the education sector since 1947 due to constraints in accessing relevant data. However, the information that is available for the years 2007 and 2008 show that, in these years, the total ODA disbursed was USD 652 million. This means that the yearly average during the period was USD 326 million. However, these figures are significantly higher, as compared to the situation before the year 2001, when there was little focus on the education sector.

TABLE 10: ODA FOR EDUCATION SECTOR

YEAR	DISBURSED (USD)
2007	411,281,176
2008	241,080,018
Total	652,361,194

Source: Development Assistance Database Pakistan.

3.2.2 AREA-WISE DISBURSEMENT OF ODA FOR THE EDUCATION SECTOR

Education sector ODA was disbursed for projects in almost all the regions and provinces of the country. However, in 2007, 35.5 per cent of the total aid was disbursed for countrywide projects. Punjab and Sindh were the major recipients as 28.5 per cent and

24.8 per cent of the total ODA was disbursed to them respectively. About 88.8 per cent of total ODA was disbursed to either countrywide projects or to the bigger provinces that included Punjab and Sindh. Only the remaining 11.2 per cent of the total ODA was disbursed to other areas like North-West Frontier Province (NWFP), the Federally Administered Tribal Areas (FATA), the Federally Administered Northern Areas (FANA), Azad Jammu and Kashmir (AJK) and Balochistan.

TABLE 11: AREA-WISE DISBURSEMENT OF EDUCATION SECTOR FOREIGN AID IN 2007-2008

PROVINCE OR AREA	DISBURSED (USD) 2007	DISBURSED (USD) 2008
Total	411,281,176	241,080,018
Countrywide	146,033,896	86,148,370
Punjab	117,051,566	30,795,345
Sindh	102,189,508	18,997,850
FATA (Federally Administrated Tribal Areas)	13,741,917	3,190,215
NWFP (North-West Frontier Province)	12,275,581	43,754,430
AJK (Azad Jammu and Kashmir)	12,135,022	15,511,569
Balochistan	6,266,224	28,665,493
Federal Capital Territory	1,587,463	13,724,745
FANA (Federally Administered Northern Areas)		292,000

Source: Development Assistance Database Pakistan.

3.2.3 MAJOR DONORS FOR THE EDUCATION SECTOR

The Table on the next page provides information about the major donors in terms of ODA disbursed for the education sector for the years 2007 and 2008. The main donors for the education sector include the World Bank (WB), the United States of America (USA), the ADB, United Kingdom (UK), Canada and Japan. Many other donors make relatively smaller contributions.

Disbursements for the education sector vary significantly across years. This may be indicative of changing priorities or lack of long-term commitment to support the education sector. Furthermore, while bilateral donors mostly provide grants, the aid provided by multilateral institutions for the education sector is largely in the form of loans.

TABLE 12: SOURCES OF FOREIGN AID IN 2007-2008 IN EDUCATION SECTOR

FUNDING SOURCE	DISBURSED (USD) 2007			DISBURSED (USD) 2008		
	TOTAL	GRANT	LOAN	TOTAL	GRANT	LOAN
GRAND TOTAL	411,281,176	203,272,964	208,008,212	241,080,018	217,364,498	23,715,520
WB (World Bank)	200,767,247		200,767,247	300,588		300,588
USA	144,206,260	144,206,260		82,122,404	82,122,404	
ADB (Asian Development Bank)	13,090,965	5,850,000	7,240,965	6,648,372	1,710,000	4,938,372
UK	12,425,522	12,425,522		2,051,226	2,051,226	
Canada	10,358,575	10,358,575		61,135,402	61,135,402	
Australia	9,797,548	9,797,548		26,057,335	26,057,335	
Finland	7,758,954	7,758,954				
Japan	7,228,824	7,228,824		3,000,000	3,000,000	
Norway	2,162,988	2,162,988		677,966	677,966	
UN (United Nations)	2,009,681	2,009,681		26,271,165	26,271,165	
Nordic Development Fund	980,000	980,000				
Switzerland	494,612	494,612				
Islamic Development Bank (IDB)				18,476,560		18,476,560
European Commission (EC)				14,338,999	14,338,999	

Source: Development Assistance Database Pakistan.

3.2.4 GRANTS VS. LOANS

Total ODA disbursed for the years 2007 and 2008 was USD 652 millions. The share of loans in the ODA for the education sector was 35.4 per cent, as compared to 64.6 per cent provided as grants. All bilateral donors provided assistance in the form of grants; while multilateral institutions (i.e. the WB, the ADB and the IDB) disbursed assistance in the form of loans (Table 12).

3.2.5 SECTOR-WISE DISBURSEMENT OF ODA FOR EDUCATION

In 2007, about 74 per cent of the total ODA was disbursed for the category titled as "Others". Other main categories involved 13.7 per cent of total aid for primary and basic education and 7 per cent for higher education. The remaining amount was meant for a range of sub-sectors including training and capacity building, secondary education, science and technology, vocational education, special education, administration and adult education. On the other hand, in 2008, 51 per cent of total ODA was disbursed for primary and basic education, 31.8 per cent for the category "Others" and 10 per cent for higher education. The remaining disbursement of about 7 per cent of the total ODA was meant for other subsectors like secondary education, science and technology and special education.

It is evident from Table 13 below that most of the ODA disbursed is meant for primary and basic education, higher education or miscellaneous projects included under the category “Others”. Adult education, special education, secondary education and vocational education are not the priority.

TABLE 13: SUB-SECTORS DISBURSEMENT OF EDUCATION SECTOR ODA IN 2007-2008

SUB-SECTOR	DISBURSED (USD) 2007	DISBURSED (USD) 2008
Total	411,281,176	241,080,018
Others	304,082,667	76,578,363
Primary and Basic Education	56,447,077	123,114,707
Higher Education	29,162,648	24,355,463
Unallocated	7,758,954	14,338,998
Training and Capacity Building	2,981,108	89,281
Secondary Education	2,727,281	170,786
Science and Technology	2,302,034	
Tertiary Education	2,146,471	192,960
Vocational/Technical Education	1,932,000	2,191,221
Special Education	1,680,142	
Administration – Education	56,661	
Adult Education	4,133	48,240

Source: Development Assistance Database Pakistan.

3.2.6 MAJOR ODA-FUNDED EDUCATION SECTOR PROJECTS

Major ODA funded projects for the education sector are listed in Table 14 and Table 15 for the years 2007 and 2008, respectively. In 2007, the World Bank disbursed USD 100 million each for two projects; one in Punjab and the other in the Sindh province. Furthermore, the USA provided budgetary support of USD 72 million. The 10 major projects listed in Table 14 were funded either by the World Bank, the USA, the UK or the ADB.

In 2008, the largest ODA funded project was meant for primary education, and the donor was Canada. Other projects were funded by diverse donors, including Australia, the IDB, the USA, the EC and the UN.

The ODA for education disbursed in 2008 was considerably less than that of the year 2007. This indicates to major fluctuations in the disbursement of funds. This fluctuation may be for a variety of reasons, including lack of long-term commitment by donors, conclusion of an ongoing project but delays in the start up of the next one, or challenges faced in implementation that result in delays in disbursement.

TABLE 14: MAJOR ODA FUNDED EDUCATION SECTOR PROJECTS IN 2007

PROJECT	FUNDING SOURCE	DISBURSED (US\$)
IDA Credit 4317-PAK (Punjab Education Development Policy Credit IV)	WB	100,000,000
IDA Credit 4318-PAK (Sindh Education Development Policy Credit)	WB	100,000,000
Budgetary Support	USA	71,999,994
Fulbright Scholarship Program	USA	19,500,000
Earthquake Reconstruction Project	USA	13,091,386
Education Support to Pakistan (ED-LINKS)	USA	10,000,000
ED-LINKS	USA	10,000,000
SD 171027001 Punjab Devolved Social Service Programme (Budget Support) (PDSSPBS)	UK	9,934,170
Pakistan Education Sector Reform Assistance (ESRA)	USA	8,619,623
Earthquake Emergency Assistance Project: Loan 2213-PAK (SF)	ADB	8,190,000

Source: Development Assistance Database Pakistan.

TABLE 15: TOP 10 PROJECTS OF EDUCATION SECTOR FOREIGN AID IN 2008

PROJECT	FUNDING SOURCE	DISBURSED (USD)
Primary Education Support Program [A-032943]	Canada	45,998,428
Earthquake Reconstruction Project	USA	26,392,739
Pre Service Teacher Education	USA	23,200,000
Australian Government Contribution to the United Nations Children's Fund (UNICEF) Education Program in AJK	Australia	22,457,335
Fulbright Scholarship Program	USA	19,500,000
Expansion of Facilities/Infrastructure of National University Science and Technology	IDB	18,476,560
Sindh Education Plan Support Programme (SEPSP)	EC	14,338,997
Canada Pakistan Basic Education Project [A-030979]	Canada	14,048,079
Primary Education (Regular)	UN	14,026,741
Primary Education (Earthquake)	UN	11,436,269

Source: Development Assistance Database Pakistan.

3.3. ISSUES AND CONCERNS

Main issues and concern in relation to the ODA are as follows:

- a. A small percentage of the total ODA is allocated for the education sector. Major focus of ODA remains on infrastructure development and other sectors.
- b. In general, there is a significant difference between the ODA committed and ODA actually disbursed. This happens due to a variety of reasons that include lack of donor's commitment, delays in meeting technical or reporting requirements, and slow pace of implementation of work on the ground.

- c. The ODA that is tied causes difficulties for the recipient government. Furthermore, when the conditions, especially the ones that are unrealistic or arbitrary, are not fully implemented, it causes delays in disbursements.
- d. In general, even for the education sector, where investments do not produce returns in the short run, the share of grants is very small, as most of the ODA is provided as loans. Better trends could be seen in certain years, but this is due to short-term political considerations, and not really a result of a genuine and long-term commitment for the education sector.
- e. There is lack of transparency in relation to the ODA, its total size, sector-wise distribution, commitments vs. disbursements and utilization. Neither the government and nor the donors have established a transparent system whereby the ODA could be tracked.
- f. Participation of local civil society or other stakeholders is either non-existent or ineffective. It is despite the fact that, occasionally, efforts are made to consult stakeholders on upfront country assistance strategies, Poverty Reduction Strategy Paper, Medium Term Development Framework, National Sectoral Policies, and Annual Development Plans. Such consultations are generally superficial.

4. POLICY RECOMMENDATIONS

In the context of ODA, following recommendations may be considered to ensure that the goal of “education for all” could be achieved:

- a. There is a need to substantially increase ODA for the education sector. Specifically, the donors should make good on their pledges and commitments. They must also implement the Paris Declaration and the Accra Agenda for Action reforms in full spirit.
- b. Donors must ensure that they are paying for outcomes and not inputs. This is beneficial, as it makes aid more effective. Furthermore, in a situation where the bureaucracy and political leaders are still not sensitised to a degree that commensurate with the level of crisis in education, when outcomes are prerequisite for aid, it becomes obligatory for governments to really focus on education.
- c. Government must ensure that, while ODA goes up, it also shows commitment to increased budgetary allocations for education from its own sources.
- d. The share of grants in the ODA, especially for the education sector, should be more than 50 per cent.
- e. Effective mechanisms needs to be established for efficient implementation of ODA supported projects and programs.
- f. The causes of the gap between ODA commitments and disbursements need to be effectively addressed.

- g. In view of serious challenges related to corruption, the government and donors must ensure transparency in all education related matters, especially by disclosing all the relevant information to the public.
- h. Aid needs to be made more predictable to be more useful for education. All mechanisms for financing development, including swaps, should follow the criteria of predictability and sustainability. Hiring thousands of new teachers when funds might dry up after three years or so is a risky proposition.
- i. Based on donors' commitments to recognise the important role of civil society, the donors must maximise opportunities in Pakistan through dialogues and seminars that would highlight the country's advocacies. Donors need local knowledge and the capacity to understand the issues – not doing this seriously enough is irresponsible.
- j. Donors' approach should not be "political correctness"; instead, donors should constructively engage more with policy agendas and with the processes underpinning political change. "Recognise that aid is not a money business but a relationship business – it is institutions that matter".
- k. Currently many creditor countries actively use debt swaps as a mechanism to improve their levels of ODA. Debt swaps must be strictly additional to ODA funding and not an instrument of inflating ODA figures through a simple accounting operation. The amount swapped must be additional to the national budget to ensure that swap investments are on top of already budgeted financing for the education sector. To guarantee greater additionality, swaps must be as concessional as possible. The swaps for education must be integrated into the national education plan and with the proper involvement of education ministry.
- l. The donors should show more discretion in the allocation of aid funds to policy leaders. In rural areas, improving roads or transportation system might increase access more than building more schools. Students who are hungry or suffering from worms cannot concentrate. These factors are outside the control of education officials. While donors must not narrowly direct their aid programme, a more broad-based and coherent consultation should be part of planning.
- m. Donors must invest in independent and rigorous evaluation of programmes. These studies are necessary to answer questions about what works in education and how a given programme can be improved. In part, because of the lack of hard evidence, aid is notoriously driven by fads.

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ODA FOR THE EDUCATION SECTOR IN THE PHILIPPINES:

MARIA LUZ ANIGAN AND JESSE AGBULOS,
CIVIL SOCIETY NETWORK FOR EDUCATION REFORMS (E-NET PHILIPPINES)



Official Development Assistance (ODA) is a form of financing that the Philippine government uses to fund its development programmes and projects. Since domestic resources are not enough to fund domestic projects, the government needs to tap foreign resources, with ODA being one of them.

As compared to other sources of foreign financing, it has relatively more flexible terms. ODA can come in the form of either grants or loans. Grants have no repayment obligations, and are mainly provided in the form of experts, consultancy services, equipment, commodities and training. Loans, on the other hand, have interest rates that may range from 0 to 7 per cent; maturity periods ranging from 10 to 50 years; and grace periods ranging from 5 to 10 years.

The degree of flexibility of an ODA loan is measured by its concessionality, or the degree of the grant element constituting the ODA loan. As per the ODA Act of 1996 and Republic Act No. 8555, a foreign-sourced finance instrument must have a grant element of at least 25 per cent at a 10 per cent discount rate to be classified as ODA.¹ But despite its concessionality, ODA loans and grants have been used as an instrument of foreign policy by foreign donors and multilateral institutions to forward their own commercial and political interests.

TRENDS IN ODA FLOWS

A big chunk of the country's total ODA flow comes from donor countries rather than multilateral institutions like the World Bank and the Asian Development Bank (ADB). For the period 2001-2006, 32.29 per cent of total ODA flows came from the multilaterals, while the remaining 67.71 per cent came from donor countries. About 17.63 per cent of ODA from donor countries came in the form of grants, while 12.86 per cent came from multilateral institutions.

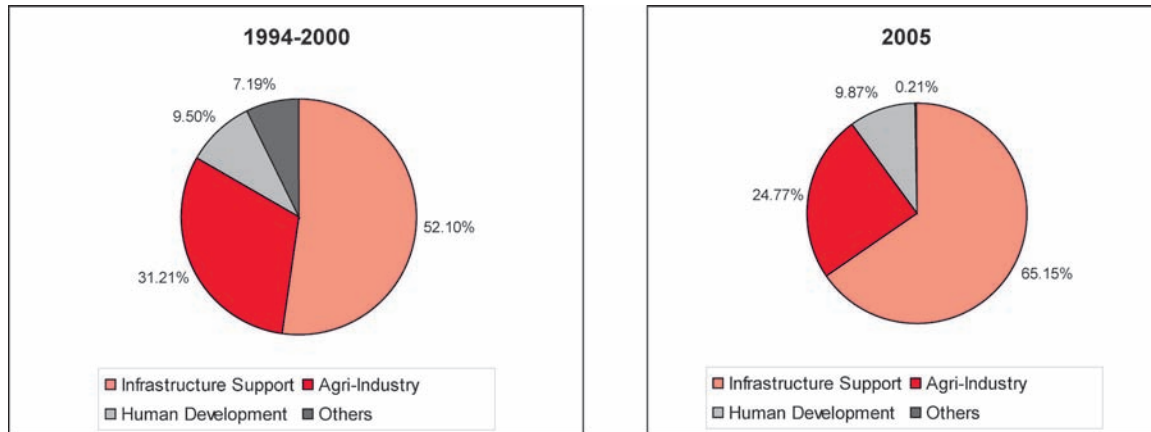
If one looks at the time-series data from 1986-2006, Japan is the biggest source of ODA financing of the country. Of the total ODA inflows during the same period, it financed 48.16 per cent of the total loans, 25.64 per cent of the total grants, and 44.48 per cent of total ODA.

Meanwhile, the United States is the biggest donor of ODA grants, providing 32.17 per cent of the total ODA grants during the period 1986-2006.

Sectoral shares of ODA flows are largely skewed to the infrastructure sector, and the trend seems to continue. If one compares the data cross section, the human development sector still fares poorly as compared to infrastructure, with the latter having an allocation four and five times as large, respectively (1994-2000 and 2005), than the human development sector.

¹ The grant element of an ODA loan is the amount subsidised through below-market terms at the time the loan was committed by the funding agency. It can be thought of as the difference between the actual amount disbursed by the funding agency and the expected net value of the stream of future payments to the loan (Chang et al. 1998).

FIGURE 1
SECTORAL SHARES OF ODA FLOWS, 1994-2000 VERSUS 2005, PHILIPPINES



Source of basic data: Tadem (2007), NEDA Annual Portfolio Reviews.

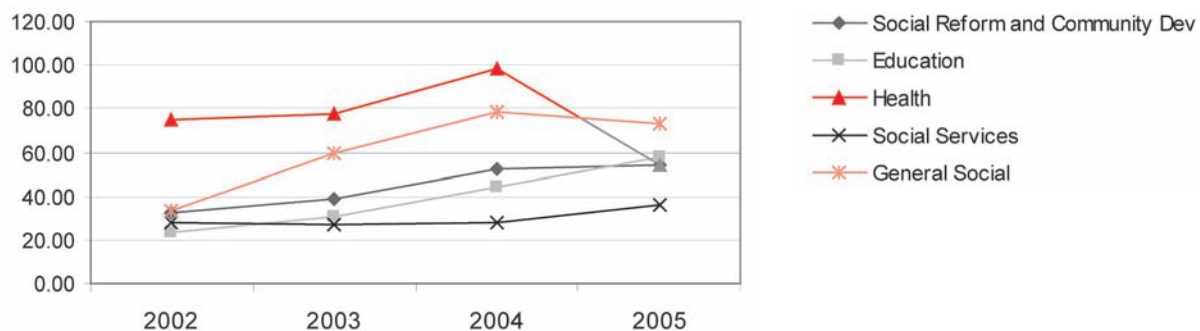
Note: The “Others” classification for 1994-2000 includes development administration, disaster mitigation, and integrated area development. This was replaced by governance and institutions development in 2005.

ODA IN THE EDUCATION SECTOR

As of December 2005, ODA commitments to the education sector stood at USD 394 million, or about 3.9 per cent of the total commitments, not unlike the 2002-2004 ratio of the education sector share to total ODA. It has remained relatively the same during the period 2001-2005.

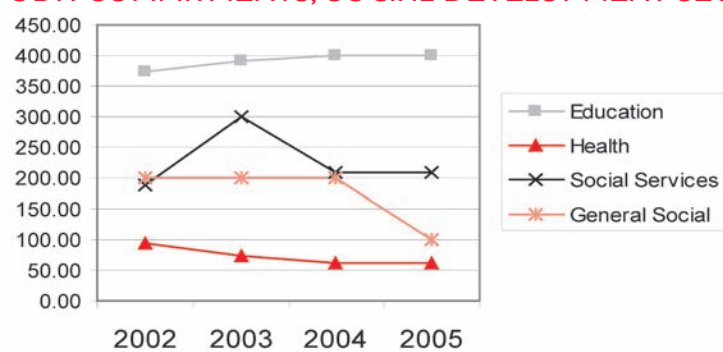
ODA in the education sector is subsumed under the main categories social reform and community development. Figure 2 and Figure 3 show that the education sector has relatively lower utilisation rates compared to its cohorts in the social sector, the health sector and general social services sector. It only used up 38.95 per cent of the committed ODA funds for the sector from 2002-2005, compared to 76.30 per cent and 61.13 per cent utilisation rate of the health and general social services sector, respectively.

FIGURE 2
UTILISATION RATES, SOCIAL DEVELOPMENT SECTOR, 2002-2005



Source: Philippine Statistical Yearbook, various years.

FIGURE 3
ODA COMMITMENTS, SOCIAL DEVELOPMENT SECTOR, 2002-2005



But despite low utilisation rates, the education sub-sector enjoys the highest available ODA funds in its category, with an average of USD 391.55 million from 2002 to 2005.

TABLE 1

ODA LOANS AVAILMENT RATES BY SECTOR, 2003-2005					
Sector/ Subsector	Availment Rate				
	2003	2004	2005	Average	Rate of Increase
Agriculture, Agrarian Reform and Natural Resources	55.95%	57.70%	60.90%	58.18%	4.34%
Industry, Trade and Tourism	48.30%	53.00%	69.10%	56.80%	20.05%
Governance and Institutional Development	24.00%	97.00%	15.10%	45.37%	109.87%
Infrastructure	56.10%	54.60%	56.50%	55.73%	0.40%
Social Reform and Development	67.90%	74.20%	71.70%	71.27%	2.95%
a. Education and Manpower	44.87%	56.40%	63.80%	55.02%	19.41%
b. Health, Population and Nutrition	86.67%	86.60%	99.60%	90.96%	7.47%
c. Social Welfare and Community Development	83.64%	78.10%	67.50%	76.41%	-10.10%
d. General Social	95.84%	103.00%	88.00%	95.61%	-3.55%
Project Total	56.58%	56.70%	59.40%	57.56%	2.49%
Program Total	100.00%	100.00%	100.00%	100.00%	0.00%
Grand Total	60.77%	57.50%	60.30%	59.52%	-0.26%

Source: NEDA Annual Portfolio Reviews.

The NEDA uses four indicators to measure the ODA's absorptive capacity: disbursement level, disbursement rate, availment rate and disbursement ratio. The disbursement rate and the availment rate are also measures of project efficiency.

Availment rates are affected by the project cycle; it is usually low at the beginning, increasing as the project ends. Hence, what is more important is by how much the availment rate is increasing. The education sector posted an average of 55.02 per cent, which is lower than the infrastructure sector. Yet, it has significantly higher increases in availment rates: at 19.41 per cent as compared to the infrastructure sector's 0.40 per cent.

Availment rates are also affected by the type of project. Service procurement projects usually have higher availment rates than infrastructure projects; the latter being usually plagued with problems on right of way, budget constraint and procurement problems. The ideal availment and disbursement rate is 100 per cent.

Disbursement rates, on the other hand, must not be very high (over 100 per cent) or very low, as it signifies poor planning (overly optimistic targeting or under targeting) or poor implementation. The education sector did not fare very well in disbursement rates, averaging only 58.88 per cent for the three-year period. Again, this is lower than the social development counterparts and the infrastructure sector.

Table 2 shows the disbursement rates for the different sectors:

TABLE 2

ODA LOANS DISBURSEMENT RATES BY SECTOR, 2003-2005 PHILIPPINES				
Sector/Subsector	Disbursement Rate			
	2003	2004	2005	Average
Agriculture, Agrarian Reform and Natural Resources	93.49%	88.30%	56.70%	79.50%
Industry, Trade and Tourism	233.92%	94.80%	78.20%	135.64%
Governance and Institutional Development	-----	-----	18.80%	18.80%
Infrastructure	81.10%	65.80%	93.20%	80.03%
Social Reform and Development	79.28%	65.60%	70.00%	71.63%
a. Education and Manpower	61.95%	53.70%	61.00%	58.88%
b. Health, Population and Nutrition	83.28%	53.90%	98.10%	78.43%
c. Social Welfare and Community Development	109.07%	58.10%	71.40%	79.52%
d. General Social	91.08%	104.50%	100.00%	98.53%
Project Total	86.21%	70.70%	82.00%	79.64%
Program Total	100.00%	100.00%	100.00%	100.00%
Grand Total	89.16%	72.10%	84.20%	81.82%

Source: NEDA Annual Portfolio Reviews.

Since these rates are in the aggregate, it might be more useful to identify the actual ODA projects in the education sector. It might be more of infrastructure support than service procurement, so low availment and disbursement rates could be normal.

ODA-funded projects in the education and manpower sectors are mainly coursed through the Department of Education (DepEd), the Department of Labor and Employment (DOLE), the Technical Education and Skills Development Authority (TESDA), and state universities and colleges (SUCs). Table 3 is a summary of the ODA loans and grants for DepEd and DOLE for 2007.

TABLE 3
ODA LOANS AND GRANTS, DEPED AND DOLE, FOR 2007²

PROJECT NAME	LOAN/ GRANT	SOURCE OF FUNDING	TOTAL LOAN/ GRANT PROCEEDS (IN DONOR CURRENCY)	PHILIPPINE PESO EQUIVALENT
Department of Education				
1. Secondary Education Development and Improvement Project (SEDIP) (1999-2006)	Loan	ADB (1654 PHI) JBIC (PH-P200)	USD 53.00 million ¥7.21 billion	2.19 billion 2.33 billion
2. National Program Support For Basic Education Project (Newest 2006-2011)	Loan	IBRD	USD 200 million	No data
3. Third Elementary Education Project (1997-2006, just completed)	Loan	IBRD (4108-PH) JBIC (PH-P184)	USD 93.40 million ¥11.12 billion	3.74 billion 4.12 billion
4. Philippines Australia Basic Education Assistance for Mindanao II (2004, ongoing)	Grant	AusAID	AUD 21.46 million	665.28 million
5. Medium-Rise School building Project (2005, ongoing)	Grant	JICA	¥547.29 million	342.29 million
6. Strengthening the Support System for School-based INSET Institutionalisation (New 2006, ongoing)	Grant	JICA	No data	No data
7. Science and Mathematics Facilities Improvement Project (New 2006)	Grant	JICA	No data	No data
8. Government of Spain and Government of the Philippines School Building Project (New 2006)	Grant	Spain	No data	No data
9. Strengthening Basic Education in Selected Provinces in Visayas Project (STRIVE) (2005, ongoing)	Grant	AusAID	AUD 4.13 million	160.96 million
Department of Labor and Employment				
1. Technical Education and Skills Development Project (TESDP) (2001-2006, completing)	Loan	ADB (Nordic/1750 PHI) (DANIDA/ OPEC)	USD 50.00 million	2.00 billion
2. Development of Center of Excellence for Modern Manufacturing Technology Project (CEMMT) (2002-2007)	Loan	Austria (3012-01, 280202)	AUD 314.578 million	943.734 million

Source: BESF 2007.

Note: Foreign funded projects of state colleges and universities are not included in the list.

There was an approved loan for the education sector for the National Program Support for Basic Education Project. In June 2006, the World Bank approved the USD 200 million loan, which has been used to improve the quality and access to basic and secondary education in the Philippines. The loan has been assisting the Department of Education in implementing its Basic Education Reform Agenda.

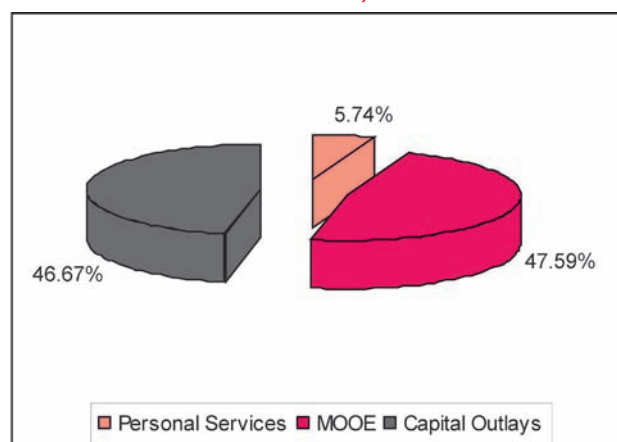
BUDGET ALLOCATION OF DEPED'S FOREIGN-ASSISTED PROJECTS

Based on analysis of the General Appropriations Act,³ the bulk of the budget for foreign-assisted projects of the Department of Education are almost equally allocated for maintenance and other operating expenses (MOOE) and capital outlays. Figure 4 shows how foreign-funded DepEd funds were allocated from 1992-2005.

² One ADB-funded project that won a UNESCO award was the Non-Formal Education Project. It started in 1994 and ended in 2000. The project cost was US\$23 million. The award was for the accreditation and equivalency system, which enabled out-of-school youth to obtain certificates for elementary and secondary education outside the school system. See http://www.adb.org/Documents/Periodicals/ADB_Review/2000/nonformal_education_project.asp.

³ For the period 1992-2005, the government budget was re-enacted in 1995, 2001, 2003 and 2004.

FIGURE 4
DEPED BUDGET ALLOCATION FOR FAPS, 1992-2005



Source of basic data: General Appropriations Act, Fiscal Years 1992-2005.

From 1992-2005, a total of PhP 11.35 million of ODA funding were allocated to the Department of Education. The total amount of loans during this period and the counterpart funding from the government were almost the same — at PhP 5.69 million in loans and PhP 5.66 million in counterpart funds. About 46.72 per cent of the loans came from the Asian Development Bank, while the remaining 53.28 per cent was sourced from the World Bank.

Historically, ODA as a source of funding for government expenditure on education has been small. From the period 1992 to 2005, the share of ODA funds to the total government allocation for education was only 1.80 per cent. The government was, therefore, not directly dependent on foreign funds for financing education in the country.

CASE STUDY ON JAPAN ODA EDUCATION PROJECTS IN CENTRAL MINDANAO

BACKGROUND OF JAPAN ODA IN CENTRAL MINDANAO

Japan is the top ODA provider in the Philippines among the USA (United States of America), Australia and other donor countries. In 2005, the total disbursement of ODA in the country was USD 276 million and 52 per cent of this amount was provided by Japan.⁴

There are at least three known Japanese agencies from which the ODA is being dispatched: (1) the Japan International Cooperation Agency (JICA), which is tasked to implement the technical cooperation aspect of Japan's ODA. Its programmes are geared towards the transfer of technology and knowledge that can contribute to the socio-economic development of developing countries; (2) the Japan Bank for International Cooperation (JBIC), which mostly is into Japan Yen loans embedded through the ARMM (Autonomous Region in Muslim Mindanao) Social Fund Project (ASFP); and

⁴ JICA Primer (2007).

(3) the Grant Assistance for Grassroots Project (GAGP), which is being administered by the Embassy of Japan to the Philippines.

The bulk of Japan's ODA is used for projects in Mindanao. In Singapore, in January 2002, Philippine President Gloria M. Arroyo and Japan Prime Minister J. Koizumi signed the USD 400 million Support Package for Mindanao,⁵ which was sourced from the Ministry of Foreign Affairs of Japan.

As the top donor for Mindanao, Japan's mid- and long-term visions of peace and development are firmly committed to assisting conflict and poverty-stricken Mindanao. Peace in Mindanao is deemed vital for peace and prosperity, not only in the Philippines, but also in Asia. In fact, the accumulative amount of Japan's assistance for Mindanao has reached 2.8 billion dollars with 166 projects.

In August 2003, Japan revised its ODA charter to define peace building as one of the priority issues. Accordingly, Japan will further strengthen its peace building efforts with a view to preventing conflicts, promoting an end of conflicts, assisting consolidation of peace, and nation building in post-conflict situations in all parts of the world, including Mindanao.

Peace and development in Mindanao has been the major subject of discussion in the donor community. Japan and the United Nations Development Programme (UNDP) serve as co-chairs of the Mindanao Donors' Group meeting, where donors exchange views and information on their development efforts in Mindanao.

BACKGROUND ON ODA FOR EDUCATION IN CENTRAL MINDANAO

Central Mindanao and the Autonomous Region for Muslim Mindanao (ARMM) have the most number of ODA-funded projects in the Philippines.

There are several ODA for Education in Central Mindanao. The top donor countries for education in Mindanao are Japan, the United States of America (USA) through the US Agency for International Development (USAID) and Australia through the Australian Agency for International Development (AusAID).

The USAID supported the Education Quality and Access for Learning and Livelihood Skills Phase 2 (EqUALLS 2) Program (2007-2010) and the Growth for Equity in Mindanao (GEM), which supports construction of school buildings. Other support programs are coursed through the Save the Children Federation-US, the Clique Program, and small sub-grants for social infrastructures, such as the construction and/or renovation of school buildings and learning centres through the Disaster Preparedness Response Program (DPRM).

On the other hand, the AusAID supports the Basic Education Assistance in Mindanao (BEAM) along with the Department of Education (DepEd) for Region 11, Region 12

⁵ Ministry of Foreign Affairs of Japan, Embassy of Japan (2002).

and the ARMM.

Meanwhile, the World Bank has its Mindanao Trust Fund for Reconstruction and Development Program (MTF-RDP), which has a support component for improvement of learning facilities. The programme supports small grants projects amounting to PhP 5 million. It has three phases of programme implementation which started in 2007.

PROCESSES OF ODA IMPLEMENTATION IN CENTRAL MINDANAO

There are two known agencies where most of the ODAs are processed and deliberated. These are the Autonomous Region of Muslim Mindanao (ARMM) Social Fund Project of the Regional Government of ARMM, and the Bangsamoro Development Agency (BDA), which is the development arm of the Moro International Liberation Front (MILF).

The Regional Government of ARMM calls for proposals from local government units. It also contracted a local non-government organisation (NGO) to implement the JBIC programme and projects.⁶

The BDA mostly endorses local non-government organisations to access and implement ODA projects. The agency assumes the task to monitor and assess the implementation of the projects. On the MTF-RDP, BDA joins in the committee that is tasked to process and approve proposals.

BDA is not involved in handling funds. There is an NGO that acts as the fund recipient of the MTF.⁷ Other ODA opportunities are directly accessed through grants by local service providers.

IMPLEMENTATION OF JAPAN'S ODA FOR EDUCATION

The Japan ODA Education Projects in Mindanao amounted to a total of USD 317.20 million within the period 1996-2006. The highest amount of ODA education in the area was received in 1999. Most of Japan's ODA support is dedicated to conflict-affected areas.

The Japan International Cooperation Agency (JICA) supports a wide array of programs, many of which are concentrated in the conflict afflicted areas of Mindanao. JICA, through Technical Cooperation, contracts government agencies and non-government organisations.

The current undertaking is the Japan-Bangsamoro Initiatives for Reconstruction and Development (J-BIRD), which is the result of the peace agreements stipulated in the peace talks between the Government of the Republic of the Philippines (GRP) and the Moro Islamic Liberation Front (MILF). The implementing agencies are the Office of the Presidential Adviser on the Peace Process (OPAPP) and the Bangsamoro Development Agency.

The Study for Socio-Economic Reconstruction and Development of Conflict-Affected Areas (CAAs) in Mindanao, or SERD-CAAM (USD 4.181M: 02.2007-02.2009),

⁶ Development Consultants (DEVCON), Inc., contracted by ASFP-ORG for JBIC Funds.

⁷ Community and Family Services International, Inc. (CFSI), Fund Recipient of the Mindanao Trust Fund (MTF).

is a component which aims to formulate the socio-economic development plan for the reconstruction and development of CAAs. This entails barangay survey and needs analysis for selected CAAs and provision of quick-impact projects for selected conflict-affected barangays. The barangay social survey or barangay database profiling involved determining the socio-economic status of selected barangays (OPAPP provided the list of barangays categorised as conflict-affected areas), and articulating the communities' priority development needs using survey tools developed by the JICA Study Team.

The JICA Study Team will review the results of the Barangay Database and In-Depth Barangay Needs Analysis (IBNA). The BDA, NEDA, the DSWD and OPAPP/CCCH will also review the data and results. The results would become their bases in identifying priority development needs as articulated and defined by the residents of selected barangays. The top community priority need shall become the On-the-Spot Assistance (OSA) Project by the JICA Study Team through the SERD-CAAM Project.

The JICA Study Team would contract other competent local entities to implement the On-the-Spot Assistance Project. Among the criteria are magnitude of poverty, poor delivery of basic social services, no other service providers in the area, and fair consideration on the improved peace and order condition.

Most of the ODA on education are on construction and renovation of school buildings, which contribute to the construction of social infrastructures. For the year 2009, there was only little support for the soft components of education such as computer literacy and educational materials for libraries. The following data illustrate this trend:

Extracts of Japan ODA Education Projects in Central Mindanao and ARMM provinces:

- **ARMM School Building Assistance Project**
GAGP: USD 121,014 (2002-)/Philippine Business for Social Progress (PBSP)
- **Computer Literacy Project for Poor Muslim Maranao Students**
GAGP: USD 39,730 (2002-)/Senator Ninoy Aquino College Foundation, Inc. (SNACF)
- **Establishment of New Chapter in ARMM for Philippines-Japan Fellows Association (PhilJafa)**
Supply of training equipment, training funds/Metro Kutawato Development Authority
- **Library Building for Elementary and High School with Support Learning Materials**
GAGP: USD 20,932 (2002-)/Santa Cruz Mission School Inc.
- **Secondary Education Development Improvement Project (SEDIP)**
ADB, JBIC (Loan): USD 110.68 M (May 1999-December 2006)/DepEd
- **Third Elementary Education Project**
JBIC/World Bank: USD 103 M (JBIC)/USD 93.3 M WB) (1997-2004)/DECS
- **The Project for Improvement of Educational Facilities (Ph. 5)**
Grant-Aid: USD 10.133 M (1999-2000)/DECS
- **The Project for Water Systems Development and Children's Day Care Programme for Relocated Families in Jolo, Sulu**
GAGP: USD 22,418 (2003-)/Assisi Development Foundation

THE GRANT ASSISTANCE FOR GRASSROOTS PROJECTS

Construction of one-unit/six-classroom building, Barangay Maitumaig, Datu Unsay, Maguindanao. This project is supported by the Grant Assistance for Grassroots Projects (GAGP), which is administered by the Embassy of Japan to the Philippines.

The project is one of the nine projects approved for fiscal year 2007. It was implemented from 1 May 2008 to 31 July 2008. (Please see Annex 1, Table 1. Red-shaded items are the projects for education.)

The project addressed classroom shortage in Maitumaig Elementary School. It complemented the existing one-unit/two-classroom building, which was supported through the ARMM Social Fund Project. The new facilities helped establish a more conducive learning environment, which contributed to enhanced learning retention of at least 390 students.

As of this writing, the construction of the new classrooms and buildings is underway. The municipal mayor provided counterpart by facilitating the clearing of the project site and providing equipment, sand and gravel. He also expressed that the LGU (local government unit) will support volunteer teachers to teach in the school. The local Parents-Teachers Community Association PTCA leadership tapped some parents for donated labour (unskilled) as their counterpart.

THE SERD-CAAM PROJECT

Rehabilitation of Day Care Centre, Barangay Bentung, Polomolok, South Cotabato. This was the result of the In-depth Barangay Needs Analysis (IBNA) of the Socio-Economic Reconstruction and Development in Conflict-Affected Areas in Mindanao (SERD-CAAM), which is a joint undertaking of the GOP-OPAPP and the MILF through the Bangsamoro Development Agency. This project is an On-the-Spot Assistance (OSA) component of the SERD-CAAM Project administered by the IC Net Limited, a Japanese consulting firm contracted by the Japan International Cooperation Agency (JICA).

The In-depth Barangay Needs Analysis, or IBNA, is similar to the Participatory Rural Appraisal (PRA), wherein the community people are encouraged to participate, define and articulate their priority development needs. People are grouped into three sectors: community leaders, women and youth. They help define the top three priority development needs for their barangay. They are also given the opportunity to provide inputs in the structure designs and requirements.

The JICA Study Team (IC Net Limited) would process the IBNA reports and select one top priority development need to be endorsed for the On-the-Spot Assistance (OSA). The latter is a small grant scale intervention that could be implemented and completed within a short period of time. It is also cost-efficient; ranging from PhP 70 thousand to PhP 100 thousand.

The photos above showcase OSA intervention under the SERD-CAAM Project. These were taken during the turnover ceremony. Present were representatives from JICA, the JICA Study Team, the BDA and the local people and beneficiaries at Barangay Bentung, Polomolok, South Cotabato.

THE MTF-RDP PROJECTS ON EDUCATION



Left: A two-classroom, elevated learning facility at Barangay Tuka, Mamasapano, Maguindanao implemented by Mindanao Tulong Bakwet, Inc. *Right:* A three-classroom learning facility at Barangay Penansaran, Datu Blah Sinsuat, Shariff Kabunsuan Province. All projects are implemented in partnership with the Bangsamoro Development Agency.

FEEDBACK FROM BENEFICIARIES, PROJECT IMPLEMENTERS AND LOCAL COMMUNITY

BENEFICIARIES:

- Provisions of additional classrooms and buildings established a conducive learning environment. Before the project was completed, classes were held under trees.
- Renovated facilities are maximised into learning centres (in the case of Bentung). Before the project was completed, the dilapidated facilities could not be used by the students and teachers for their classes and local leaders for their meetings.
- Through SERD-CAAM, local leaders, women and youths are encouraged to speak up and given opportunity to express their views and define their community development needs. They appreciated the IBNA process. As in most cases, people were uninformed and were not given the opportunity to participate in the decision-making processes in the barangays.
- There are many out-of-school children and youth in the project areas. The beneficiaries asked about available programs for those who are out-of-school. In the barangays where the beneficiaries reside, few actions are dedicated for the out-of-school; and there was lack of aggressiveness and sustainability plans for the sector.
- The Maitumaig PTCAs highly appreciated that the responsibility to monitor and manage the learning facilities.
- There is a need to address lack of qualified teachers in schools even as additional classrooms and buildings are being constructed.
- Community people are wondering why educational materials are not included in the project because the school lacked vital learning materials for the students.

PROJECT IMPLEMENTERS:

- One service provider stressed that too many protocols sometimes delay project implementation. Protocols refer to courtesy visits to executive officers in the locality, eliciting local leaders' counterpart in implementing the project, fulfilment of required documents such as permits and certification from local government agencies, and other negotiations.
- They highly recommended that local politicians/leaders should also undergo the Value Enhancement Training (VET). The BDA conducts VET to local partners and service providers before implementing certain projects which they endorsed.

- It is very encouraging if local leaders and communities are involved in the project implementation, such as when the PTCAs are involved in the decision-making processes on upgrading learning facilities for their children.
- BDA screening of local service providers may post exclusivity. They may groom their own service providers.
- Construction of additional classrooms/buildings may increase enrolment of students. Yet there is concern on the lack of qualified teaching professionals at the locality caused by the small allocation for teaching items. Schools are forced to hire volunteer teachers instead, which is deemed not sustainable.
- Working closely with local government units and DepEd officials is crucial because, at the end of the day, they are the ones accountable for the sustainability of the learning facilities.

LOCAL COMMUNITIES:

- One community leader commented, “It is upright to involve all stakeholders in the community. This would encourage transparency and prevent political monopoly” (Barangay Bentung).
- The local community lacked the knowledge or awareness on Education for All (EFA) (Barangay Maitumaig).
- The people yearned for quality education as they believed that this will liberate their children from extreme poverty once they become professionals and employed.
- Local leaders expressed that progress in their community is constrained with meagre resources. The Internal Revenue Allotment (IRA) is insufficient.

ISSUES ARISING FROM PROJECT IMPLEMENTATION OF LEARNING FACILITIES

- Uncoordinated project undertaking may post delays to implementation.
- Though there are initiatives for construction of additional classrooms/buildings for learning, there is lack of “teaching items” for qualified teachers.
- Teaching and learning materials are lacking.
- There seems to be few social institutions that are concerned on access to and quality of education.
- Projects providing learning facilities should be implemented together with programs addressing the plight of school-age children/youths that have no opportunities or access to education.
- In one interview, a student was asked what he thought of having additional classrooms in their school. He replied that “it is very good and I am happy...” The child added, “Unfortunately, I cannot enrol this school year”, as his parents could not afford to enrol him for the succeeding school year.

RECOMMENDATIONS

The following recommendations came out of the focus group discussions and interviews done during the field research for this case study on Japan’s ODA for education:

- There is a need for the Bangsamoro Development Agency to consider advocacy on Education for All (EFA). There is a need to create an education committee or

a technical working group on education to focus, not only on the delivery of hard components of education (learning facilities), but also on soft components such as access to and quality of education, provision of learning materials and training of teaching professionals at the grassroots. Training should first target the teachers in the teaching fields first before focusing on district supervisors.

- BDA may also consider involving education experts in their panel for socio-economic development undertakings.
- The increases in ODA support should focus more on quality training (soft components). There should also be more focus on providing coping up mechanisms and learning opportunities for children and youth who dropped from school because of dire circumstances.
- The Government of Japan may increase ODA support for soft components of quality education, including training of teaching professionals, provision of educational materials and equipments. It should also include support for the Alternative Learning Systems for the out-of-school children and youths.
- The Government of Japan may dispatch education experts to transfer knowledge and skills to Filipino counterparts as part of the J-BIRD undertakings.
- There is a need to map out interventions for education of civil society groups in Central Mindanao.
- There is a need for extensive research on ODA in Southern Mindanao.
- All donor countries should converge and share ODA resources towards upgrading quality education.

ANNEX 1: TABLE 1

FY 2007 LIST OF GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECTS (J-BIRD) MINDANAO, PHILIPPINES

NO.	PROPONENT	PROJECT TITLE	LOCATION	AMOUNT (USD)
1	Municipal Government of Diplahan	The Project for Construction of Indigenous Peoples Community Learning Centre (Day Care Centre Training Centre)	Brgy. Poblacion Annex, Diplahan, Zamboanga Sibugay (Region IX)	35,514
2	Lower Baguinged Elementary School	Construction of Four-Classroom Building at Lower Baguinged Elementary School	Brgy. Talitay, Datu Montawal, Maguindanao (ARMM)	69,803
3	Mindanao Tulong Bakwet, Inc. (MTB)	Construction of a Six-Classroom Building at Maitumaig Elementary School	Municipality of Datu Unsay, Maguindanao (ARMM)	77,310
4	ARMM Regional Science High School	Construction of a Six-Classroom Building at ARMM Regional Science High School	Brgy. Sarmiento, Parang, Shariff Kabunsuan (ARMM)	82,077
5	United Youth for Peace and Development, Inc (UNYPAD)	Renovation of Islamic Community Centre	Brgy. Buliok, Pagalungan, Maguindanao (ARMM)	78,491
6	Community and Family Services International (CFSI)	Building a Centre for Excellence in Humanitarian Service	Rosary Heights, Cotabato City, Maguindanao (Region XII)	81,628
7	Partners for First People Foundation	Tri-People's Potable Water System	Brgy. Upper Sepaka, Surallah, South Cotabato (Region XII)	41,158
8	Mindanao Children's Library Foundation, Inc	Construction of Three-Classroom School Building in Pikit, Cotabato	Brgy. Macabual, Pikit, Cotabato (Region XII)	70,465
9	Community Initiative Assistance for Peace and Development, Inc.	Construction of a Deep Well Water System for Barangay Banucagen	Brgy. Banucagen, Pigcawayan, Cotabato (Region XII)	59,581

ANNEX 2: TABLE 2

SUMMARY OF JAPAN'S ONGOING/RECENT ASSISTANCE TO MINDANAO

FUNDING SCHEME	NUMBER OF PROJECTS	TOTAL AMOUNT (IN MILLIONS)		PROJECT TYPE	NUMBER OF PROJECTS	AMOUNT (IN MILLIONS)	
		USD	¥			USD	¥
Total	166	2,836.88	308,377.38				
1. Grant-Aid	20	174.49	21,288.00	Agrarian Sector	4	12.60	1,537.00
				Medical/Health	2	19.07	2,327.00
				Education	6	77.19	9,418.00
				Equipment/Roads/Bridges	2	18.85	2,300.00
				Water Supply	2	13.47	1,643.00
				Environment	2	18.57	2,266.00
				Economic Infrastructure	1	12.89	1,572.00
				Disaster Prevention	1	1.84	225.00
2. Yen Loan Project	32	2,632.90	2,632.90	Agrarian Sector	5	358.62	40,455.00
				Roads/Bridges	7	560.48	59,971.00
				Ports	2	130.95	14,012.00
				Education	2	171.32	18,332.00
				Small and Medium Enterprises	1	330.37	35,350.00
				Environment	3	139.47	14,923.00
				Maritime Transportation	3	319.99	34,925.00
				Water Supply System	2	125.61	13,440.00
				Disaster Prevention	1	74.57	7,979.00
				Air Transportation	2	265.75	42,039.00
				Irrigation	2	83.25	8,907.00
				Rural Electrification	1	40.45	4,328.00
				Others	1	23.08	2,470.00
3. Project-Type Technical Cooperation (PTTC)	2	NA	NA	Agrarian Sector	2	NA	NA
4. Training and Other Technical Cooperation	10	NA	NA	Medical/Health	3	0.59	72.00
				Education	5	0.55	64.00
				Others	2	NA	NA
5. Development Survey	18	26.38	3,213.90	Natural Resources	2	NA	NA
				Water Supply/Environment	1	NA	NA
				Regional Development	1	9.62	1,174.00
				Roads	3	NA	NA
				Airport	1	1.25	152.00
				Power Sector	1	2.09	255.00
				Agrarian Sector	2	2.77	337.6.00
				Transportation	2	2.88	352.00
				Port	1	0.20	24.00
				Fishery	1	1.14	139.00
				Economic Infrastructure	1	0.02	2.3.00
				Disaster Prevention	1	NA	NA
				Others	1	0.44	50.00
6. Grant Assistance for Grassroots Projects (GAGP)	84	3.11	348.48	Welfare	23	0.53	57.84
				Capability Building	4	0.15	17.60
				Health	23	0.89	100.90
				Water System	10	0.43	48.51
				Education/Research	8	0.39	44.24
				Agriculture	17	0.51	60.02
				Community Organising	1	0.09	9.48
				Environment	6	0.23	23.94
				Skills/Vocational Training	2	0.07	7.90
Total	166	2,836.88	308,377.38				

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ODA IN INDIAN ECONOMY: ELEMENTARY EDUCATION

RAMA KANT RAI, NATIONAL COALITION FOR EDUCATION (NCE)



On 4 August 2009 the Parliament of India approved the long-awaited Right to Education Bill (though it is still not up to the expectations of social activists!) to guarantee the fundamental right to education for all. Through this bill, the Parliament reaffirmed its commitment to uphold elementary education as a fundamental right.

Moreover, Great Britain's Prime Minister Gordon Brown gave a very significant statement: "India and China are fast emerging economies of the World. Unless they join the G-8 countries and make it G-10, this coalition will be incomplete".

India is very eager to put itself among the developed economies and nations. The Indian Government wishes to become an assistance provider by 2015. In fact, it has already started providing aid to some countries like Afghanistan and Nepal. It also extended relief to the United States during disasters.

India is trying to project itself as a developed nation by cutting external aid despite the fact that it has missed many of the Millennium Development Goals (MDGs) and has lagged behind several indicators of human development.

India's economy is not dependent on external aid for gross capital formation. Its Tenth Plan aimed to achieve an 8 per cent growth rate within the period 2003 to 2007. This seemed an ambitious plan. However, India's economy continued to grow strongly with an impressive gross domestic product (GDP) growth within the fiscal year 2003-2004. This placed India among the fastest growing economies in the world during the subsequent years.

Despite the global economic recession, India has regained its economic momentum. Its share of market demonstrated an upward trend. The overall GDP growth for the last years, which was estimated at 6 per cent at the beginning of the year, grew to more than 7 per cent. This placed the government on track with its ambitious Tenth Plan target of 8 per cent growth rate for 2003 to 2007.

Three decades after starting economic reforms, India stopped being reliant on food aid. Also, its economy has matured sufficiently to move away from the compulsions of accepting tied aid.

In January 2006, the Government of India revised its guidelines for external assistance. It emphasized the cut on external aid and self-reliance in expenditure plans. At present, the role of external assistance is support financing for major infrastructure projects, social development projects and building institutional capacity.

The revision was done to affirm the new role of external assistance as well as to emphasise reform orientation in India's economic policy.

The UPA (United Progressive Alliance) issued a resolution to cut external aid due to conditionalities and hidden costs. In his budget speech in February 2003, the Union Finance Minister announced that the government would be discontinuing its government-to-government development cooperation with all but six bilateral donors – the Department of International Development European Commission, Germany, Japan, the United States Agency for International Development (USAID) and the Russian

Federation. Formal guidelines to this effect were subsequently issued in September 2003, which specified that government-to-government cooperation with these donors would not be renewed after ongoing programmes are completed. These donors were also told that they are welcome to continue their cooperation by channelling their funding/assistance through non-governmental organisations (NGOs) and multilateral agencies.

The justifications given by the government for introducing the new ODA (Official Development Assistance) guidelines were:

- To reduce the government's transaction costs in processing bilateral aid;
- To encourage direct access of bilaterals to NGOs/civil society organisations (CSOs) for faster transaction and movement of funds for meaningful and cost effective initiatives; and
- Direct bilateral-NGO and multilateral interactions could lead to innovative initiatives, exploratory projects and new ideas for government upscaling.

The donors, surprised by the new ODA Guidelines, had varied reactions. Some bilateral donors wanted to continue their involvement in India's development process. Others decided to cut back or phase out ODA in India and channel it to other countries in Asia and Africa. Those who cut back on ODA kept their presence limited to political and cultural dialogues and, to an extent, commercial interest.

EXTERNAL AID AND ELEMENTARY EDUCATION

External aid to education is a complicated issue in developing countries like India. The structural adjustment operations stressed that "society can no longer afford social democracy, so expensive social and education programs must be curtailed" (Laxer, 1993, p. 13). This led to the proliferation of loan-oriented programmes such as social safety net programmes that included education projects with external assistance (Tilak, 1992).

The last decade of the last century marked a new phase of developments in the Indian economy, with the heralding of the structural adjustment policies, which are now known as the new economic reform policies.

The decade also marked new developments in the education sector. Following the introduction of the adjustment policies, India resorted, for the first time, to external borrowing for education. Aid for education, which was a new phenomenon, grew rapidly.

The experience in the last decade suggested that, while there were strong positive aspects of the aid programme, there were also equally strong, if not more powerful, adverse effects. Some of these may affect the very polity of the whole society.

In India, the need for external assistance for education was not felt for a long time. During the first four decades of development planning, education was financed mostly through domestic resources. India never accepted external assistance for general education, including aid for general higher education. The only exception was the use of limited external assistance for the establishment of a few specialized institutions like the Indian Institutes of Technology in the 1960s.

For a long period, international organisations did not perceive education as a productive sector from which returns would be tangible and would enable the aid recipient country to pay the loan. However, over the years, education became an attractive sector for international organisations due to the following reasons:

- a. The rates of return of investments in education were found to be high enough for lending.
- b. Education contributed to economic growth by producing human resources. This added to return of investments in the commercial sector. Thus, the aid-receiving developing countries were able to pay the loans for commercial and educational development.
- c. The international community felt morally compelled to aid poor countries to educate the masses. The deteriorating economic conditions of the poor countries also made them vulnerable to opt for loans for any sector including education.

HISTORY OF EXTERNAL AID IN INDIA

The stabilization policies and structural adjustment policies that accompanied the loans from the World Bank (WB) and the International Monetary Fund (IMF) caused serious cuts in the budget for education, particularly primary education (Tilak, 2002).

For international aid organisations like the World Bank, this was also the right time to show their commitment to basic education, following the aid commitments made in the World Conference on Education for All at Jomtien in 1990. Consequently, a social safety net programme to reduce the impact of structural adjustment policies was launched with loans from the World Bank/IMF. This was implemented to protect vulnerable but important sectors, like primary education, from the impact of economic reform policies. Thus, began the international assistance for primary education in India.

The Government of India, for four and a half decades since its independence, never sought external assistance for education. The government felt no need for external assistance for primary education. Likewise, quite a few international aid organisations were eager to enter into the primary education scene in India since the mid-1980s.

The 1989 foreign exchange crisis followed by the adoption of structural adjustment policies, which was regarded as “a necessary evil”, changed the whole situation. For the first time, the primary education sector was rather reluctantly opened to enthusiastic external aid organisations on a large scale.

A plethora of international – both multilateral and bilateral – aid organisations entered into the aid business for education in India. It started with the World Bank assistance for primary education in 10 districts in the state of Uttar Pradesh and the United Nations Children Education Fund (UNICEF) in the State of Bihar. In a very short period, almost all the major aid organisations, including the United Nations Development Programme (UNDP), UNICEF, the European Commission/Union, the Dutch International Aid Agency, the Swedish International Development Agency (SIDA) and the British DFID (Department for International Development) set foot in India.

The Government of India, after a lot of persuasion by the World Bank, agreed to the World Bank aid for primary education in Uttar Pradesh for the period 1992-1993. It hardly realised that this would open the floodgates for external aid to flow into the education sector in India with all its ramifications. The World Bank, like in the rest of the world, emerged as the single most important source of aid for education in India. It also highly influenced the other international actors' policies for India.

THE DISTRICT PRIMARY EDUCATION PROJECT (DPEP)

The multitude of international organisations providing aid for education expanded the coverage of externally aided primary education projects from the original 10 districts covered by the World Bank. Coordination of the donors' activities with several state governments became an important issue: a number of external aid organisations entered even before a clear framework for external assistance for education was designed.

In order to ensure better coordination among the Government of India, governments of various states and the host of international aid organisations, the Government of India launched the District Primary Education Project. This was the umbrella programme for all internationally aided projects on primary education in the country. Other externally aided projects that were implemented even before the formation of the DPEP were also lodged under programme.

GROWTH OF EXTERNAL AID

Starting with a meagre Rs 37 crores (approximately USD 11.8 million) in 1993–1994, the total external aid for primary education projects in the country increased steadily to Rs 1,285 crores (about USD 275 million) by 2002–2003.

It is only in recent years, after the end of Phases I and II of the DPEP, that the amount of aid started declining. The government wanted to reduce reliance on foreign aid for education and to bring all national and international projects on elementary education under the banner of the *Sarva Shiksha Abhiyan* (SSA) project of the Government of India.

Moreover, the Government of India decided in 2003 to discontinue taking bilateral development assistance from small agencies other than the United Kingdom, the European Union, the United States and the Russian Federation. It also decided to stop accepting *tied* aid.

In total, aid increased at an annual growth rate of 29.4 per cent in nominal prices and 22.6 per cent in real prices between 1993-1994 (commencement of aid) and 2004-2005. The total cumulative aid received by 2006-2007 amounted to Rs 8,400 crores (about USD 1,870 million). The aid consisted of funds from both bilateral and multilateral sources. The latter is, however, more significant than bilateral aid.

Among the externally aided projects, DPEP is the most significant in terms of the amount of money involved. About 90 per cent of the total aid received for DPEP came from the World Bank. Other externally aided projects included *Mahila Samakhyas*, *Shiksha Karmi* and *Lok Jumbish*. These accounted for small amounts. The second largest source of funds was SIDA's assistance for *Lok Jumbish* and *Shiksha Karmi*, which accounted for 8 per cent. The Dutch aid represented only 1.3 per cent. Others accounted for insignificant amounts.

GRANT OR LOAN?

External assistance included both grants and loans. While World Bank aid was largely composed of loans, much of the assistance from UNICEF, the UNDP, non-financial institutions and many bilateral sources came in the form of grants.

A substantial amount of funds received consisted of loans from the World Bank that were received through the International Development Association (IDA). Only one-fourth of the total assistance received from the World Bank/IDA need not be paid.

The assistance received from the World Bank/IDA for education was generally called concessional or semi-concessional assistance. Generally, IDA credits are payable for over 35 to 40 years with a grace period of 10 years. They are also payable in hard currency. They carry no interest, but there is an annual commitment charge amounting to 0.5 per cent of the undisbursed balance, and a service charge equivalent to 0.75 per cent of the amount disbursed.

However, the IDA credit for education was widely seen as a grant even though it was actually a loan to the union government. Such perception dominated because the union government gave it as a grant for assistance for elementary education to the states in order to encourage the states to go for foreign aid. Hence, the state governments naturally treated the assistance as a grant without payment liabilities.

It should, however, be noted that a substantial part of the aid came as loans from IDA. The Indian Government has to pay for this loan.

Foreign aid had not been a source of financing for education in India during the first four and half decades after its independence, unlike in other developing countries where foreign aid played an important role in financing education.

Yet foreign assistance came pouring in once India started taking aid for primary education. As a proportion of the total union government's plan expenditure on education, aid increased from below 5 per cent in 1993-1994 to above 20 per cent by 2001-2002.

The corresponding proportion showed declining trend during the latter years. More importantly, as a proportion of the union government's plan expenditure on elementary education, it increased from about 10 per cent in 1993-1994 to more than 35 per cent in 2001-2002. These were indeed high proportions for a developing country like India. It

could give an impression that the aid was very substantial and that elementary education critically depended on external aid. Yet relative to the total education budget in India – of the union and state governments together – foreign aid seemed to be insignificant.

AID: ADDITIONAL OR SUBSTITUTION?

According to the conditions of the DPEP, the aid would be additional to the domestic resources to be spent on education. It is not very clear what is meant by *additional*: Is it additional to the level of spending by the government in the base year? Is it additional to the anticipated normal growth in expenditure? Or would it simply be for additional programmes and schemes?

It is generally interpreted that the project funds were to be additional inputs over and above the resources provided by the state governments for elementary education. But the macro level trends in total public expenditure on education lead us to doubt whether external aid has been additional to the domestic spending on education. There are analyses that state that aid has been substituting national efforts for the sector.

GROWTH RATES IN GOVERNMENT EXPENDITURE ON EDUCATION

The total plan expenditure of the union government on elementary education increased at a real rate of growth of 30.1 per cent per annum in 1985-1986 (when the National Policy on Education 1986 was formulated) and 1992-1993 (a year before aid commenced for education in India).

In contrast, it increased at a growth rate of 18.5 per cent during the period when aid pour into the elementary education sector. This was between 1993-1994 and 2004-2005. During the same period, the growth rate of the union government's plan expenditure on total education increased by 11.8 per cent. Moreover, the annual growth rate of external aid for elementary education increased by 22.6 per cent in real prices.

Thus, during this period, growth rate of foreign aid was faster than that of the total government expenditure on education. Clearly, growth of the union government's plan expenditure on elementary education (inclusive of external aid) slowed down after aid began flowing into it!

A fall in domestic efforts to finance primary education happened despite the characteristic of "additionality" of external assistance. This is due to the fact that additionality may refer to the absolute level of expenditure incurred in the base year, but not to the growth rate of actual expenditures.

Thus, the external aid programme directly resulted to reduced domestic efforts to finance primary education.

The union government could suggest to the states to join DPEP and to go for external financing. Through this, it could reduce its transfers (or additional transfers) out of central revenues to states to finance primary education.

For the same reason, the overall increase in the union government's plan expenditure on elementary education is described as "borrowed growth" or "externally aided growth" (Tilak, 1999a). After all, external aid accounted for more than one-third of the union government's plan expenditure on elementary education (2001-2002/2002-2003).

Similarly, states have been willing to go for external funds, as it can relieve pressures on themselves to (a) make special efforts to mobilise additional resources on their own; and/or (b) reallocate budgetary resources in favour of primary education. In addition, external assistance has been attractive to states, as the union government transfers the external assistance to states as grants, not as loans.

According to the agreed conditions of the project, the external agency contributes 85 per cent of the project costs that flow through the union government to the concerned state. The remaining 15 per cent of the cost of the project was to be met by the state governments themselves. Not only is 15 per cent very small, but also, given the lack of clarity on the principle of additionality, the state could easily allocate 15 per cent to DPEP by reallocating from its normal expenditure on elementary education.

After the National Policy on Education 1986, there was an increase in the share of education in gross national product (GNP) to more than 4 per cent by 1989-1990. But with the flow of external aid to primary education in the 1990s, the expenditure on education started declining steadily to less than 4 per cent.

As Sadgopal (2004, p. 51) stated, "Clearly, the political will to mobilise resources for elementary education weakened following the entry of external aid." While two assistance agreements were signed for the SSA in 2004 – World Bank loan of Rs 4,710 crores (nearly USD 1,000 million) and European Union grant of 240 million euros – the share of education in the GDP in 2004-2005 was further reduced to 3.5 per cent. This was below the level attained in 1985-1986!

The reduction in foreign aid in the most recent years was followed by the introduction of efforts by the union government to raise resources for education from taxes. This was implemented in adherence to the 86th amendment to the Constitution in 2002 that emphasized elementary education as a fundamental right, thus, making it mandatory.

The union government introduced in 2004-2005 an education cess of 2 per cent on all taxes levied by the union government. The revenues were to be used only for elementary education (Tilak, 2006). It also introduced 1 per cent education cess for secondary and higher education in 2007-2008.

Efforts were also made to substantially increase the allocations for elementary education in the union budget in 2007-2008. They also increased the budget for the provision of a

midday-meal scheme, which aimed to raise the participation and attendance of children in school (Ministry of Finance, 2007).

That these measures were not contemplated when foreign aid was pouring in at an increasing rate showed that aid did substitute the efforts of the government to spend on education from domestic resources.

POLICY CONDITIONS AND INTERVENTIONS

One of the most important effects of international aid is its indirect influence through policy conditions attached to the aid packages (Dijkstra, 2002; Easterly, 2003). There is a continuous debate on this issue. For example, aid for primary education could include:

1. **Policy reforms in primary education.** This includes revision in the National Policy on Education 1986; revisions in the “operation blackboard” scheme; establishment of minimum levels of learning; introduction of decentralization and district planning in education; measures to increase community participation; setting up of village level committees; development of management information systems, etc. (Basu, 2006).
2. **Policy reforms referring to other sub-sectors of education.** This includes reduction in public subsidies or freezing of allocations to higher education; introduction of cost recovery mechanisms in higher education; introduction of student loan programmes; and privatisation of secondary and higher education.
3. **Policy reforms in other sectors.** Among the examples are power sector reforms.
4. **Overall macro level fiscal reforms.** This includes budget restructuring and reduction in budget deficit, liberalization of the economy, etc. (Boyce, 2002). There can also be policy conditions on reforming primary education but they are attached to loans for other sectors. Even if some conditions are not stated, aid-receiving countries might anticipate the conditions of the aid agencies. These are described generally in the policy papers of the aid agencies (e.g. as in World Bank 1980, 1986, 1990, 1995, 1997); and might fulfil those conditions on their own, either as a part of the agreement or otherwise, which would facilitate the smooth process of aid negotiations. Documentation on these conditions is difficult to get, as most of the agreements are generally inaccessible. But it is widely felt that most of the abovementioned and similar policy conditions exist in the case of the primary education aid programme in India. Some of these policies and conditions might have actually “improved” the system. Still, most of them might actually be detrimental to educational development in India.

Some loan agreements include terms and conditions favourable to the recipient, such as stipulation that all research activities should be carried out mainly by Indian researchers or that all missions of supervision should include national counterparts.

Yet, as aid agencies gained firm footing over the years, the situation changed. It was widely felt that the projects' central programmes were operated like policy credit programmes.

DEPENDENCY ON DONORS

In terms of quantum of aid received, one cannot say that India is critically dependent on international aid for educational development. Primary education does not require foreign exchange. Hence, it does not require foreign aid. But the way and the purposes for which aid has been used, as well as the changes in attitudes it has brought in, may lead one to wonder whether the culture of donor dependency has grown.

The aid programme made two major contributions: (1) strengthening of decentralised mechanisms of planning, particularly district planning; and (2) capacity building at local levels. Decentralised planning also led to setting up of "societies" at various levels. It also caused sidelining of the whole government and political systems, creating different kinds of distortions.

Neither decentralised planning nor capacity building really required external assistance. It is a sad point that they could be made possible only under an externally assisted programme of primary education.

While the contribution of DPEP has to be acknowledged, it should be emphasised that the very fact that district planning and capacity building were revitalised only under an externally assisted programme spoke of the inability and failure of the government on these two fronts during the last 50 years. Hence, the performance in the last few years can therefore be described as "borrowed performance" (World Bank, 2001, p. 38).

Moreover, most, if not all, of the components of the DPEP – whether they related to quantitative expansion, improvement in quality, improvement in equity, or decentralisation – did not actually require foreign exchange. Many of these components were funded with the help of domestic resources.

But within 10 years, it appeared as if most aspects of additional improvement in primary education critically depended on aid. Also, the attitudinal changes related to aid and their significance were very striking and disturbing.

CONCLUDING OBSERVATIONS

India's rate of economic growth is reasonably high. More important, prospects for economic growth are very encouraging. Likewise, mobilisation of private funds, including private foreign investments, is at a high level. Therefore, it is ironic that India had to resort to external borrowing to finance primary education, which is a basic need and a sector that is not characterised by high degree of foreign exchange-related investments. It is also a sector closely related to the local culture.

During the last 15 years the amount of aid received was not particularly high. Though the amount of aid is not massive, it had significant influence. Some of its effects were positive, but most of the outcomes were detrimental.

Many tall claims were made on the growth of the primary education system in terms of number of school buildings built, number of teachers trained, number of block/cluster resources centres set up, number of village education committees constituted, and number of meetings held. Yet it also created many problems, much more than the gains. A close and careful look at the balance sheet may reveal that, on the whole, external aid for education seemed to have raised more questions than it could answer.

To sum up:

1. Initially, the government was reluctant to accept foreign aid for education, while the international aid agencies were enthusiastic to provide aid to India. But it appears that there was a reversal of the trends over the decade: India became more willing to accept aid for education, while the aid agencies were not so enthusiastic (Tilak, 1999b).
2. The government accepted foreign aid for education for overall budgetary support, though primary education does not seem to need external assistance.
3. Though there were some tangible gains, significant attitudinal changes took place. A culture of donor dependency seeped into the system, which is more dangerous than a small increase or decrease in numbers – buildings, teachers or dollars (or rupees).

Lessons from India's experience:

1. A strong political will, will make it possible to cut the nation's reliance on foreign aid for basic education.
2. If the country goes for aid, the launching of an umbrella programme to coordinate the programmes of the various aid organisations is worth emulating by those who are facing similar situations with multitude aid organisations.
3. Strong, stable and forward-looking governments can also influence many of the policies and practices of the aid organisations, endure some of the conditions of aid and mitigate the adverse effects of these conditions.
4. The fast growing Indian economy and its stature ethically and morally forced it to show its commitment to the social sector. India still needs to meet many indicators of human development. It has to firmly decide to invest more on elementary education. The approval of the Right to Education Bill, which enshrined the fundamental right to education, is a milestone. Still, India has to go a long way in this direction.

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EDUCATION AID IN THE PACIFIC

EDUCATION AID PROGRAMS
OF AUSAID AND NZAID
IN PAPUA NEW GUINEA,
THE SOLOMON ISLANDS
AND VANUATU

GRANT HARRISON AND JOANNA LINDNER, ASPBAE AUSTRALIA



INTRODUCTION

The aim of the report is to provide civil society organisations in Pacific Island Countries, and in donor countries, with up-to-date information in order to:

- support in-country education awareness and advocacy activities; and
- encourage the development of coordinated multinational approaches to education advocacy.

INTERNATIONAL AND REGIONAL EDUCATION FRAMEWORKS

EDUCATION FOR ALL (EFA)

In April 2000, 164 nations (including Australia, New Zealand, Papua New Guinea, the Solomon Islands and Vanuatu) called on national governments, international agencies, donors and civil society to ensure that various time-specific EFA goals were achieved. The goals are:

- EFA Goal 1 expanding and improving comprehensive *early childhood care and education*, especially for the most vulnerable and disadvantaged children;
- EFA Goal 2 ensuring that, by 2015, all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to and complete *free and compulsory primary education* of good quality;
- EFA Goal 3 ensuring that the learning needs of all young people and adults are met through equitable access to *appropriate learning and life skills programs*;
- EFA Goal 4 achieving a 50 per cent improvement in levels of *adult literacy* by 2015, especially for women, and equitable access to basic and continuing education for all adults;
- EFA Goal 5 eliminating gender disparities in primary and secondary education by 2005, and *achieving gender equality* in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality; and
- EFA Goal 6 improving all aspects of the *quality of education* and ensuring excellence of all so that recognized and measurable learning outcomes are achieved by all, especially in literacy, numeracy and essential life skills.

The most recent EFA Global Monitoring Report (2005) indicates that Fiji is close to achieving the EFA goals; Papua New Guinea is far from achieving the EFA goals; and Samoa and Tonga are in an intermediate position. The report does not mention any other Pacific Island Countries. The report also notes that Pacific Island Countries are unable to provide complete or up-to-date data on many basic education indicators.

MILLENNIUM DEVELOPMENT GOALS (MDGS)

In September 2000, all members of the United Nations, or the UN (including Australia, New Zealand, Papua New Guinea, the Solomon Islands and Vanuatu), adopted the

Millennium Declaration which, a year later, was refined into a series of eight MDGs. The MDGs establish targets to be achieved, by 2015, in the areas of poverty reduction, education, gender equality and environmental sustainability. The education-related MDGs (which reinforce two of the EFA goals noted above) are:

MDG GOAL 2		ACHIEVE UNIVERSAL PRIMARY EDUCATION
Target	Ensure that , by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	
Indicators	Net enrolment ratio in primary education	
	Proportion of pupils starting grade 1 who reach grade 5	
	Literacy rate of 15- to 24-year-olds	
MDG GOAL 3		PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
Target	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015	
Indicators	Ratio of girls to boys in primary, secondary and tertiary education Ratio of literate females to males of 15- to 24-year-olds	
	Share of women in wage employment in the non-agricultural sector	
	Proportion of seats held by women in national parliament	

MDG progress reports have been prepared for Papua New Guinea (2004) and for the Pacific Region (2004). The key findings of the Pacific Region report are:

- while enrolment rates have increased in many Pacific Islands, the challenge of providing education that effectively addresses both individual and societal needs remains;
- a large number of youth leave school without adequate life skills and are unable to either continue their education or find employment; and
- serious challenges remain in continuing to improve girls’ access to education. Females remain distinctly under-represented in many countries at one or more educational levels. Census data on literacy indicates relative gender equality, but the measures typically used are not rigorous.

Recent reports from Australia and New Zealand suggest that many Pacific nations are at risk of not achieving the MDGs by 2015.

In September 2005 leaders from all United Nations member countries met at the 2005 World Summit. The Summit concluded with a statement “strongly reiterating our determination to ensure the timely and full realisation of the MDGs” and expressing continuing support for “implementation of the EFA initiative”.

EDUCATION FOR ALL – FAST TRACK INITIATIVE (EFA-FTI)

The EFA-FTI is a source of financing available to low-income countries to facilitate progress towards achievement of the EFA goals. The EFA-FTI is managed by the World Bank. At present, none of the 15 developing countries that are eligible to receive FTI financing are from the Pacific.

FORUM BASIC EDUCATION ACTION PLAN (FBEAP) AND PACIFIC REGIONAL INITIATIVE FOR THE DELIVERY OF BASIC EDUCATION (PRIDE)

In May 2001 education ministers from all Pacific Island Forum member countries agreed to the FBEAP, a document setting out visions, goals and strategies for the future of education in the Pacific region. The FBEAP, which reflects the EFA goals, sets various goals, including “universal and equitable educational participation and achievement; ensuring access and equity; and improving quality and outcomes”.

The PRIDE project has been established to provide practical support to Pacific Island Countries for implementation of the FBEAP, in particular by addressing trans-boundary issues and common problems affecting the implementation of education reform. In the first instance, the project is seeking to strengthen the education planning and reform implementation processes in each country. The project is managed by the Institute of Education at the University of the South Pacific and receives funding support from the European Union and New Zealand.

PACIFIC PLAN

In October 2005, leaders of all Pacific Island Forum nations considered the final draft of the Pacific Plan, which calls on the Forum countries to share scarce resources and align national policies to help address capacity constraints and lack of economic opportunities. The Plan suggests that increased regional cooperation in the following areas may help improve education outcomes across the Pacific:

- harmonising and upgrading of secondary school curricula and examination systems (including for vocational training);
- establishing a standard regional leaving certificate;
- coordinating support for basic education through the FBEAP, and using PRIDE as a model; and
- expanding and standardising regional technical and vocational education programs in the areas of health care, seafaring, hospitality/tourism and peacekeeping.

The final draft also accords priority to “upgrading and extending (by the end of 2008) country and regional statistical information systems and databases across all sectors”.

SUGGESTED FOLLOW-UP AND ADVOCACY POINTS ON INTERNATIONAL AND REGIONAL EDUCATION FRAMEWORKS

1. Understanding education targets

Civil society organisations should:

establish (and/or maintain) up-to-date collections of key international development documents (such as the EFA Global Monitoring Reports, MDG progress reports and the report of the Millennium Project) to provide an authoritative basis for advocacy planning.

2. Monitoring progress towards achievement of education targets

Civil society organisations should:

- i. liaise with Pacific representatives of UNESCO (United Nations Educational, Scientific and Cultural Organization) to advocate for more frequent and comprehensive public reporting on progress towards international education targets;
- ii. liaise with the Pacific Island Forum Secretariat and the PRIDE project team to advocate for more frequent and comprehensive public reporting on progress towards regional education targets; and
- iii. liaise with national EFA Forums in each country to ensure continuing civil society representation on such bodies and advocate for a continuing (and/or revitalised) role for EFA Forums in education planning and in monitoring progress towards reform.

3. Encouraging further progress

Civil society organisations should:

- i. remind national governments (and their officials) at every opportunity of the international and regional education reform commitments they have made;
- ii. use the international and regional reform commitments as frameworks for holding national governments to account (for example, by asking what policies have been implemented and what projects have been funded to improve literacy rates);
- iii. use key international development documents (such as the EFA Global Monitoring Reports, MDG progress reports and the report of the Millennium Project) as sources of ideas and information when developing advocacy campaigns, when making contributions to policy debates and when seeking to hold national governments to account;
- iv. liaise with the Pacific Island Forum Secretariat to advocate for civil society perspectives to be included when monitoring implementation of the FBEAP and the Pacific Plan;
- v. liaise with the PRIDE project team to advocate for continued (and wider) involvement of civil society organisations in the work of the project;
- vi. advocating that national governments (with donor support) seek EFA-FTI endorsement; and
- vii. lobby national governments to act on the resolution of the 2005 World Summit that “comprehensive national development strategies” to achieve the MDGs be implemented (and, furthermore, lobbying for civil society representatives to be involved in the development of these strategies).

AUSTRALIA'S AID PROGRAMME

AID POLICY

Australia's current aid policy derives from a ministerial statement issued in September 2002. A White Paper¹ on aid, proposing a new medium-term policy framework, is currently being prepared and is expected to be published in March 2006.

¹ In presenting the Government's Thirteenth Annual Statement to Parliament the Minister for Foreign Affairs, the Hon Alexander Downer MP, announced that a White Paper on Australia's aid program was being prepared and would be presented to Parliament in March 2006. The Minister stated that the paper would 'outline a medium term strategic blueprint for the aid program in the Asia Pacific region' (see Minister for Foreign Affairs, Ministerial Statement to Parliament on Australia's Aid Program, 10 March 2005. As part of the White Paper development process, AusAID has commissioned a number of analytical reports and is engaged in a series of public consultations. Papers have been prepared for Papua New Guinea and the Pacific Island countries. Accessed on 13 October 2006 from the Website: <http://www.ausaid.gov.au/hottopic/whitepaper/reports.cfm>.

The single objective of the aid programme is, at present, to “advance Australia’s national interest by assisting developing countries to reduce poverty and achieve sustainable development”. This single objective underpins Australia’s *Pacific Regional Aid Strategy 2004-2009*, which identifies four key regional themes:

- stronger broad-based economic growth;
- more effective, accountable and democratic government;
- improved law, justice and security; and
- enhanced service delivery through investing in government capacity to deliver basic services and infrastructure.

Education is not mentioned as an objective or priority in any of Australia’s current overarching aid policy statements. The only references made to education are in the context of education being one of the services (along with health, water and sanitation) that require investment.

Australia does not have an up-to-date education aid policy statement on education. The most recent policy statement was published in 1996.

The EFA goals are not referred to in any of the policy statements of AusAID (Australian Agency for International Development). Australia’s approach to helping achieve the MDGs has recently been described as being to focus on the “fundamentals for achieving the MDG – namely, broad-based economic growth, good governance and stability, while directly investing in those sectors explicitly articulated in the MDG. Recognising that countries themselves have the greatest influence on their own development, Australia provides assistance in line with the needs and priorities of its partner countries.”

AID FUNDING AND DELIVERY

Australia’s official development assistance (ODA)² for 2005-2006 will amount to \$A2.491 billion, an increase of \$A358 million over the 2004-2005 budget (which was \$A2.133 billion).

The ratio of Australia’s ODA to gross national income (GNI) for 2005-2006 is estimated to be 0.28 per cent. This places Australia above the latest available OECD (Organisation for Economic Co-operation and Development) donor average of 0.25 per cent, but well below the UN target of 0.70 per cent. Australia is ranked 16th out of 22 OECD donor countries (down from 12th in 2000).

Papua New Guinea is Australia’s single largest aid partner – estimated to receive \$A492.3 million in ODA in 2005-2006, of which AusAID’s country programme expenditure will be \$A300 million.

The combined total assistance to other Pacific Island countries in 2005-2006 is expected to be \$A463 million. This amount will be distributed as follows:

² Official Development Assistance includes funds administered by AusAID as part of its country aid programs and development assistance provided by other Commonwealth and State Government agencies – including, for example, policing and agriculture agencies.

Education Aid in the Pacific

DIAGRAM 1: ESTIMATED AUSTRALIAN ODA TO THE PACIFIC BY COUNTRY 2005-2006

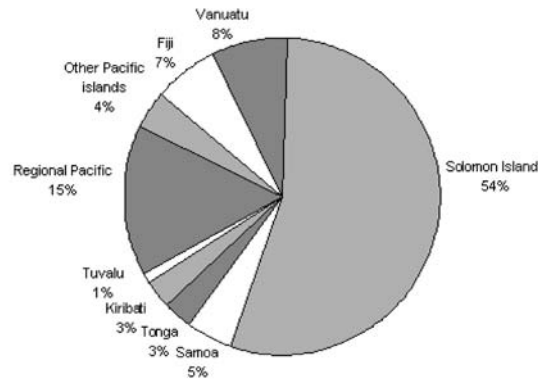


DIAGRAM 2: ESTIMATED SECTORAL BREAKDOWN OF AUSTRALIA'S ODA 2005-2006

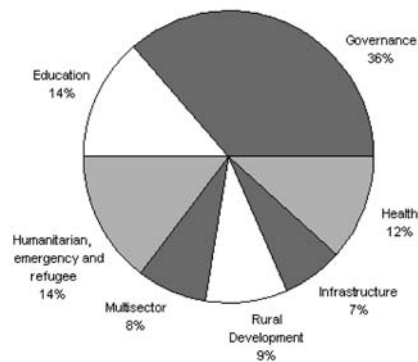
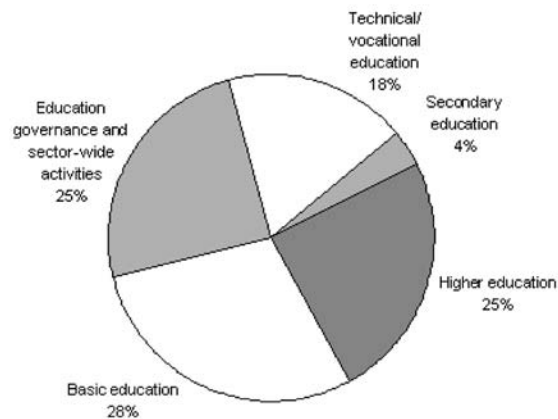


DIAGRAM 3: ESTIMATED AUSTRALIAN ODA IN THE EDUCATION SECTOR 2005-2006



Every year AusAID, on behalf of the Australian Government buys more than \$A915 million worth of goods and services for use in aid projects around the world. The vast majority of AusAID contracts involve the employment of Australian experts and their support staff.

SUGGESTED FOLLOW-UP AND ADVOCACY POINTS ON AUSTRALIA'S AID PROGRAMME

1. Aid policy

Civil society organisations should:

- i. advocate for the inclusion of international development goals in the White Paper on Australia's aid programme that is currently being prepared;
- ii. advocate for closer articulation between overarching policy objectives and Pacific regional objectives;
- iii. advocate for the development of a policy on education aid (and for the policy to reflect the EFA goals, the education-related MDGs and regional education priorities); and
- iv. advocate for a greater focus on education in each AusAID country strategy (including a specific focus on achieving quality outcomes not just quantity targets).

2. Aid funding

Civil society organisations should:

- i. advocate for the inclusion in the aid White Paper of a statement of Australia's ODA to GNI target;
- ii. advocate for the inclusion in the aid White Paper of a statement of Australia's education aid funding target (as a percentage of total aid funding);
- iii. advocate for a rebalancing of education aid consistent with the EFA goals, the education-related MDGs and regional education priorities (with more funding directed towards basic education and less towards higher education); and
- iv. advocate for more frequent reporting of official aid expenditure at the activity level (the most recent such report [part of what is known as the Blue Book series] was published in 2001 and covers the period 1999-2000) – ideally, the series should be updated annually and be in a form that relates clearly to material published in the budget papers and in AusAID's annual report.

3. Aid delivery

Civil society organisations should:

advocate for public disclosure of information about new aid delivery contracts awarded each year (categorised by sector and including individual project descriptions, contractor names, contract values and information about the proportion of project funding spent in-country as opposed to being spent in the home country of the contractor).

NEW ZEALAND'S AID PROGRAMME

AID POLICY

New Zealand has published an integrated set of policy statements to guide its aid programme. The principal focus of the policy is to achieve poverty elimination and NZAID's work is directed towards activities that help:

- create safe, just and inclusive societies (focusing on governance and participation, gender equality and equity, economic and social development community and civil society development, and conflict prevention and resolution);
- fulfil basic needs (including food security, water and sanitation, shelter, health and education);
- achieve environmental sustainability (through sustainable natural resource management and maintaining biodiversity); and
- achieve sustainable livelihoods (focusing on economic growth, human resource development and private sector development).

The policy statements highlight NZAID's long-term commitment to working with partner countries and the international community to achieve the MDGs.

NZAID's overarching policies are supported by a number of more detailed regional, country and sectoral strategies, including an education policy ("Achieving Education for All"), which acknowledges the Pacific vision for education outlined in the FBEAP and the implementation work being undertaken by the PRIDE project.

Achieving Education for All describes NZAID's education sector priorities as being:

- basic education, with the aim of assisting core bilateral partner countries to achieve the EFA goals; and
- post-basic and tertiary education in our core bilateral partner countries and through selected regional programs, with a particular emphasis on achieving gender equality at these levels of education by 2015.

AID FUNDING

New Zealand's overseas aid programme for 2005-2006 will amount to NZ\$383 million, an increase of NZ\$59.4 million over the previous year.

The ratio of New Zealand's ODA to gross national income for 2005-2006 is estimated to be 0.27 per cent (an increase on the 2004 ratio of 0.23 per cent), above the most recent OECD donor average of 0.25 per cent but well below UN's recommended target of 0.70 per cent. The New Zealand Government has announced its intention to increase aid funding to NZ\$402 million in 2006-2007 (that is, an ODA/GNI ratio of 0.27 per cent) and to NZ\$441 million in 2007/2008 (a ratio of 0.28 per cent, which would match Australia's current estimated ODA/GNI ratio). The OECD's most recent international comparison (based on 2004 ratios) ranked New Zealand as 18th out of 22 OECD donor countries.

New Zealand's overseas aid programme to Pacific partner countries in the years 1999-2000 and 2003-2004 is shown in the following table:

TABLE 1: TOTAL NEW ZEALAND ODA FLOWS TO PARTNER COUNTRIES, NZ\$ (,000)

PARTNER COUNTRIES	1999/2000	2003/2004	VARIATION
Papua New Guinea	10,588	8,537	-19%
Solomon Islands	6,480	13,620	110%
Vanuatu	5,103	5,701	12%
Fiji	3,558	2,060	-42%
Samoa	7,802	7,489	-4%
Tonga	5,659	4,529	-20%
Tokelau	7,691	10,753	40%
Cook Islands	6,234	4,027	-35%
Niue Budget Support	3,750	5,750	53%
Niue Projects and Training	2,233	4,568	105%
Kiribati	3,161	2,838	-10%
Tuvalu	1,790	1,540	-14%
French Polynesia	166	185	12%
New Caledonia	399	429	7%
Wallis & Futuna	53	54	3%
Micronesia	847	735	-13%

Education is the single the most important aid sector for New Zealand, consuming about one-third of total ODA over the last five years. The government is planning to maintain this proportion and, within this share, work towards increasing the funding for basic education to 50 per cent of total education assistance.

SUGGESTED FOLLOW-UP AND ADVOCACY POINTS ON NEW ZEALAND'S AID PROGRAMME

1. Aid funding and delivery

Civil society organisations should:

- i. advocate for more complete reporting of the regional and sectoral components of the ODA budget and on funding trends over time. This reporting should be done at the beginning of each financial year time (budget forecasts of expenditure) and at the end of each financial year (annual reports of actual expenditure) and should break ODA expenditure into regional and sectoral components, and identify trends (in actual and percentage terms) over time; and

- ii. advocate for public disclosure of the total value of new aid delivery contracts awarded each year (by sector), the value of individual contracts and information (in actual and percentage terms) about the proportion of project funding spent in-country as opposed to being spent in the contractor’s home country.

PAPUA NEW GUINEA EDUCATION AID AND OUTCOMES

AUSTRALIAN AID PROGRAMS

Australia’s ODA to Papua New Guinea in recent years is shown in the following table:

TABLE 2: AUSTRALIAN ODA TO PAPUA NEW GUINEA, \$A (,000)

OUTCOME EXPENSES			ESTIMATE EXPENSES		
2001-2002	2002-2003	2003-2004	2004-2005 budget figure	2004-2005 expected outcome	2005-2006 budget estimate
327,952	331,492	321,319	435,600	366,600	492,300

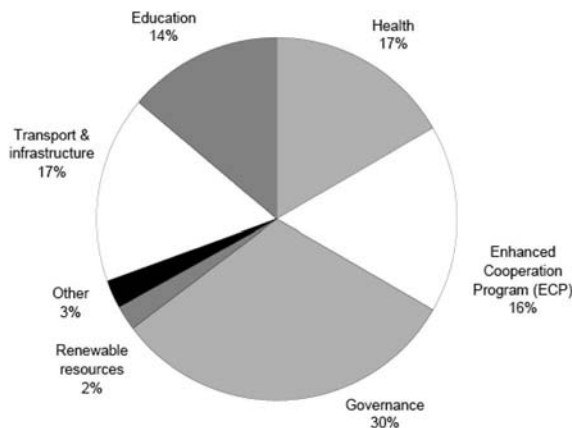
The proportion of Australia’s ODA to PNG that is committed to the education sector is shown in the following table:

TABLE 3: AUSTRALIAN EDUCATION SECTOR ASSISTANCE TO PAPUA NEW GUINEA, \$A (,000)

	TOTAL ODA	EDUCATION	% OF ODA
2001-2002	327,952	53,182	16.25
2002-2003	331,492	48,685	14.69
2003-2004	321,319	32,954	10.26

An estimated breakdown, by sector, of the country programme element of total Australian ODA to PNG is shown in the following diagram:

DIAGRAM 4: AUSAID’S PAPUA NEW GUINEA COUNTRY PROGRAMME, BY SECTOR, 2005-06, \$A (,000)



An indication of the distribution of country programme aid within the education sector is shown in the following table:

TABLE 4: ALLOCATION OF AUSTRALIA'S EDUCATION SECTOR ASSISTANCE TO PAPUA NEW GUINEA, 2000-2010, \$A MILLION, %

SUB-SECTOR	2000-2001	2004-2005	2008-2010
Basic education	41.4 (48%)	42.9 (52%)	44.9 (55%)
Vocational education and training	7.4 (9%)	11.4 (14%)	12.4 (15%)
Secondary education	13.8 (16%)	6.4 (8%)	5.1 (6%)
Tertiary education	20.7 (24%)	18.8 (23%)	17.1 (21%)
Reform support	2.4 (3%)	2.5 (3%)	2.5 (3%)
TOTAL	85.7 (100%)	82.0 (100%)	82.0 (100%)

Australia's education sector assistance to PNG is guided by:

- the *1999 Treaty on Development Cooperation*, which commits Australia to support PNG's development strategies, giving priority to education, health, infrastructure, rural development, law and justice, provinces and governance;
- the *Australia and Papua New Guinea Development Cooperation Program 2000-2003*, which describes one of the key objectives of the aid programme as being to expand "the quality and reach of basic education" (a new medium-term country strategy is currently being developed by the PNG and Australian Governments); and
- AusAID's *PNG Education Strategy 2000-2010*, which accords highest priority to the achievement of universal basic education (it is expected that the Strategy will be revised following development of the new medium-term country strategy and the White Paper)

The major activities currently supported by the aid programme include:

Education Capacity Building Program

AUSAID CONTRIBUTION: \$A25 million, 2004-06 (phase 1). Expenditure over the life of the programme (2004-2008) is expected to be \$A100 million

MANAGING CONTRACTOR: Sagric International

The programme is directed at supporting the implementation of PNG's education reform priorities. It provides training to strengthen planning, management and governance procedures and practices; to improve communication and coordination between government agencies and institutions; and to develop effective education programme monitoring, evaluation and reporting systems.

Primary and Secondary Teacher Education

AUSAID CONTRIBUTION: \$A38 million, 1999-2005

MANAGING CONTRACTOR: GRM International

This project is seeking to improve the quality of pre-service training for primary and secondary teachers; to strengthen the ability of teachers to promote gender equity in education; and to upgrade facilities at teachers colleges (including the establishment of Learning Centres at the seven Primary Teachers Colleges and the PNG Education Institute).

Education Commodities Assistance Support Project

AUSAID CONTRIBUTION: \$A36 million, 1995, ongoing

This project funds the provision of equipment and the distribution of curriculum materials to primary and secondary local schools.

Basic Education Development Project

AUSAID CONTRIBUTION: \$A30 million, 2004-2008

MANAGING CONTRACTOR: Sagric International

This project supports a facilities development and maintenance programme for primary and community schools. It is aiming to build the capacity of administrators and communities, in all provinces, to plan and manage school infrastructure.

Curriculum Reform Implementation Project

AUSAID CONTRIBUTION: \$A27 million, 2000-2006

MANAGING CONTRACTOR: Sagric International

This project is supporting the National Department of Education in the development and implementation of curriculum reform, particularly in elementary and primary schools. It is funding the production and distribution of curriculum materials, and the provision of in-service training for teachers in the use of these materials.

PNG Targeted Training Facility

AUSAID CONTRIBUTION: \$A5.9 million, 2004

MANAGING CONTRACTOR: GRM International

This Facility manages the provision of training, scholarships and distance education programs to enhance planning, management and service delivery skills within institutions at all levels of government.

Australian Development Scholarships

AUSAID CONTRIBUTION: \$A12.97 million, 2004-2005

MANAGING CONTRACTOR: GRM International (as part of the PNG Targeted Training Facility)

Scholarships are provided to support studies in Australia and at regional higher education institutions, such as the Fiji School of Medicine, the University of the South Pacific and tertiary institutions in PNG. There were 370 PNG students on scholarships in 2005 and it is estimated that 130 scholarships will be awarded to in 2006.

PNG also benefits from the financial support provided by Australia to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; and the South Pacific Board for Educational Assessment.

AusAID also regularly supports education-related projects delivered in PNG by Australian-based non-government organisations, and supports the Australian Volunteers International (which is currently managing 40 volunteers on assignment in PNG – some of whom are working in the education sector).

NEW ZEALAND AID PROGRAMS

New Zealand's assistance to PNG in recent years is shown in the following table:

TABLE 5: NEW ZEALAND'S COUNTRY PROGRAMME AID TO PAPUA NEW GUINEA, 2001-05 (\$NZ'000)

2001-2002	2002-2003	2003-2004	2004-2005
9,228	7,440	8,537	9,610

Education aid is the largest component of New Zealand's assistance to PNG, amounting to 36 per cent of the bilateral programme (assistance to the health sector is next with 28 per cent, while support for better governance and civil society organisations accounts for 18 per cent of the programme).

The Papua New Guinea Strategy 2002-2007 of the NZAID (New Zealand Agency for International Development) explicitly links New Zealand's aid to the development priorities established by the PNG Government in its Poverty Reduction and Medium Term Development Strategies. In the area of education, NZAID is planning to continue the following projects over the next five years:

School Journals Project

This project supports the development and distribution of locally produced primary school classroom materials designed to foster an enjoyment of reading, positive role models and a strong sense of national and cultural identity.

Diploma of Not-for-Profit Management

A training programme for PNG non-government organisations which provides four management skills modules (delivered by Auckland Unitech), leading to a recognised tertiary qualification.

Teacher training in Bougainville

NZAID is supporting in-service teacher training to upgrade the skills of primary and secondary school teachers in Bougainville.

Institutional strengthening at Vudal University

NZAID is supporting Vudal University in East New Britain meet its institutional improvement needs, by helping employ and train new tutor and lecturers in agriculture.

Pacific Regional Education Program

As part of which NZAID is supporting the PRIDE project (\$NZ300,000, 2003-2004 – with agreement in principle to provide support until 2009); the multi-year Rethinking Pacific Education Initiative (the primary purpose of which is to encourage leadership by Pacific educators in the development of their own communities; and an ASPBAE programme designed to promote the participation of Pacific Island civil society organisations in education advocacy and planning.

Scholarships programme

NZAID is shifting the focus of its scholarships programme – placing less emphasis on supporting study in New Zealand and more emphasis on supporting study in PNG.

PNG also benefits from the financial support provided by New Zealand to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; and the South Pacific Board for Educational Assessment (NZAID is supporting a multi-year project to establish a Pacific-wide Form 7 Award).

NZAID administers a Voluntary Agency Support Scheme, through which non-government organisations are funded to collaborate with overseas partners on community-level development activities, some of which are in the education sector. NZAID also provides funding to Volunteer Service Abroad, which currently supports a number of volunteers on assignment in PNG, some of whom are working in the education sector.

PNG EDUCATION PLANNING

In December 2004 the PNG Government published *Achieving a Better Future: A National Plan for Education, 2005-2014*. The National Plan (which encompasses elementary, primary, secondary, and vocational and technical education and training) establishes a series of reform objectives which are consistent with the PNG Government's Medium Term Development Strategy, the EFA goals, and the education-related MDGs.

The National Plan also proposes desired outcomes for each education sub-sector, supported by detailed reform targets, descriptions of responsibility, indicators of success, strategies for action, and timelines for implementation.

The National Plan recommends that a systematic approach be taken towards monitoring and evaluating the implementation of education reform: a critical element of this process being the collection and central reporting of reliable data from all parts of the education system.

CONSTRAINTS TO ACHIEVING FURTHER REFORM

While there has been rapid expansion in access to elementary and primary in PNG over the last ten years, there are concerns that about the quality of education being provided. Moreover, financing the expansion of the system has become increasingly difficult because of turbulence in the national economy. Concerns are now being expressed in the academic community about whether PNG can afford the education system that is being developed and whether the reforms are appropriately targeted.

- It is widely acknowledged that two institutional factors are also limiting PNG's reform progress:
- the highly decentralised nature of education management and service delivery in PNG – there is much confusion and little transparency in the delivery of education services by provincial- and local-level government authorities; and
 - the continuing need for the National Department of Education to develop sufficient technical and administrative capacity to manage and monitor the reform programme.

PNG EDUCATION BUDGETING AND REPORTING

Management and financial responsibility for the PNG education system is distributed between:

- the national government – which is responsible for funding teacher salaries, school fee subsidies and the costs incurred by the National Department of Education in administering the education system;
- provincial governments – which are responsible for all aspects of post-primary education, including the maintenance of secondary schools and vocational institutions and new infrastructure requirements for secondary schools;
- local-level governments – which are responsible for supporting communities in the infrastructure and maintenance costs of elementary and primary schools;
- church agencies – which are responsible for supporting their own schools;
- parents and the community – who are responsible for paying parental contributions and contributing, in kind, to the construction and maintenance of elementary and primary school infrastructure; and
- donor agencies – which fund those elements of the reform programme that the national government's budget does not cover.

The PNG education budget has two components: the *recurrent budget* (the principal components of which are teachers' salaries, school fee subsidies and the costs incurred by the National Department of Education in administering the education system), and the *development budget* (from which reform activities are funded).

TABLE 6: PNG EDUCATION FUNDING, RECURRENT BUDGET, 2003-2005 (K'000)

	2003	2004	2005
TEACHERS SALARIES			
Provincial budgets	332,798.8	343,828.5	345,672.9
National budget	15,964.5	20,053.9	19,548.8
Total cost of teachers salaries	348,763.3	363,882.4	365,221.7
SCHOOL SUBSIDIES			
Provincial administration	20,000.0	17,778.1	17,700.0
National administration	n/a	n/a	40,000.0
Total cost of school subsidies	n/a	n/a	57,700.0
NATIONAL ADMINISTRATION	21,948.1	36,793.5	41,579.2

Teachers' salaries are the largest ongoing cost item in the national government's recurrent education budget. Funds for teachers' salaries are appropriated through the national government's budget and transferred to provincial governments for payment.

There is little transparency in the administration by provincial governments of school subsidies (now known as Education Function Grants). The National Department of Education notes that “the amounts paid out to schools by provinces are not available. Only a few provinces are known to have passed the grants on to their schools. This has been a recurring pattern over a number of years.”

TABLE 7: PNG EDUCATION FUNDING, DEVELOPMENT BUDGET, 2001-2003 (K'000)

AREAS OF REFORM ACTIVITY	2001	2002	2003
Policy and Administration	2,153.5	6,118.6	10,111.4
Education Standards	31,059.5	23,939.8	27,282.4
Primary	6,661.5	18,737.3	21,883.1
Literacy	10,261.9	-	-
Secondary	4,330.8	500.0	1,927.2
Vocational	496.5	52,000.0	16,472.3
Technical	-	-	1,1774.9
Teacher Education	23,360.8	26,243.6	23,853.6
Library	2,229.5	-	-
TOTAL	80,554.0	127,539.3	103,304.9

Almost the entire development budget is donor funded (in 2004, 97 per cent was donor funded). The National Department of Education states that PNG’s ability to meet counterpart funding obligations is constrained and “continuing donor support is essential if education reform is to progress”.

EDUCATION INDICATORS

In 2004 the PNG Government, in collaboration with the United Nations, prepared a report entitled *Papua New Guinea: Millennium Development Goals Progress Report*. The findings of the report were that:

- while progress towards achieving universal primary education (MDG 2) was significant in the years immediately after independence, it has slowed in recent years;
- enrolment and retention rates are still very low – retention has actually decreased since 1995 and differences in enrolment and retention at the provincial levels are extreme; and
- literacy levels gradually improved in the 1980s and 1990s but are still very low, especially for adults (aged over 15 years).

The MDG Progress Report also concluded that it is unrealistic to expect PNG to achieve the MDG targets and, as a result, modified targets were developed. PNG’s new targets are:

- to achieve a gross enrolment rate at the primary level of 85 per cent (rather than 100 per cent) by 2015;
- to achieve a retention rate at the primary level of 70 per cent (rather than 100 per cent) by 2015;
- to achieve a youth literacy rate of 70 per cent by 2015; and
- to eliminate gender disparity at the primary and lower secondary level by 2015 and at the upper secondary level and above by 2030.

A report recently commissioned by AusAID is pessimistic about PNG's prospects of achieving even these modified MDG targets: "Overall PNG has the worst social indicators in the Pacific and its human development indicators remain poor relative to its per capita income. PNG will not achieve the MDGs by 2015."

Concerns have been expressed widely and frequently about the accuracy and reliability of the data upon which much of the above information is based. The National Department of Education has reported that the difficulties of collecting data at the provincial level are of such magnitude that they will become "an increasing constraint to the effective implementation of the education reforms."

IMPACT OF EDUCATION AID

A paper recently commissioned by AusAID notes that, while there is a substantial body of academic research on the impact of aid, the findings are inconclusive. The fairest conclusion that can be drawn is that "aid has not had the impact in the [Pacific] region that it should have had" and that "is it not safe to assume that aid will always have a positive impact".

In PNG, the general view is that donor assistance has helped double, over the last ten years, the number of children enrolled in PNG schools. Specifically, 4,200 elementary schools (providing instruction in more than 200 languages) have been established throughout the country; more equal access to learning for boys and girls has been promoted; and revised, more relevant, primary and lower secondary school curricula have been developed.

However, donor assistance has also produced some unintended consequences:

- the "milestone"-driven nature of project activity and limited timeframes can be counterproductive to local ownership, participation and capacity building;
- there is a sense of too much happening too quickly; and
- aid projects can be too narrowly focussed, taking insufficient account of broader contexts and opportunities for better coordination.

Moreover, implementation of the reform programme to date has highlighted shortcomings in the capacity of PNG institutions (at both the national and provincial level) to manage and finance continuing reform efforts. It is possible, according to a recent AusAID paper, that "funds available for the delivery of goods and services are likely to diminish beyond current levels – levels already inadequate to meet reasonable needs of the population. PNG's capacity to improve standards of service delivery across the country over the next five years is expected to decline, not strengthen."

Suggested follow-up and advocacy points on PNG education aid

1. Australia's education aid

Civil society organisations should:

- i. Advocate for AusAID to include education assistance as a priority component in the new PNG country strategy currently being prepared;

- ii. advocate for AusAID to include the EFA goals and the education-related MDGs as development objectives in the new PNG country strategy currently being prepared; and
- iii. advocate for the *AusAID-PNG Education Strategy 2000-2010* to be revised and for the new strategy to include, as development objectives, the EFA goals and the education-related MDGs; and
- iv. advocate for AusAID to include in its budget papers and annual reports more detailed information on estimated and actual expenditure at the level of individual projects.

2. New Zealand's education aid

Civil society organisations should:

- i. advocate for NZAID to report more completely on expenditure within the education sector and on funding trends over time; and
- ii. advocate for NZAID to report more completely on estimated and actual expenditure at the level of individual projects, on an annual basis.

3. PNG education planning and policy

Civil society organisations should:

- i. establish (and/or maintain) up-to-date collections of key national education documents to provide an authoritative basis for advocacy planning. The collection could include national and provincial education plans; departmental annual reports, corporate and business plans; education policies (for example, on literacy, gender equity, technical and vocational education and training); and key international development documents;
- ii. liaise with key national government officials to identify the mechanisms that have been established to monitor the implementation of the National Plan (and lobby for civil society involvement in these processes); and
- iii. liaise with key provincial government officials (Provincial Education Advisers) to identify the mechanisms that have been established to update Provincial Education Plans (and lobby for civil society involvement in these processes).

4. PNG education budgeting

Civil society organisations should:

- i. compare, on an annual basis, the Department of Education budget allocations with the projected financial costs of education reform outlined in the National Plan for Education (this will reveal the extent of the government's financial commitment to reform); and
- ii. liaise with key provincial government officials (Provincial Education Advisers) to obtain copies of provincial education budgets and any statements reporting on the management of those funds.

5. PNG progress towards education goals

Civil society organisations should:

- i. remind government ministers (and their officials) at every opportunity of the education reform commitments they have made at international and regional fora;

- ii. use the international and regional reform commitments as frameworks for holding the government to account (for example, by asking what policies have been implemented and what projects have been funded to improve literacy rates);
- iii. use key international development documents (such as the EFA Global Monitoring Reports, the MDG Progress Report and the report of the Millennium Project) as sources of ideas and information when developing advocacy campaigns, when making contributions to policy debates and when seeking to hold national governments to account;
- iv. identify the members of PNG's National EFA Forum and advocating for a continuing (and/or revitalised) role for the Forum (and seeking to ensure continuing civil society representation on the Forum);
- v. liaise with the Pacific Island Forum Secretariat to advocate for formal processes to be established to allow civil society involvement in future education planning;
- vi. liaise with the PRIDE project team to advocate for continuing (and wider) civil society involvement in the work of the project;
- vii. advocate for the government (with donor support) to seek EFA-FTI endorsement; and
- viii. advocate for the government to act on the resolution of the 2005 World Summit that "comprehensive national development strategies" to achieve the MDGs be implemented (and lobbying for civil society representation in the development of PNG's strategy).

6. Impact of education aid

Civil society organisations should consider: Advocate for AusAID to commission a research report on the effectiveness of its education-sector interventions in PNG, with a particular focus on educational quality, learning outcomes and the sustainability of reform.

SOLOMON ISLANDS EDUCATION AID AND OUTCOMES

AUSTRALIAN AID PROGRAMS

Australia's ODA to the Solomon Islands in recent years is shown in the following table:

TABLE 8: AUSTRALIAN ODA TO THE SOLOMON ISLANDS \$A (,000)

OUTCOME EXPENSES			ESTIMATE EXPENSES		
2001-2002	2002-2003	2003-2004	2004-2005 budget figure	2004-2005 expected outcome	2005-2006 budget estimate
40,575	33,502	139,534	201,600	171,500	246,900

The proportion of Australia's ODA to the Solomon Islands that is committed to the education sector is as follows:

TABLE 9: AUSTRALIAN EDUCATION SECTOR ASSISTANCE TO THE SOLOMON ISLANDS, \$A (,000)

	TOTAL ODA	EDUCATION	% OF ODA
2001-2002	40,575	361	0.89
2002-2003	33,502	206	0.61
2003-2004	139,534	615	0.44

AusAID has not published any goals, priority areas or principles to guide the education component of the Solomon Islands country aid programme. Australia and the Solomon Islands are currently developing a transitional country strategy (to cover the aid relationships over the next 12 to 18 months), but current indications are that education will not be a central focus of the strategy.

There is little information available about education initiatives that have been funded in recent years:

- AusAID's annual reports for 2001-2002, 2002-2003 and 2003-2004 mention the "provision", through the Community Peace and Restoration Fund, of an unspecified number of education facilities; and
- a paper published in September 2005 mentions support for literacy and numeracy projects in Malaita and Guadalcanal.

The programmes currently supported by AusAID are:

Community Sector Program

AUSAID CONTRIBUTION: \$A32 million, 2005-2010

MANAGING CONTRACTOR: Hassell and Associates International

The programme funds small-scale, community-based projects to restore schools and health clinics, to upgrade roads, and to improve access to clean water. It also supports capacity building and training programs to help NGOs and churches deliver education and health services to communities.

Scholarship Program

AUSAID CONTRIBUTION: \$A1.1 million, 2003-2004

\$A1.6 million, 2004-2005

MANAGING CONTRACTOR: GRM International

Australia provides scholarships for Solomon Islanders to attain qualifications in a range of fields in Australia and regional higher education institutions. In 2005 there were 25 students from the Solomon Islands studying in Australian tertiary institutions, and 40 students in Pacific regional institutions. It is expected that there will be 12 students from the Solomons studying in Australia in 2006.

The Solomon Islands also benefits from the financial support provided by Australia to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; the University of the South Pacific; and the South Pacific Board for Educational Assessment.

AusAID also regularly supports education-related projects delivered in the Solomon Islands by Australian-based non-government organisations, and supports Australian Volunteers International (which is currently managing 11 volunteers on assignment in the Solomons – some of whom are working in the education sector).

NEW ZEALAND AID PROGRAMS

New Zealand's ODA to the Solomon Islands is shown in the following table:

TABLE 10: NEW ZEALAND'S ASSISTANCE TO THE SOLOMON ISLANDS 2001-2005 (\$NZ'000)

2001-2002	2002-2003	2003-2004	2004-2005
7,195	4,843	13,620	16,140

Education is the most significant component of New Zealand's bilateral aid programme to the Solomon Islands – accounting for 78 per cent of the total expenditure.

NZAID's assistance is delivered through the following programs:

Education Sector Investment and Reform Program

NZAID CONTRIBUTION: up to \$NZ33 million, 2004-2006

The Education Sector Investment and Reform Program (ESIRP) was developed and is being co-financed by the Solomon Islands Government, the European Union and New Zealand. ESIRP aims to improve access, equity, quality and management of basic education in the Solomon Islands. In 2003-2004 NZAID funding resulted in:

- \$NZ5 million direct budget support earmarked for the basic education sector;
- \$NZ5.5 million for reprinting standard Year 1 to Year 5 Maths and English curriculum materials and purchasing basic school supplies for all 593 primary schools in the country; and
- a national teacher study to identify issues in primary teacher recruitment, deployment and management.

Pacific Regional Education Program

Under this programme NZAID supports the PRIDE project (\$NZ300 000, 2003-2004 – with an agreement in principle to provide support until 2009); the multi-year Re-thinking Pacific Education Initiative (the primary purpose of which is to encourage leadership by Pacific educators); and an ASPBAE programme designed to promote the participation of Pacific Island civil society organisations in education advocacy and planning.

Scholarships programme

Students from the Solomon Islands wishing to study at post-secondary level in New Zealand are eligible to apply for New Zealand Development Scholarships (covering full-time multi-year courses) or Short Term Training Awards (covering vocational skills courses and work attachments).

The Solomon Islands also benefits from the financial support provided by New Zealand to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; the University of the South Pacific; and the South Pacific Board for Educational Assessment (NZAID is supporting a multi-year project to establish a Pacific-wide Form 7 Award).

NZAID administers a Voluntary Agency Support Scheme, through which non-government organisations are funded to collaborate with overseas partners on community-level development activities, some of which are in the education sector. NZAID also provides funding to Volunteer Service Abroad, which currently supports a number of volunteers on assignment in the Solomon Islands, some of whom are working in the education sector.

SOLOMON ISLANDS EDUCATION PLANNING

The Solomon Islands Government has identified education as being a key component of its economic recovery and reform programme. The *Education Strategic Plan 2004-2006* proposes that a new education system be established and establishes a series of goals and strategies (including implementation milestones, descriptions of responsibility and sources of funding) to guide the reform process. The goals and timeframes described in the Strategic Plan are consistent with the MDGs.

The immediate goal of the reform programme is to maintain the delivery of education services during the post-conflict rehabilitation period from 2004-2006 and, in the longer term, to:

- provide equitable access to nine years of formal education for all children in the Solomon Islands (which is described as being a priority);
- provide access to community, technical, vocational and tertiary education that will meet individual, regional and national needs for a knowledgeable, skilled competent and complete people; and
- manage resources in an efficient, effective and transparent manner.

CONSTRAINTS TO ACHIEVING REFORM

The most critical constraints to implementing the reform programme are securing access to a stable and long term source of funding; and developing sufficient administrative capacity within the Solomon Islands to manage the process of reform.

While the Solomon Islands Government has undertaken to maintain support for education at 22 per cent of the national budget, the Strategic Plan anticipates that the government will need to rely on its development partners if it is to “sustain current service levels ... [and gain] access to the funds needed to provide the teachers, buildings and materials required to expand the system and to improve the quality of services delivered”.

SOLOMON ISLANDS EDUCATION BUDGETING AND REPORTING

There is no information available on the Internet about the Solomon Islands Government's education budget.

EDUCATION INDICATORS

AusAID reports that “the literacy rate [in the Solomon Islands] is low and access to primary and secondary education is limited compared with other Pacific countries”. NZAID agrees with this assessment noting that “few children complete primary school ... education facilities are deficient and instructional materials are non-existent in most schools”.

The Solomon Islands ranks poorly against other Pacific island nations when comparing progress made towards the education-related MDGs.

TABLE 11: SOLOMON ISLANDS PROGRESS TOWARDS MDG 2 – ACHIEVE UNIVERSAL PRIMARY EDUCATION

TARGET 3: ENSURE THAT, BY 2015, CHILDREN EVERYWHERE, BOYS AND GIRLS ALIKE, WILL BE ABLE TO COMPLETE A FULL COURSE OF PRIMARY SCHOOLING		
Indicator 6: Net enrolment ratio in primary education (% of primary age group)	1986	1999
	39%	56%
Indicator 7: Proportion of pupils starting grade 1 who reach grade 5 (%)	1991	
	85%	
Indicator 8: Literacy rate of 15- to 24-year-olds (%)	1991	
	62%	

TABLE 12: SOLOMON ISLANDS PROGRESS TOWARDS MDG 3 – ELIMINATE GENDER DISPARITY IN EDUCATION

TARGET 4: ELIMINATE GENDER DISPARITY IN PRIMARY AND SECONDARY EDUCATION, PREFERABLY BY 2005, AND IN ALL LEVELS OF EDUCATION NO LATER THAN 2015				
Indicator 9a: Ratio of girls to boys in primary education (girls per 100 boys)	1986		1999	
	79.5		86.1	
Indicator 9b: Ratio of girls to boys in secondary education (girls per 100 boys)	1986		1999	
	56.9		69.5	
Indicator 9c: Ratio of girls to boys in tertiary education (girls per 100 boys)	1997	1999	2001	2003
	20	30	30	50
Indicator 10: Ratio of literate women to men, 15-24 years old (1 is equal)	1999			
	0.90			

Concerns have been expressed widely and frequently about the accuracy and reliability of the data upon which much of the above information is based. The Secretariat of the Pacific Community suggests that, in many instances, systems for collecting and standardizing the data are not yet in place. The Solomon Islands Ministry of Education and Human Resources Development agrees that much of the current data is unreliable and, as a result, basic data sets are incomplete, have obvious anomalies and contain estimates that are suspect.

IMPACT OF EDUCATION AID

A paper recently commissioned by AusAID reports that, while there is a substantial body of academic research on the impact of aid, the findings are inconclusive. The fairest conclusion that can be drawn is that “aid has not had the impact in the [Pacific] region that it should have had” and that “is it not safe to assume that aid will always have a positive impact”.

The paper also observes that more aid funding (especially in the area of social services) is not necessarily the answer: “public spending on health and education [in many Pacific countries] is at par or above that for countries at the same level of development” and many countries, including the Solomon Islands, spend “more than half of their aid funds on social sectors”. Factors other than the amount of aid clearly have a significant impact: “indeed, where governance is poor, the impact of public spending on basic educational outcomes is almost zero”.

Suggested follow-up and advocacy points on Solomon Islands education aid

1. Australia’s education aid

Civil society organisations should:

- i. advocate for AusAID and the Solomon Islands Government to include education assistance as a priority component in the transitional Solomon Islands country strategy currently being prepared;
- ii. advocate for AusAID and the Solomon Islands Government to include education assistance as a priority component in the longer-term Solomon Islands country strategy to be prepared after the planned 2006 national elections;
- iii. advocate for AusAID and the Solomon Islands Government to include the EFA goals and the education-related MDGs as development objectives in the transitional and long-term Solomon Islands country strategies; and
- iv. advocate for AusAID report more explicitly on the projects funded under the Community Sector Program (for example, AusAID should include in its annual reports information on estimated and actual expenditure at the level of individual projects).

2. New Zealand’s education aid

Civil society organisations should:

advocating for NZAID to report more completely on estimated and actual expenditure at the level of individual projects supported under the ESIRP, on an annual basis.

3. Solomon Islands education planning and policy

Civil society organisations should:

- i. establish (and/or maintain) up-to-date collections of key national education documents to provide an authoritative basis for advocacy planning. The collection could include national education plans; education department annual reports, corporate and business plans; education policies (for example, on literacy, gender equity, and technical and vocational education and training); and key international development documents;
- ii. liaise with key national government officials to identify the mechanisms that have been established to monitor implementation of (and to conduct annual reviews of) the Education Strategic Plan and lobby for civil society involvement in these processes; and
- iii. liaise with key national government officials and donor agencies to identify the capacity building measures that might assist implementation of the reform programme.

4. Solomon Islands education budgeting

Civil society organisations should:

- i. as suggested above, collect education department annual reports and government budget papers with a view to:
 - identifying, and tracking over time, annual budget allocations to the education department;
 - identifying, and tracking over time, the relative contribution being made by donors and the national government; and
 - identifying, and tracking over time, whether the national government is maintaining its support for education at 22 per cent of its discretionary budget.

5. Solomon Islands progress towards education goals

Civil society organisations should:

- i. remind government ministers (and their officials) at every opportunity of the education reform commitments they have made at international and regional fora;
- ii. use the international and regional reform commitments as frameworks for holding the government to account (for example, by asking what policies have been implemented and what projects have been funded to improve literacy rates);
- iii. ask government ministers (and their officials) and donors what steps are being taken to improve data collection and analysis to support better decision making and more accurate programme evaluation;
- iv. use key international development documents (such as the EFA Global Monitoring Reports, the MDG Progress Report and the report of the Millennium Project) as sources of ideas and information when developing advocacy campaigns, when making contributions to policy debates and when seeking to hold national governments to account;
- v. identify the members of the Solomon Islands National EFA Forum and advocating for a continuing (and/or revitalised) role for the Forum (and seeking to ensure continuing civil society representation on the Forum);
- vi. liaise with the Pacific Island Forum Secretariat to advocate for formal processes to be established to allow civil society involvement in future education planning;
- vii. liaise with the PRIDE project team to advocate for continuing (and wider) civil society involvement in the work of the project;
- viii. advocate for the government (with donor support) to seek EFA-FTI endorsement; and
- ix. advocate for the government to act on the resolution of the 2005 World Summit that “comprehensive national development strategies” to achieve the MDG be implemented (and lobbying for civil society representation in the development of the Solomon Islands’ strategy).

6. Impact of education aid

Civil society organisations should:

- i. liaise with key government officials and with donor agencies to
 - identify the mechanisms in place to review the effectiveness of the Education Sector Investment and Reform Program (ESIRP), with a particular focus on educational quality, learning outcomes and the sustainability of reform; and
 - lobbying for civil society involvement in any such reviews.

VANUATU EDUCATION AID AND OUTCOMES

AUSTRALIAN AID PROGRAMS

Australia's ODA to Vanuatu in recent years is shown in the following table:

TABLE 13: AUSTRALIAN ODA TO VANUATU, \$A (,000)

OUTCOME EXPENSES			ESTIMATE EXPENSES		
2001-2002	2002-2003	2003-2004	2004-2005 budget figure	2004-05 expected outcome	2005-06 budget estimate
21,400	23,500	24,600	30,900	28,700	34,100

The proportion of Australia's ODA to Vanuatu that is committed to the education sector is as follows:

TABLE 14: AUSTRALIAN EDUCATION SECTOR ASSISTANCE TO VANUATU, 2001-2004, \$A (,000)

	TOTAL ODA	EDUCATION	% OF ODA
2001-2002	19,686	3,693	18.76
2002-2003	23,491	4,124	17.55
2003-2004	24,601	2,246	9.13

The policy framework for Australia's development assistance to Vanuatu is established by the *Australia-Vanuatu Joint Development Cooperation Strategy 2005-2010*. Education is a central element in two of the strategy's three objectives:

- as part of the focus on improving governance, the Strategy will seek to build "stronger links between [central government] agencies and provincial systems of service delivery, particularly in the health and education sectors"; and
- as part of the focus on improving service delivery, the strategy will help "key service delivery agencies target services more effectively in rural communities and informal settlements in urban areas. Health and education (including health and education infrastructure) will be the two main priorities."

Some of the major education-related activities currently being funded by Australia are:

Secondary school extensions

AUSAID CONTRIBUTION: \$A8 million, 2002-2005

CONTRACTORS: To be determined

This project will renovate and extend facilities at secondary schools throughout Vanuatu. In the first phase, facilities at Onesua and Montmartre schools on the main island of Efate were upgraded. The new phase will do likewise at secondary schools located on the islands of Pentecost, Tanna, Epi, Malekula and Aore.

Vanuatu Institute of Technology

AUSAID CONTRIBUTION: \$A11.2 million, 1997-2004

MANAGING CONTRACTOR: Overseas Projects Corporation of Victoria

This project has facilitated the transition of the Vanuatu Institute of Technology from a purely French teaching institution to bilingual teaching institution. Support has been provided for teacher training, the development of new curricula, the construction and refurbishment of buildings, the purchase and repair of equipment, and the provision of scholarships.

Secondary teacher's education

AUSAID CONTRIBUTION: \$A8.3 million, 1994-2004

MANAGING CONTRACTOR: Griffith University

This project supported the Vanuatu Teachers College in the development and provision of a two-year diploma course to prepare English-speaking teachers for teaching at junior to middle secondary level. Each year, up to 25 students will commence the diploma course and over the duration of the project, a number of scholarships to the University of the South Pacific will be offered to upgrade the skills of teachers to enable them to teach at the senior secondary level.

Small grants scheme

AUSAID CONTRIBUTION: \$A300,000 per year

This scheme is used to help local communities to provide basic infrastructure, some of which is education related. Recent projects have included small-scale school projects on outer islands, a fire-fighting facility at the Vanuatu Maritime College and a skills development programme for youth.

Scholarship Program

AUSAID CONTRIBUTION: Approx \$A2 million, per year

MANAGING CONTRACTOR: GRM International

Around 110 students from Vanuatu are currently receiving scholarships for study in Australia and elsewhere in the region. Support is provided for initial post-secondary study to be undertaken at regional institutions and postgraduate studies to be undertaken in Australia. About 70 scholarships are offered to ni-Vanuatu annually for study in various courses and institutions within Vanuatu.

Vanuatu also benefits from the financial support provided by Australia to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; the University of the South Pacific; and the South Pacific Board for Educational Assessment.

AusAID also regularly supports education-related projects delivered in Vanuatu by Australian-based non-government organisations, and supports Australian Volunteers International (which is currently managing 10 volunteers on assignment in Vanuatu – some of whom are working in the education sector). A further 12 Australians are currently working in Vanuatu as part of AusAID's Youth Ambassadors for Development programme – four of them are working in education-related fields.

NEW ZEALAND AID PROGRAMS

New Zealand's ODA to Vanuatu is shown in the following table:

TABLE 15: NEW ZEALAND'S ASSISTANCE TO VANUATU 2001-05 (\$NZ'000)

2001-2002	2002-2003	2003-2004	2004-2005
4,758	5,371	5,701	6,360

Education is the most significant component of New Zealand's bilateral aid programme to Vanuatu – accounting for 52 per cent of the total expenditure.

New Zealand's assistance to Vanuatu is guided by a five year strategy (2000-2005) agreed between the two countries. The strategy identifies three target areas for assistance:

- education, to which 50 per cent of aid funds should be directed;
- governance (including law and justice), to which 30 per cent of funds should be directed;
- economic development (including income generation in rural areas), to which 20 per cent of funds should be directed.

Some of the major education-related activities currently being funded by NZAID are:

Education Assistance Program

NZAID CONTRIBUTION: up to \$NZ4 million, over three years

This programme supports the training of key personnel in primary and junior secondary schools (such as school principals) and the development of English language curricula and materials.

Book "Flood" Program

NZAID CONTRIBUTION: \$NZ250,000, 2004-2005

Under this programme, pupils in grades 3 and 4 at 40 primary schools are to be provided with at least 100 extra books (and training for teachers in the use of the materials) from the Pacific Literacy Series and Pacific Science Series. Over time, these books will be replaced by books being developed in Vanuatu.

Pacific Regional Education Program

Under this programme NZAID supports the PRIDE project (\$NZ300,000, 2003-2004 – with an agreement in principle to provide support until 2009); the multi-year Rethinking Pacific Education Initiative (the primary purpose of which is to encourage leadership by Pacific educators); and an ASPBAE programme designed to promote the participation of Pacific Island civil society organisations in education advocacy and planning.

Scholarships programme

Students from Vanuatu wishing to study at post-secondary level in New Zealand are eligible to apply for New Zealand Development Scholarships (covering full-time multi-year courses) or Short Term Training Awards (covering vocation skills courses and work attachments).

Vanuatu also benefits from the financial support provided by New Zealand to the Pacific Islands Forum Secretariat; the Secretariat of the Pacific Community; the University of the South Pacific; and the South Pacific Board for Educational Assessment (NZ AID is supporting a multi-year project to establish a Pacific-wide Form 7 Award).

NZ AID administers a Voluntary Agency Support Scheme, through which non-government organisations are funded to collaborate with overseas partners on community-level development activities, some of which are in the education sector. NZ AID also provides funding to Volunteer Service Abroad, which currently supports a number of volunteers on assignment in Vanuatu, some of whom are working in the education sector.

VANUATU EDUCATION PLANNING

In 2004, the Vanuatu Ministry of Education published *Education for All (EFA) National Plan of Action 2001-2015*. The Plan of Action provides a framework for the development of education policy and seeks to ensure that reform efforts focus on achieving the EFA goals.

The Plan of Action describes each reform area; recommends actions that should be taken if the reform goals are to be achieved; and proposes implementation timeframes, statements of responsibility, and sources of funding.

CONSTRAINTS TO ACHIEVING GOALS

The Australia-Vanuatu Joint Development Co-operation Strategy identifies a range of factors which may inhibit the progress of reform over the next five years. They include:

- limited policy development and management capability within Vanuatu government agencies (and slow progress in capacity building);
- lack of bureaucratic commitment and relatively weak civil society institutions;
- failure to link education policy to the job market;
- political instability (which undermines commitment to long-term reform programs), geographic isolation and transport difficulties; and
- limited financial resources available for service provision and infrastructure development.

The EFA National Plan of Action agrees that, if the reform effort is to produce positive results, greater levels of policy and financial commitment from the government are necessary.

VANUATU EDUCATION BUDGETING AND REPORTING

The EFA National Plan of Action reports that the allocation proposed for the Ministry of Education in the 2004 draft national budget was as follows:

TABLE 16: VANUATU MINISTRY OF EDUCATION 2004 DRAFT BUDGET (VATU, MILLION)

DIVISION	SALARIES, ETC.	OPERATING EXPENSES	TOTAL
Ministry of Education	19.7	1.3	21.0
Director General's Office	6.8	5.1	12.0
Teaching Service Commission	4.0	2.7	6.7
Admin and Finance	23.6	22.7	46.3
Policy and Planning	14.2	3.3	17.5
Institute of Education	84.3	24.6	109.0
Secondary, Technical and Further Education	503.4	254.5	757.9
Basic Education	41.4	8.1	49.4
Primary Schools	806.2	46.6	852.8
Vanuatu Government Contribution	-	86.5	86.5
Youth and Sport	11.9	27.9	39.8
Vocational and Continuing Education	5.9	7.5	13.5
Totals	1,521.6	490.8	2,012.5

Total Vanuatu Government expenditure on education (not including the contribution made by donors) represents around 7 per cent of the GDP (gross domestic product). As indicated in Table 17, education sector expenditure in recent years has consumed an increasing proportion of the government's national budget.

TABLE 17: EDUCATION SECTOR'S SHARE OF NATIONAL RECURRENT EXPENDITURE BUDGET, 1996-2002 (VATU, MILLION)

YEAR	NATIONAL BUDGET	EDUCATION BUDGET	SHARE OF BUDGET
1996	6,548	1,024	15.6%
1997	6,423	1,269	19.8%
1998	7,659	1,582	20.7%
1999	6,796	1,732	25.5%
2000	7,114	1,843	25.9%
2001	7,199	1,919	26.7%
2002	7,232	2,062	28.5%

There is no information available on the Internet about the Vanuatu Government's education budget.

EDUCATIONAL INDICATORS

AusAID has highlighted low literacy rates and low secondary school enrolment rates as being two of the greatest challenges facing the education sector in Vanuatu. In relation to secondary school enrolments, AusAID notes that "fewer than 20 per cent of students who leave primary school continue to secondary school" and that, despite this low rate of transition, the system is struggling to meet demand and "many secondary school teachers are qualified to teach at only primary level".

Poor educational outcomes are at the heart of much of the social and economic hardship being experienced in Vanuatu. Henry Vira considers that:

- for youth – “the inability to continue schooling especially to the secondary level and poor trade skills for youths who have dropped out or been ‘pushed out’ are main causes of hardship amount the youth”;
- for women – “women, particular in rural areas, are highly under-represented within the education system. In 1999, 56.3 per cent of rural females have either not been to school or had no qualifications. Only 9.7 per cent of rural females had progressed beyond primary school level; and
- for children – “limited and decreasing access to education facilities is the most common hardship affecting children, particularly those who live in rural areas. Most children walk long distances (5 km, or two hours daily) to the nearest school.”

Generally speaking, Vanuatu ranks poorly against other Pacific island nations when comparing progress made towards the education-related MDGs.

**TABLE 18: VANUATU PROGRESS TOWARDS MDG 2
– ACHIEVE UNIVERSAL PRIMARY EDUCATION**

TARGET 3: ENSURE THAT, BY 2015, CHILDREN EVERYWHERE, BOYS AND GIRLS ALIKE, WILL BE ABLE TO COMPLETE A FULL COURSE OF PRIMARY SCHOOLING		
Indicator 6: Net enrolment ratio in primary education (% of primary age group)	1989	1999
	74.52%	78.22%
Indicator 7: Proportion of pupils starting grade 1 who reach grade 5 (%)	1991	2000
	90.20%	91.23%
Indicator 8: Literacy rate of 15- to 24-year-olds (%)	1989	
	34.00%	

TABLE 19: VANUATU PROGRESS TOWARDS MDG 3 – ELIMINATE GENDER DISPARITY IN EDUCATION

TARGET 4: ELIMINATE GENDER DISPARITY IN PRIMARY AND SECONDARY EDUCATION, PREFERABLY BY 2005, AND IN ALL LEVELS OF EDUCATION NO LATER THAN 2015				
Indicator 9a: Ratio of girls to boys in primary education (girls per 100 boys)	1991		1999	
	87.59		90.69	
Indicator 9b: Ratio of girls to boys in secondary education (girls per 100 boys)	1994		1999	
	84.32		93.06	
Indicator 9c: Ratio of girls to boys in tertiary education, USP enrolments (girls per 100 boys)	1997	1998	1999	2000
	0.4	0.5	0.6	0.5
Indicator 10: Ratio of literate women to men, 15-24 years old (1 is equal)	1999			
	0.99			

The Secretariat of the Pacific Community suggests that Vanuatu's MDG reform priorities should be to ensure that:

- quality education is available everywhere and at all levels;
- enrolment levels for girls in primary and secondary education continue to improve; and
- options for secondary education continue to increase, particularly for vocational training in rural and urban areas.

Concerns have been expressed widely and frequently about the accuracy and reliability of the data upon which much of the above information is based. The Secretariat of the Pacific Community suggests that, in many instances, systems for collecting and standardizing the data are not yet in place. The EFA National Plan of Action acknowledges these concerns and urges the Ministry of Education and the Statistics Office to “improve data gathering and statistical analysis”.

IMPACT OF EDUCATION AID

The Australia-Vanuatu Joint Development Cooperation Strategy suggests that Australia's education aid has resulted in “enhanced educational opportunities following concerted efforts to strengthen the quality of teaching and facilities at a number of institutions”, but that too often the benefits of the aid programme have “lost in the years following activity completion”.

The EFA National Plan of Action suggests that education aid has not produced the desired results and that, as education aid is “largely fragmented and uncoordinated”, it may have hindered rather helped the reform effort.

To overcome this problem the national EFA Forum is promoting the Plan of Action as a means of coordinating the reform effort. The Forum proposes that the government's education budget and education aid funding from donors be aligned with and responsive to the funding priorities identified in the Plan of Action.

Suggested follow-up and advocacy points on Vanuatu education aid

1. **Australia's education aid**

Civil society organisations should:

- i. advocate, when developing individual aid projects, that the Vanuatu Government and donor agencies have regard to the development priorities identified in the EFA National Plan of Action; and
- ii. advocate that AusAID report more explicitly on the projects funded under the Joint Development Cooperation Strategy (for example, AusAID should include in its annual reports information on estimated and actual expenditure at the level of individual projects).

2. New Zealand's education aid

Civil society organisations should: advocate that NZAID report more completely on estimated and actual expenditure at the level of individual projects, on an annual basis.

3. Vanuatu education planning and policy

Civil society organisations should:

- i. advocate that the Vanuatu Government endorse and promote the EFA National Plan of Action as its priority education sector development document;
- ii. advocate that the Vanuatu Government align its education budgetary arrangements with the policy and funding priorities identified in the EFA National Plan of Action;
- iii. advocate that donor agencies, when developing new proposals, have regard to the policy and funding priorities identified in the EFA National Plan of Action (so as to better integrate donor support with Vanuatu's education reform priorities);
- iv. identify the members of Vanuatu's National EFA Forum and advocate for a continuing role for the Forum in reviewing implementation of the National Plan of Action (and seek to ensure continuing civil society representation on the Forum); and
- v. use the EFA National Plan of Action as a framework to monitor the progress being made by the Vanuatu Government and donors towards achieving the goals of education reform (specifically, by taking every opportunity to ask about progress in taking the actions recommended in the Plan);
- vi. establish (and/or maintain) up-to-date collections of key national education documents to provide an authoritative basis for advocacy planning. The collection could include national education plans; education department annual reports, corporate and business plans; education policies (for example, on literacy, gender equity, and technical and vocational education and training); and key international development documents; and
- vii. liaise with key national government officials and donor agencies to identify the capacity building measures that might assist implementation of the reform programme.

4. Vanuatu education budgeting

Civil society organisations should:

- i. as suggested above, collect education department annual reports and government budget papers with a view to:
 - identifying, and tracking over time, annual budget allocations to the education department; and
 - identifying, and tracking over time, the relative contribution being made by donors and the national government.
- ii. advocate that future editions of the EFA National Plan of Action contained more detailed information on the national education budget (including estimates and actual levels of expenditure) and on the financial contributions made each year by donors (including budget support and project support).

5. Vanuatu progress towards education goals

Civil society organisations should:

- i. remind government ministers (and their officials) at every opportunity of the education reform commitments they have made at international and regional fora;

- ii. use the international and regional reform commitments as frameworks for holding the government to account (for example, by asking what policies have been implemented and projects funded to improve literacy rates);
- iii. ask government ministers (and their officials) and donors what steps are being taken to improve data collection and analysis to support better decision making and more accurate programme evaluation;
- iv. use key international development documents (such as the EFA Global Monitoring Reports, the MDG Progress Report and the report of the Millennium Project) as sources of ideas and information when developing advocacy campaigns, when making contributions to policy debates and when seeking to hold national governments to account;
- v. liaise with the Pacific Island Forum Secretariat to advocate for civil society perspectives to be taken into account in developing the Pacific Plan and for the Plan to establish formal processes for civil society involvement in future education planning;
- vi. liaise with the PRIDE project team to advocate for continuing (and wider) civil society involvement in the work of the project;
- vii. advocate for the government (with donor support) to seek EFA-FTI endorsement; and
- viii. advocate for the government to act on the resolution of the 2005 World Summit that “comprehensive national development strategies” to achieve the MDGs be implemented (and lobby for civil society representation in the development of Vanuatu’s strategy).

6. Impact of education aid

Civil society organisations should:

- i. advocate that donor agencies, when developing new proposals, have regard to the policy and funding priorities identified in the EFA National Plan of Action (so as to better integrate donor support with Vanuatu’s education reform priorities); and
- ii. liaise with key government officials and with donor agencies to:
 - identify the mechanisms in place to review the effectiveness of donor support in the education sector, with a particular focus on educational quality, learning outcomes and the sustainability of reform; and
 - lobby for civil society involvement in any such reviews.

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ASPBAE – Real World Strategies (RWS) National Education Coalition Partners:

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Campaign for Popular Education (CAMPE) – Bangladesh

National Coalition for Education (NCE) – India

Coalition for Educational Development (CED) – Sri Lanka

National Campaign for Education (NCE) – Nepal

Pakistan Coalition for Education

SOUTH EAST ASIA

Civil Society Network for Education Reforms (E-Net) – Philippines

NGO Education Partnership (NEP) – Cambodia

Education Network for Justice (E-Net for Justice) – Indonesia

SOUTH PACIFIC

Papua New Guinea Education Advocacy Network (PEAN)

Coalition for Education in Solomon Islands (COESI)



Asia South Pacific Association
for Basic and Adult Education
Learning Beyond Boundaries

Asia South Pacific Association for Basic and Adult Education (ASPBAE)

ASPBAE Secretariat

9th Floor, Eucharistic Congress Building No. 3
5, Convent Street, Colaba, Mumbai - 400 039 India
Tel: +91 - 22 - 2202 1391, 2281 6853
Fax: +91 - 22 - 2283 2217

ASPBAE Manila Office

Unit 14 Casal Bldg., No.15 Anonas St.
Barangay Quirino 3-A, Project 3
Quezon City 1102 Philippines
Tel: +632 9118903, 7382479
Fax:+632 9118903

Members of

GLOBAL CAMPAIGN FOR
EDUCATION
www.campaignforeducation.org

26 Baker Street, Rosebank, Saxonwold
Johannesburg, South Africa
Tel: +27 (0) 11 447 4111
Fax: +27 (0) 11 447 4138

www.aspbae.org