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Portfolio Analysis – Education Sector 2017

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On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), KfW Development Bank has been committed to improving the educational situation of people in developing countries and emerging economies for over 40 years. Its work is based on internationally agreed objectives and is guided by the principle of lifelong learning — from early childhood education and primary and secondary education to vocational training, higher education and adult education. Education, after all, is the key to alleviating poverty and shaping humane, sustainable development.

Challenges

Education is embedded in SDG4 (Sustainable Development Goal) of the Agenda 2030 for sustainable development. SDG4 seeks to ensure access to inclusive and equitable quality education and promote lifelong learning opportunities for all. But the latest figures show that 263 million children around the world still not attended primary or secondary school in 2016. At every school level, children in Sub-Saharan Africa are particularly affected (primary school: approx. 61 million children worldwide, 21% of children in Sub-Saharan Africa; 11% in North Africa and the Middle East; lower secondary level: approx. 62 million young people worldwide, 36% of young people in Sub-Saharan Africa, 18% of young people in Central and Southern Asia; upper secondary level: 141 million young people worldwide, 57% of young people in Sub-Saharan Africa, 49% in Central and South Asia). Many crises and fragile states around the world have caused the partial collapse of education systems or denied children access to educational institutions. The risk of a "lost generation" with no basic education is growing. Girls in particular are disproportionately affected. In addition, the quality of available educational opportunities in many partner countries is suffering from massive demographic pressure on education systems with limited material and human resources.

In the area of vocational training, poor training quality, often inadequate equipment in educational institutions and a lack of cooperation with the private sector are manifested in a widespread shortage of skilled workers combined with high (youth) unemployment. According to the International Labour Organisation (ILO), in 2017, more than 40% of young people worldwide were either unemployed or poor even though they worked. In addition to intensifying efforts to improve the quality and quantity of training programmes, it is important to identify and expand initiatives that help

to bridge the "last mile" between training and employment.

Ongoing programmes

With a financing volume of about EUR 2.7 billion, KfW Development Bank was providing support for 177 education projects in 46 countries and 5 supra-regional projects at the end of 2017. Of these projects, 80 are in the area of primary and secondary education and 69 in vocational education and training. 19 other projects provide support for various sub-areas of education (educational institutions and further education/education policy and administration). Nine projects are being carried out in the area of higher education.¹ Education is a priority for cooperation in ten partner countries: Afghanistan, Ethiopia, Guatemala, Honduras, Yemen, Kosovo, Lebanon, Malawi, Mozambique and Togo.²

Form of financing for ongoing programmes

With a volume of EUR 1.7 billion, approximately 60% of the funds are made available in the form of FC financing (pure budget funds) from the Federal Ministry for Economic Cooperation and Development (approx. 84% of these funds are pure grants). KfW market funds in the amount of EUR 867 million are used in the form of development and promotional loans in China, Guatemala and Tunisia. KfW also manages funds from other donors within the scope of mandates (around EUR 224 million) in the interest of efficient pooling and harmonisation of promotional strategies. These are implemented supra-regionally (21%) and in Turkey (79%).

Target groups for the ongoing programmes

More than 18 million people benefit directly or indirectly from the 177 education projects. Around 76% of the projects contribute directly to alleviating poverty.³ 76% of the projects also simultaneously contribute indirectly to promoting gender equality.⁴

¹ Codes according to CRS 11.

² Status as at July 2017. However, education projects are also carried out as part of projects in other sectors and within the project scope (e.g. large-scale project in Egypt). Vocational training projects also increasingly focus on sustainable economic development (e.g. in Vietnam, the Palestinian Territories, South Africa and Togo).

³ See poverty orientation AO 1 and AO 2

⁴ See gender equality GG 1

New projects in 2017

In 2017, KfW Development Bank concluded financing agreements in the amount of around EUR 665 million in the education sector (compared with 2016: EUR 407 million). This sum comprises around EUR 299 million in Federal Ministry for Economic Cooperation and Development (BMZ) budget funds, EUR 190 million in KfW market funds and around EUR 176 million in delegated funds of the EU. 33% of the funds are used in Asia/Oceania, about 28% each in Europe/Caucasus and North Africa/the Middle East and 11% in Sub-Saharan Africa. The priority for funding in Asia/Oceania lies in promoting the sub-sector of vocational education. In North Africa/Middle East, the focus is on primary and secondary education, just as it is in Sub-Saharan Africa. In Europe/Caucasus, the projects financed include measures in both primary education and vocational training.

Commitment development

Within a 10-year period, the volume of new commitments in the education sector has increased almost ninefold from around EUR

85 million to around EUR 665 million, accounting for 8% of KfW's total new commitments in 2017. Education commitments in a fragile context in particular are gaining importance. Of the commitments in 2017, EUR 122 million will be implemented in cooperation with UN agencies. More and more commitments are being made to fund vocational education projects regardless of the main focus of cooperation. This is consistent with the Germany Federal Ministry for Economic Cooperation and Development's (BMZ) plan to establish vocational education in all country portfolios. In an increasing number of countries, traditional financial sector projects are being supplemented by vocational education and employment programmes, particularly in the priority area of sustainable economic development. It can be assumed that the growth in commitments will continue as up to 25% of all new German Federal Ministry for Economic Cooperation and Development (BMZ) commitments will be made in the education sector (currently 11%) according to Federal Minister Müller.

Overview of ongoing education projects

The following table provides a regional overview of the ongoing projects for which a financing agreement was concluded on 31 December 2017, but for which no ex post evaluation has currently been performed by KfW's external evaluation unit. Accompanying measures, basic and advanced training measures, and additional financing are assigned to the respective main project.⁵

Category	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total
General figures						
Number of projects	53	51	13	10	50	177
Percentage of total portfolio	30%	29%	7%	6%	28%	
Total volume (in EUR million)	592	997	196	156	793	2,732
Percentage of total volume	22%	36%	7%	6%	28%	
of which budget funds (in EUR million)	544	188	19	142	748	1,642
of which KfW funds (in EUR million)	0	808	0	14	45	867
of which delegated funds (in EUR million)	47	0	176	0	0	224
Disbursement status	49%	34%	30%	52%	67%	47%
Target group						
Total target group reached (millions)	8	2	0.1	3	7	18

⁵ Differences in the totals are due to rounding

Core statements

- At the end of 2017, KfW had supported 177 projects in the education sector with a total volume of EUR 2.7 billion.
- At EUR 1.64 billion (around 60%), most of the portfolio is financed with Federal Ministry for Economic Cooperation and Development (BMZ) budget funds (and to a very small extent by the German Federal Ministry of Education and Research (BMBF)).
- 36% of the portfolio benefits the regions of Asia/Oceania, 28% North Africa/the Middle East and 22% Sub-Saharan Africa.
- The education projects reach 18 million people.

Analysis of the sub-sectors

Sub-sector	OECD-DAC definition
Primary and secondary education	Primary education Basic life skills for youth and adults Early childhood education Secondary education
Vocational training	Vocational training Advanced technical and managerial training Teacher training
Higher education	Higher education
General education	Education policy and administrative management in the education sector Education facilities and training Educational research

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.⁶

Sub-sectors in the regions, new commitments 2017

Category	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total
Primary and secondary education						
Number of projects	6	1	0	0	6	13
Total volume (in EUR million)	53	4	0	0	132	189
Percentage of regional volume	75%	2%	0%	0%	70%	
Percentage of sub-sector volume	28%	2%	0%	0%	70%	
Vocational training						
Number of projects	2	4	2	0	2	10
Total volume (in EUR million)	13	218	27	0	25	282
Percentage of regional volume	18%	98%	15%	0%	13%	
Percentage of sub-sector volume	4%	77%	10%	0%	9%	
Higher education						
Number of projects	1	0	0	0	0	1
Total volume (in EUR million)	5	0	0	0	0	5
Percentage of regional volume	7%	0%	0%	0%	0%	
Percentage of sub-sector volume	100%	0%	0%	0%	0%	
General education						
Number of projects	0	0	9	0	2	11

⁶ Differences in the totals are due to rounding

Total volume (in EUR million)	0	0	157	0	32	189
Percentage of regional volume	0%	0%	85%	0%	17%	
Percentage of sub-sector volume	0%	0%	83%	0%	17%	
Regional total volume (in EUR million)	70	222	184	0	189	665

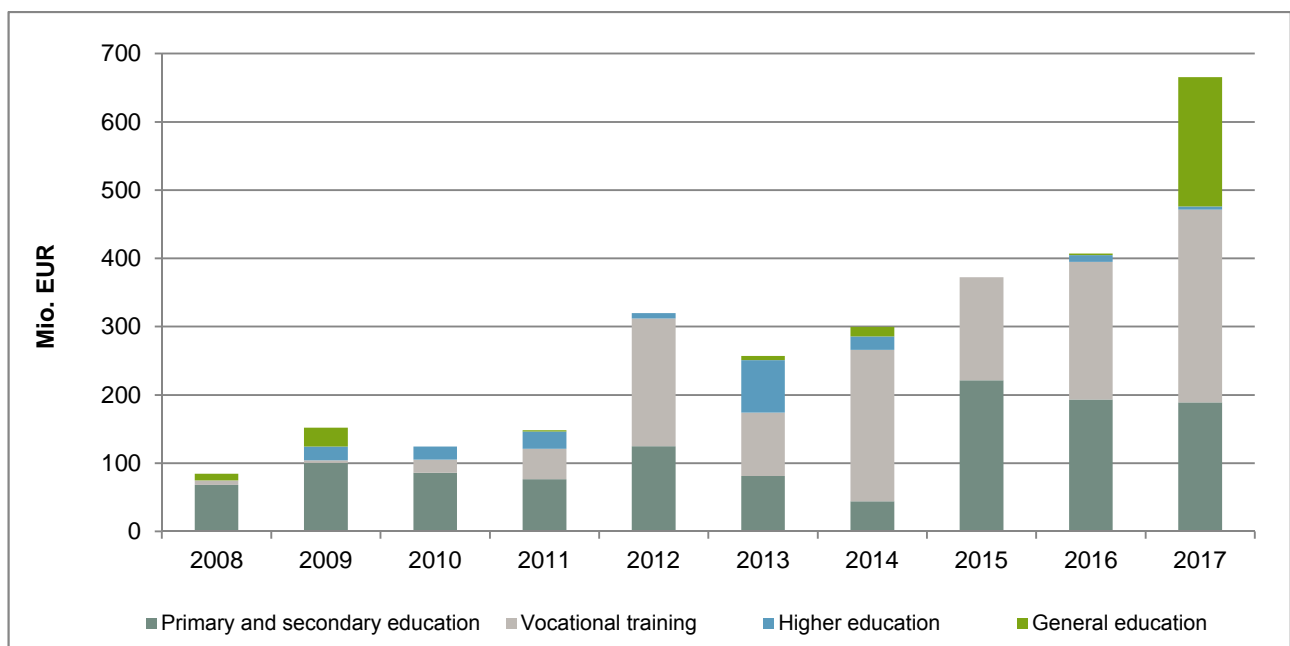
Sub-sectors in the total portfolio

Sub-sectors	Primary and secondary education	Vocational training	Higher education	General education	Total
General figures					
Number of projects	80	69	9	19	177
Percentage of total number of all projects	45%	39%	5%	11%	
Total volume (in EUR million)	1,109	1,218	130	275	2,732
Disbursement status	72%	29%	54%	27%	47%
Average FC volume (in EUR million)	14	18	14	14	15
Target group					
Total target group reached (millions)	16	2	0.03	0.6	18

Core statements

- Vocational training accounts for 42% of the total volume of new commitments in 2017. The regional priority here is in Asia/Oceania (around 77%).
- Nearly one third of new commitments in 2017 will benefit the sub-sector of primary and secondary education. The largest volume in this area will be deployed in North Africa/the Middle East (70%), followed by Sub-Saharan Africa (28%).

Commitment development 2008 to 2017



Examination of development policy indicators

Here, the markers for programme-based approaches, gender equality and poverty orientation are listed according to region. General and sectoral budget aid projects are marked with PBA 3. PBA 2 indicates basket funding with other donors, and PBA 1 refers to projects that are implemented in the scope of programme-based approaches. PBA 0 projects do not correspond to the PBA criteria. GG 2 classification designates all projects that have gender equality as a main priority; GG 1 projects see this as a secondary objective, and GG 0 designations are not aimed toward gender equality. The same gradations apply for poverty orientation markers (AO 0, AO 1, AO 2).⁷

Markers	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total (percentage share)
Project-based approaches						
PBA 0	32	48	12	8	26	126 (71%)
PBA 1	11	2	1	1	19	34 (19%)
PBA 2	10	1	0	1	5	17 (10%)
PBA 3	0	0	0	0	0	0
Gender equality						
GG 0	5	34	1	1	1	42 (24%)
GG 1	48	17	12	9	49	135 (76%)
GG 2	0	0	0	0	0	0
Poverty orientation						
AO 0	5	34	1	1	2	43 (24%)
AO 1	31	10	9	0	8	58 (33%)
AO 2	17	7	3	9	40	76 (43%)

Core statements

- In total, around 30% of the projects in the education sector follow a programme-based approach (PBA 1 and PBA 2).
- 76% of the education projects promote gender equality indirectly (GG 1).
- 76% of the projects in the education sector contribute directly to alleviating poverty (AO 1 und AO 2).



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⁷ Differences in the totals are due to rounding