‘Should recurrent expenditure in education be supported?’

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Structure of the presentation

1. How the UK delivers financial aid
2. Rationale for financing recurrent costs
3. Risks
4. Evidence on performance
5. The bigger picture on aid reform
1. How the UK delivers financial aid

- using different instruments & approaches in different country contexts
- DFID’s use of budget support

Different instruments for different contexts

- Low-income countries with plans to reduce poverty
  - CAN support recurrent costs (e.g. ARTF), but mostly projects
  - Budget support if possible (plus TA and grants)

- Middle-income countries
  - Some budget support and other financial aid (e.g. India)

- Fragile states
  - Greater use of UN and civil society, including humanitarian aid

- Nepal, Afghan, Sudan, DRC

- Tajikistan, Mozambique

- Vietnam, India, China, South Africa

- Brazil, Indonesia

- Mostly influencing domestic policies and international footprint
DFID’s use of budget support

- £551m provided in budget support to 16 countries in 2006/07
- over half of our financial aid and 26% of total bilateral expenditure
- 56% GBS; 44% SBS; in some countries both GBS & SBS (e.g. Ghana, Vietnam)

2. Rationale

- to finance the costs that most need financing (e.g. teacher salaries; supporting abolition of user fees)
- support to the budget enables a dialogue on inter- and intra-sectoral budget allocation & execution, leading to improved allocative and operational efficiency
- institutional strengthening
- domestic accountability
3. Risks

- Partner governments
  - policy intrusion
  - absorptive capacity
  - aid dependency

- Donor governments
  - leakage / corruption
  - demonstrating and attributing impact
  - parliamentary and public support

4. Evidence on performance

- ‘Joint Evaluation of GBS’ found that GBS:
  - is effective, efficient way to deliver aid & had significant impact in 5 of the 7 countries
  - increased expenditure on the poor, including more health & education services;
  - made aid more predictable & better aligned with govt priorities & systems;
  - empowered public bodies to strengthen policy development and policy coherence;
  - helped ensure public expenditure was more efficiently delivered and public financial management systems were strengthened, meaning all govt resources are better managed; and positive effects on other aid

- Impact (e.g. Tanzania: 25% more teachers over 5 yrs, 3m more children enrolled)
5. The bigger picture on aid reform

- 4 priorities for aid reform
  - **volume**: more aid
  - **allocation**: more to low income countries, including to fragile states
  - **composition**: more to basic education; the right kind of support for post-basic education
  - **quality**: more aligned and harmonised e.g. more budget support & recurrent cost financing, more pooling, more PBAs; longer term; less tied aid
- aid is 1 instrument in development
G7 / IDA / EC aid to education by income group (2003-2005 average)
(Source: DAC)

G7 / IDA / EC aid to education by level (2003-2005 average)
(Source: DAC)
What the UK is doing

- **Volume**: 0.7% ODA/GNI trajectory; second largest donor; US$15 billion to education over 10 yrs to 2015
- **Allocation**: at least 90% total bilateral aid to LICs
- **Composition**: 84% of education aid to basic education (2003-05); more sector-wide financing
- **Quality**: 28% of total aid as budget support in 2006/07; 52% of total aid delivered through programme-based approaches; aid untied since 2001

Where good practice and good politics meet

- DFID believes in providing more and longer-term aid, flexibly delivered, and targeted where it will impact the poorest
- Legislative base for poverty reduction
- Prime Minister support
- Cross-party and parliamentary support (including National Audit Office)
- UK public support (?)

- Need to deliver and communicate results, to sustain this potentially fragile consensus
- Need a broad and deep coalition to deliver