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Portfolio Analysis – Education 2016

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Challenges

The Millennium Development Goals (MDGs) defined in 2000 were only partially achieved in education. The target was to enable every child to attend primary school by the year 2015, as well as to boost gender equality and the rights of women. Although considerable progress was made, 58 million children still have no access to education despite intensive international efforts, according to a comprehensive UNESCO report (2015). This disproportionately affects girls, poor and disabled children as well as marginalised groups.

When the MDG agenda expired, special emphasis was placed on sustainable development in 2015 with the Sustainable Development Goals (SDGs). In addition to developing and industrialising countries, the targets also apply to industrialised countries. SDG 4, aimed at the education system, calls for the promotion and dissemination of inclusive and equitable quality education for all young people. There should also be lifelong learning opportunities. The term inclusive education is broad and defines the objective of equal opportunities in terms of access to educational institutions, irrespective of gender, social status, ethnic or religious affiliation, as well as physical or cognitive impairments. Only 10% of children who suffer from the latter limitations go to school.

The refugee crisis in the Middle East and North Africa creates enormous challenges for the local education sector. More than half of the refugees – exceeding 65 million worldwide – are children. To counteract the risk of a “lost generation” (children and young people without any education), the Federal Ministry for Economic Cooperation and Development (BMZ) put together a set of measures, which should make access to education possible for refugees in addition to securing basic sanitation.

Ongoing projects

KfW Development Bank is currently managing 164 projects in the education sector with a total volume of EUR 2.1 billion (as of mid-2016). This corresponds to an increase of 21.6% in the last year. Of the total number of projects, 96 (+7.9%) are carried out in primary and secondary education. The commitment volume amounts to EUR 1.15 billion (+26%). Vocational education is also recording continuous growth with a total of 57 projects (+7.5%) and a volume of EUR 780 million. The 11 projects in the area of higher

education are financed with a total of EUR 170 million (+0%).

Objectives and target groups

In executing the projects, KfW Development Bank complies with the education strategy of the Federal Ministry for Economic Cooperation and Development (“Fair opportunities for high-quality education”). KfW reaches 14 million young people in developing and emerging countries with its education projects. Most of them (approximately 13.4 million) benefit from going to a primary or secondary school. Half a million training positions have been created in vocational and higher education thanks to KfW-funded projects. The major aim of most projects (80%) is promoting gender equality in education. The target group includes in particular children and young people below the national poverty line.

Method of financing

At EUR 1.46 billion, budget funds account for the majority of financing of KfW Development Bank in the education sector. They are provided by the Federal Ministry for Economic Cooperation and Development almost exclusively in the form of grants. KfW allocates approximately EUR 600 million from its own capital market funds, predominantly to finance vocational education projects in China. Other contracting entities provide close to EUR 50 million in the form of delegated cooperation.

New commitments and projects in 2015/16

A current priority area in the financial cooperation (FC) portfolio are the education projects in Lebanon, Libya, Iraq, Jordan and Turkey financed within the framework of the refugee crisis. They are designed to help support and stabilise transit and host countries. UNICEF is an important cooperation partner in this, playing a key role in the implementation of projects. KfW, among others, provides funds for the construction of schools, temporary payments for the wages of teachers, psycho-social care of the target group as well as the provision of teaching and learning materials for the integration of children in formal education. In addition to the training of young people, the support and protection of women and girls is a key area. The sub-sector of vocational education is recording further growth this year, not just in the context of refugees and combating the causes of flight. The practical and dual training in Germany that focuses on the labour market is considered to be a successful model by many partner countries and is in

great demand. Even if the dual German vocational education system cannot be transferred to other countries as a blueprint, close cooperation between vocational schools and the private sector is a major goal of FC in the vocational education sector.

Statistical overview of the education sector

The following statistical evaluation of the education portfolio includes all ongoing projects of FC including the delegated cooperation of the Federal Ministry for Education and Research (BMBF) until the end of June 2016. The projects are in different stages of the project cycle, ranging from contract conclusion with the recipient/borrower through to the final assessment of success by KfW's evaluation department.

The following table lists the number of ongoing education projects with corresponding volumes of funds as well as sources of funding and the target group reached (itemised according to region as well as average values of funding).

General overview	Sub-Saharan Africa	Asia	Europe	Latin America	North Africa/Middle East	Total
General figures						
Number of projects	50	53	2	13	46	164
% of total portfolio	30.5	32.3	1.2	7.9	28.1	100
Total volume (in EUR million)	571.8	835.8	10.8	141.9	544.7	2,105
of which promotional loans (KfW funds in EUR million)	0	553.5	0	0	45.0	598.5
of which delegated cooperation funds (in EUR million)	47.2	0	0	0	0	47.2
Target group						
Target group reached (millions)	5.1	3.1	0.03	2.0	3.8	14
Proportion of women (millions)	2.3	1.2	0.004	1.0	1.5	6
Proportion of poor people (millions)	3.5	1.1	0.006	0.8	2.5	7.9
Average figures						
Average project volume (EUR million)	11.4	15.8	5.4	10.9	11.8	12.8
FC volume per person reached (in EUR)	112	270	360	71	143	150.4

*Differences in amounts due to rounding

Core statements

- Around 70% of the total EUR 2.1 billion used in the education sector originates from the budget funds of the Federal Ministry for Economic Cooperation and Development (and of the BMBF to a lesser extent). KfW provides the remaining 30% from the capital market.
- Roughly 40% of the deployed funds pertain to Asia, followed by Sub-Saharan Africa at 27% and North Africa and the Middle East at almost 26%.
- The education projects reach 14 million young people, of which 36% live in Sub-Saharan Africa and 27% in North Africa and the Middle East.
- A remarkable increase in the target group reached (+34%) can be recorded in North Africa and the Middle East. This can be attributed to the extensive projects within the framework of the refugee crisis.
- Looking at the target group of all education projects, both girls and boys benefit in almost equal shares.

Examination of sub-sectors

The following table provides a regional overview of the distribution of the education portfolio across the sub-sectors of primary and secondary education, vocational and higher education.

Sub-sectors	Sub-Saharan Africa	Asia	Europe	Latin America	North Africa/ Middle East	Total
Primary and secondary education						
Number of projects	33	9	1	12	41	96
Volume (in EUR million)	358.7	135.5	2.0	131.9	518.7	1,146.8
Percentage of primary and secondary education projects	34.4	9.4	1.0	12.5	42.7	100
Percentage of total number of all projects	20.1	5.5	0.6	7.3	25.0	58.5
Percentage of total FC volume for education	17.0	6.4	0.1	6.3	24.6	54.4
Persons reached (thousands)	5,039.3	2,680	7	1,950.8	3,757.4	13,434.5
Vocational training						
Number of projects	11	40	1	0	5	57
Volume (in EUR million)	132.5	613.2	8.8	0	26.0	780.5
Percentage of vocational training projects	19.3	70.2	1.7	0	8.8	100
Percentage of total number of all projects	6.7	24.4	0.6	0	3.1	34.8
Percentage of total FC volume for education	6.3	29.1	0.4	0	1.2	37.0
Persons reached (thousands)	77.2	329.9	20.0	0	76.7	503.8
Higher education						
Number of projects	6	4	0	1	0	11
Volume (in EUR million)	75.2	85.0	0	10.0	0	170.2
Percentage of total number of all higher education projects	54.5	36.4	0	9.1	0	100
Percentage of total number of all projects	3.7	2.4	0	0.6	0	6.7
Percentage of total FC volume for education	3.6	4.0	0	0.5	0	8.1
Persons reached (thousands)	1.5	107.5	0	3.0	0	112

Smaller basic and advanced training measures close to EUR 7.6 million are not included in the data evaluation. They aid the financing of measures in other sectors.

Core statements

- Approximately 59% of projects in the portfolio promote primary and secondary education. Vocational education is the second most important field of assistance at 35% of all projects. Close to 7% of education projects are part of higher education. In the area of tertiary education, four higher education projects in China are financed by KfW promotional loans. In addition, there are six projects in Sub-Saharan Africa and two in Latin America.
- The projects in the area of primary and secondary education support around 13.4 million students. Approximately 500,000 benefit from vocational education, and a further 112,000 from attending a higher education institution.
- At approximately EUR 85, the budget per capita is lowest in the area of primary and secondary education. Due to costly equipment, vocational and higher education are significantly more expensive at around EUR 1,550 and EUR 1,520 respectively per capita.

Examination of development policy indicators

The indicators for programme-based approaches (PBA), gender equality as well as poverty orientation of all the education projects are listed in the following table by region. The legend for the PBAs is located below the table.

Sub-sectors	Sub-Saharan Africa	Asia	Europe	Latin America	North Africa/ Middle East	Total (percentage share)
Project-based approaches						
PBA 0	27	45	1	10	21	104 (64%)
PBA 1	12	3	1	1	21	38 (23%)
PBA 2	11	5	0	2	4	22 (13%)
Gender equality						
GG 0 - Gender orientation not an objective	5	30	0	0	2	37 (22%)
GG 1 - Gender orientation as a secondary objective	45	22	2	13	44	126 (77%)
GG 2 - Gender orientation as a primary objective	0	1	0	0	0	1 (1%)
Poverty orientation						
AO 0 - Poverty reduction not an objective	6	29	1	1	3	40 (24%)
AO 1 - Poverty reduction as a secondary objective	25	13	0	0	3	41 (25%)
AO 2 - Poverty reduction as a primary objective	19	11	1	12	40	83 (51%)
Number of projects	50	53	2	13	46	164 (100%)

PBA 0 = Project coordinated with the partner but not incorporated in an overall programme.
PBA 1 = Project incorporated in a partner strategy and executed in coordination with other partners.
PBA 2 = Project executed as basket funding with other donors and using partner systems.

Core statements

- Roughly 36% of projects run by means of basket funding or in close cooperation with partner institutions. KfW executes a large portion of these in North Africa and the Middle East (42%).
- In 78% of projects, the focus is on direct or indirect gender equality.
- Around 76% of education projects pursue poverty reduction as a primary or secondary objective.



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