

'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
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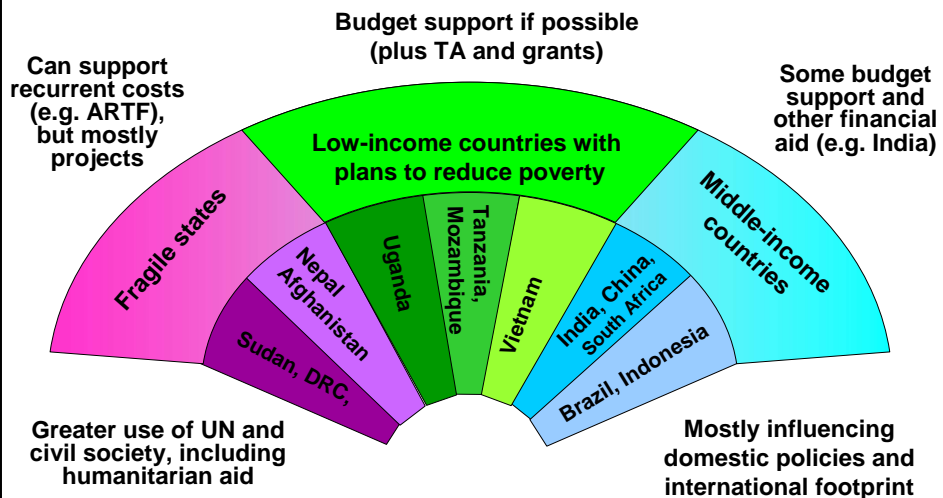


1. How the UK delivers financial aid

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



Different instruments for different contexts



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

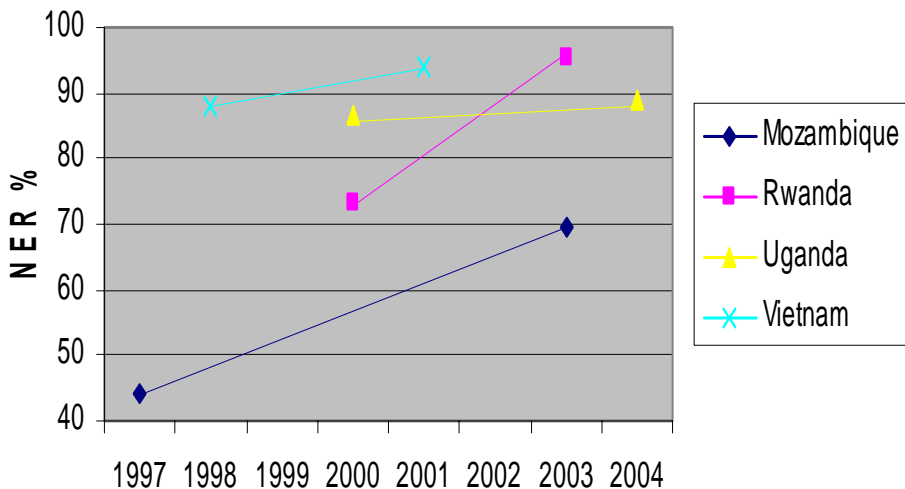


4. Evidence on performance

- '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)



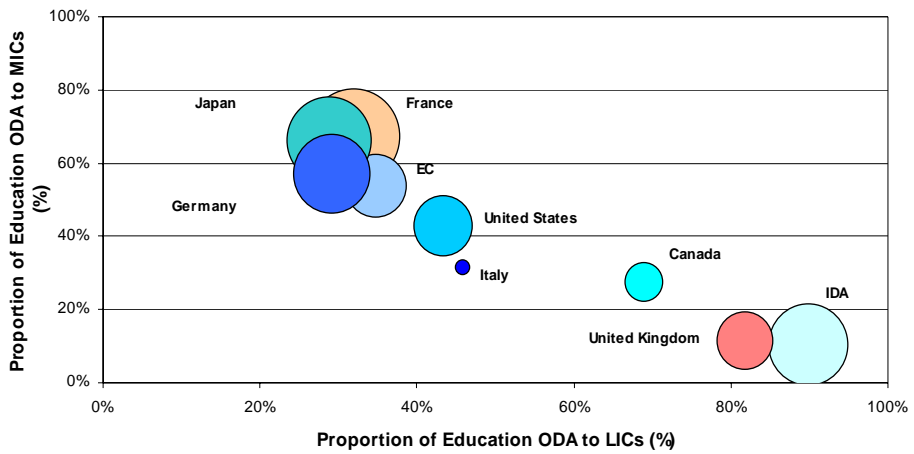
Net Enrolment Rates (GBS Evaluation countries)



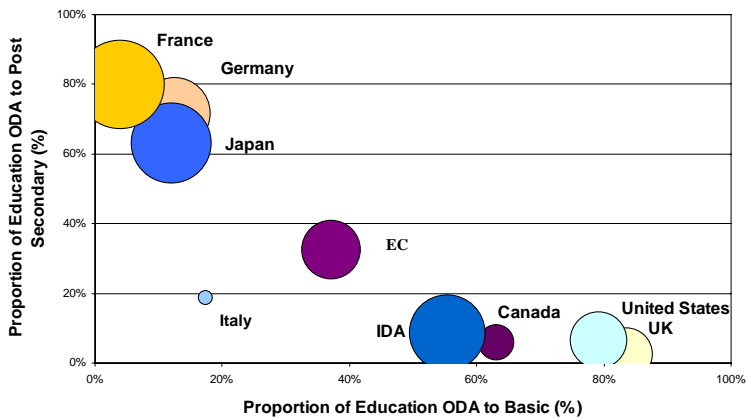
5. The bigger picture on aid reform

- 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

