

International Aid for Education

International aid is a significant source of both finance and expertise for many of ADB's developing member countries. Some countries of course receive more aid than others; the nature and purpose of the aid also varies. Many of the issues relating to aid in general, and to aid for education in particular, have been explored in detail elsewhere (e.g., Lee 1991; Tisch and Wallace 1994; Serageldin 1995; King and Buchert 1999), and do not need repetition here. However, a few salient points should be noted.

Table 24 presents data on the scale of official development assistance flows to DMCs between 1982 and 1997. The volume of flows reflects not only the sizes of the DMCs concerned but also various political factors. For some DMCs in some years a negative sign is recorded, meaning that resources flowed out rather than in. For the years 1982 and 1987, no figures are recorded for Kazakhstan, Kyrgyz Republic or Uzbekistan because, while presumably resources flowed within the Soviet Union, they were part of a different framework.

Indonesia is among the countries in which external aid for education has played an increasingly prominent role. Figure 3 shows the percentages of contributions of three major external agencies, namely UNDP, World Bank, and ADB, to the total education budget during the periods of five 5-year plans (Repelitas). The picture is of significant growth, from 0.6 percent in the first plan (1968-73) to 12.1 percent in the fifth (1988-93). Figure 4 indicates the destination of the funds. Primary education received 67.3 percent of the total in Repelita I, but nothing in the next three plans and only 1.3 percent in Repelita V. By contrast, nonformal education received only 0.2 percent in Repelita I but 18.5 percent in Repelita II and 16.0 percent in Repelita V.

In Nepal, external assistance has played an even more important role. Table 25 indicates the trend between 1981-85 and 1997/98. External financing was already substantial, forming 19.7 percent of the total public budget for education in 1981-85; but by 1997/98 it had expanded to 52.8 percent. Figures such as these raise questions, both in Nepal and in other countries where aid levels have been comparable, about the extent to which policies and priorities are dominated by external agents rather than by the governments and peoples of the countries concerned. In Nepal, much of the early assistance was for technical higher education, but the bulk of assistance in 1997/98, reflecting the priorities of external agencies, was for basic and primary education. Whereas in 1981-85, 68.2 percent of assistance was in the form of grants, in 1997/98 the proportion was only 22.5 percent. From the viewpoint of the external agencies, the importance of loans rather than grants lay not only in the fact that

the resources of the agencies would be repaid and thus would be self-sustaining, but also that, at least in theory, the recipient governments would scrutinize projects more carefully and be more committed to their success. However, at the national level short-term political considerations have often

Table 24: Official Development Assistance^a Flows to Developing Member Countries
(\$ million)

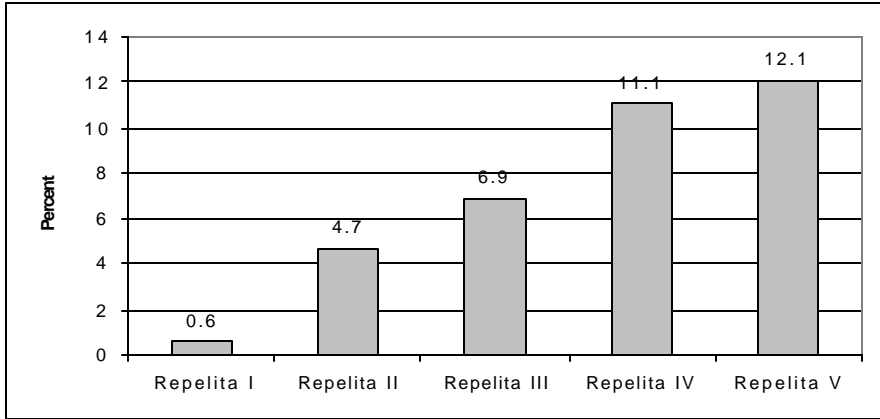
<i>Economy</i>	<i>1982</i>	<i>1987</i>	<i>1992</i>	<i>1997</i>
Afghanistan	9.3	45.0	204.3	278.9
Bangladesh	1,341.2	1,790.3	1,820.7	1,144.0 ^b
Bhutan	11.3	42.1	56.2	67.5 ^b
Cambodia	43.9	14.2	206.8	370.0 ^b
China, People's Republic of	524.0	1,381.6	3,049.6	5,042.2 ^b
Cook Islands	10.4	11.0	17.2	10.0
Fiji Islands	35.4	35.9	63.4	38.8 ^b
Hong Kong, China	7.9	19.4	-39.0	—
India	1,643.9	1,702.9	2,423.0	591.6 ^b
Indonesia	906.3	1,245.9	2,078.9	1,106.6
Kazakhstan	—	—	9.5	519.6
Kiribati	15.1	18.4	26.8	15.8
Korea, Republic of	34.0	11.2	-3.0	4,502.0 ^b
Kyrgyz Republic	—	—	3.5	214.7 ^b
Lao People's Democratic Republic	38.3	55.0	164.9	327.7 ^b
Malaysia	135.3	363.4	205.5	-70.2 ^b
Maldives	5.4	18.6	38.1	15.0 ^b
Marshall Islands	—	—	7.7	63.0
Micronesia, Federated States of	—	—	13.9	96.0
Mongolia	—	3.0	122.9	322.1 ^b
Myanmar	318.9	352.6	115.1	102.5 ^b
Nauru	—	—	0.2	2.6 ^b
Nepal	200.9	353.0	433.2	454.8 ^b
Pakistan	915.6	820.2	1,009.3	1,103.9 ^b
Papua New Guinea	310.7	317.7	442.1	296.5 ^b
Philippines	333.4	732.2	1,718.0	549.3 ^b
Samoa	22.8	34.6	53.4	28.2 ^b
Singapore	20.5	23.3	19.9	—
Solomon Islands	28.4	57.1	44.7	36.3 ^b
Sri Lanka	415.5	477.0	638.0	510.0 ^b
Taipei, China	-6.4	-8.5	5.9	—
Tajikistan	—	—	9.7 ^b	92.5 ^b
Thailand	388.9	469.9	772.5	6,231.7 ^b
Tonga	17.4	21.3	23.6	25.4 ^b
Tuvalu	6.2	25.7	8.4	10.1
Uzbekistan	—	—	1.4	74.7 ^b
Vanuatu	26.0	51.0	40.6	27.5 ^b
Viet Nam	135.5	111.0	575.1	849.6 ^b

— Data not available.

^a Official development assistance is defined as concessional flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, administered with the objective of promotion of economic development and welfare of the developing countries and containing a grant element of at least 25 percent.

^b Refers to net flows of long-term public and publicly guaranteed debt from official creditors and grants, including technical cooperation grants. This category is wider than that of official development assistance.

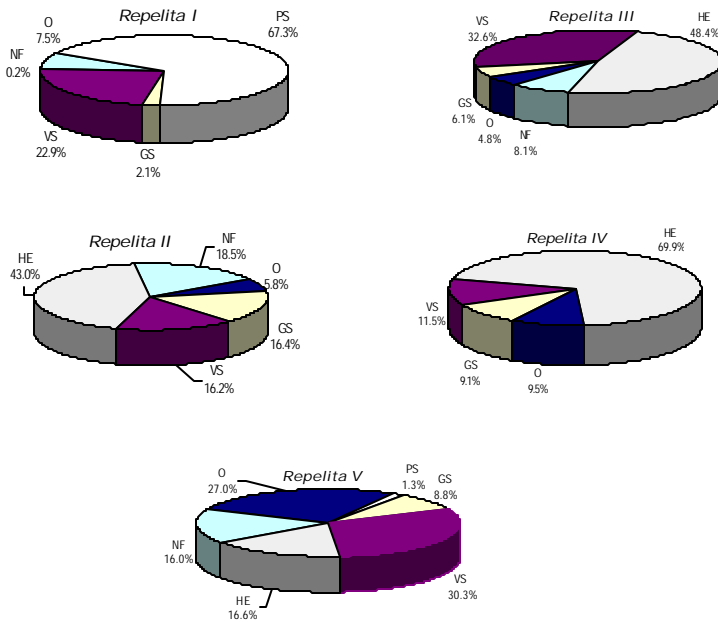
Figure 3: Contributions of Major Aid Agencies as a Proportion of the Total National Education Budget, Indonesia



Note: The periods covered by the plans are: I 1968-73; II 1973-78; III 1978-83; IV 1983-88; V 1988-93.

Source: Wirjomartono et al. 1997, 62.

Figure 4: Agency Contributions to Education, by Subsector, Indonesia



PS = Primary School; GS = General Secondary School; VS = Vocational Secondary School; HE = Higher Education; NF = Nonformal Education; O= Other (may include funds for several subsectors).

Source: Wirjomartono et al. 1997, 65.

taken precedence over long-term economic ones, and one effect of the expanded proportion of loan assistance has been a greatly increased national debt.

In the socialist and former socialist states, patterns of external assistance have changed markedly during the last decade. Resources flowed within and from the Soviet Union, but few resources for education came into the Soviet Union from outside. Mongolia was among the countries receiving substantial resources from the Soviet Union. Indeed in some years, inflows of Soviet resources amounted to over 30 percent of GDP (People's Republic of Mongolia 1991). In 1988 about 50,000 Soviet civilians and large numbers of military personnel worked in Mongolia, contributing to all aspects of the economy and government. By 1993, however, their numbers had plummeted. Since that time, external aid has been received from many bilateral and multilateral agencies in the Western bloc, but this has not completely replaced the scale of the resources that was previously received from the Soviet Union.

Aid from the Western bloc has also become a major input to the economies of the PRC, Lao PDR, and Viet Nam. For illustrative purposes, Table 26 shows official development assistance for education and training in Viet Nam between 1991 and 1995. The total volume increased markedly over that period (even allowing for the fact that these are in current prices). Technical/managerial education received the largest slice in 1991 and 1993, but by 1995 this had been overtaken by tertiary education.

Table 25: Trends in External and Internal Mobilization of Resources for Education, Nepal
(percent)

	1981-85	1986-90	1991-92	1993-95	1997/98
Internal	80.3	83.6	92.0	68.7	47.2
External	19.7	16.4	8.0	31.3	52.8
Grants	68.2	31.4	27.2	44.0	22.5
Loans	31.8	68.6	72.8	56.0	77.5

Source: Bajracharya et al. 1997, 76.

Table 26: Official Development Assistance to Education and Training, Viet Nam, 1991-1995
(\$ '000)

	1991		1993		1995 ^a	
	\$ '000	%	\$ '000	%	\$ '000	%
Sector policy and planning	299	3	769	4	1,338	4
Primary schooling	517	6	2,170	11	4,682	12
Secondary schooling	2,135	24	2,489	13	465	1
Tertiary education	1,778	20	3,784	20	19,770	52
Technical/Managerial	3,648	41	7,957	42	9,894	26
Nonformal	483	5	1,809	10	1,647	4
Total	8,860	100	18,978	100	37,796	100

^aPlanned.

Source: World Bank 1997d, 41.

At the other end of the scale are countries that, for ideological or other reasons, have relatively small inflows of external resources. Myanmar is in this category, while the Indian Government has been unwilling to take substantial loans for education. These observations underscore the complexity of the national and international dynamics that must be considered.

Other issues include absorptive capacity, coordination with and between external agencies, and the conditionalities imposed by some external agencies. In Cambodia, nearly half the Government's 1994 budget for education was financed by bilateral and multilateral agencies (ADB 1996a, 73). Some projects were in competition with each other for scarce counterpart personnel, and major inefficiencies were caused by limitations in national infrastructure. Some of the conditionalities imposed by the external agencies concerned technical matters such as availability of management structures, but others had broader political implications. For example, in 1997 the United States Government suspended most of its aid, including that in the education sector, in protest against what it perceived to be antidemocratic actions and a quasi coup d'état.

These political factors underline the fact that external aid is rarely a stable source of finance for national governments. Burgess (1997, 313), focusing on basic health and education, points out that:

Levels of aid finance to specific basic health and education projects fluctuate widely depending on the vagaries of Western donors. Resources released are also unlikely to increase in line with economic and population growth. This failure to satisfy stability and buoyancy criteria is particularly serious given that the bulk of costs in basic health and education projects are recurrent.

These points, Burgess emphasizes, underline the necessity for governments to rely on domestic resources, and particularly taxation, for the bulk of their education financing. However, Burgess agrees that aid can play a useful role in financing large capital-intensive projects, especially ones which demand foreign exchange. Examples might be at the tertiary level, where start-up costs and technical demands are high. External aid can also, perhaps, play a role in helping to generate increased domestic revenues through taxation.