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Portfolio Analysis – Education Sector 2018

Author: Sophie-Marie Annen
Editor: Nicole Turad

Challenges

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, inequality and shaping humane, sustainable development.

The World Bank's World Development Report 2019 ("The Changing Nature of Work") once again highlighted the importance of education. Human capital is considered a basic prerequisite for survival in a constantly changing working world. An appeal is therefore made to governments to invest in human capital – especially education and social protection – to prepare the population for the working world of the future.

Education is embedded in SDG 4 (Sustainable Development Goal) of Agenda 2030 for sustainable development. SDG 4 seeks to ensure access to inclusive and equitable quality education and promote lifelong learning opportunities for all. But in 2017 262 million children around the world still did not attend primary or secondary school. Children in Sub-Saharan Africa are particularly affected (primary school: approx. 64 million children worldwide, 21% of children in Sub-Saharan Africa; 10% in North Africa and the Middle East; lower secondary level: approx. 61 million young people worldwide, 36% of young people in Sub-Saharan Africa, 17% of young people in Central and Southern Asia; upper secondary level: 138 million young people worldwide, 57% of young people in Sub-Saharan Africa, 47% in Central and South Asia).¹

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. 36% of children who do not attend primary school live in conflict regions. Girls in particular are 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.

The huge inadequacies in the basic education system cannot be compensated for by the vocational education and training systems. Here, 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. In recent years, figures in emerging economies have improved significantly, while forecasts for developing countries are still negative. 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" – the transition from training to employment.

Ongoing programmes

With a financing volume of over EUR 3.2 billion, KfW Development Bank was supporting 202 education projects in 40 countries and 7 supra-regional projects at the end of 2018. Of these projects, 100 are in the area of primary and secondary education and 89 in vocational education and training. Thirteen projects are being carried out in the area of higher education.² Education is a priority for cooperation in ten partner countries: Ethiopia, Guatemala, Guinea, Honduras, Jordan, Lebanon, Malawi, Mozambique, Togo and Yemen.³ 41 projects with a total financing volume of nearly EUR 671 million are being implemented in cooperation with the UN, primarily UNICEF.

Form of financing for ongoing programmes

With a volume of EUR 1.8 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. 90% of these funds are pure grants). KfW market funds in the amount of EUR 926 million are used in the form of development and promotional loans in China, Guatemala and Tunisia. KfW also manages funds from other donors within

¹ UNESCO Global Education Monitoring Report 2019

² Codes according to CRS 11.

³ Status as at August 2018. However, education projects are also carried out as part of projects in other sectors and within the project scope (e.g. in Lebanon). Vocational training projects also increasingly focus on sustainable economic development (e.g. in Vietnam, the Palestinian territories and Ghana).

the scope of mandates (around EUR 437 million) in the interest of efficient pooling and harmonisation of promotional strategies. These are implemented in Turkey (82%), Jordan (7%) and supra-regionally (10%).

Target groups for the ongoing programmes

More than 21 million people benefit directly or indirectly from the 202 ongoing education projects. Around 76% of the projects contribute directly to alleviating poverty.⁴ 77% of the projects also simultaneously contribute indirectly to promoting gender equality.⁵

New projects for 2018

In 2018, KfW Development Bank concluded financing agreements in the amount of around EUR 622 million in the education sector (compared with 2017: EUR 665 million). This sum comprises around almost EUR 349 million in Federal Ministry for Economic Cooperation and Development budget funds, EUR 60 million in KfW market funds and around EUR 213 million in delegated funds of the EU. This means that the education sector, together with the financial sector, has the fourth largest share in the development bank's new commitments. Approximately 16% of the funds are used in Asia/Oceania, 32% in Europe/Caucasus, 30% in North Africa/the Middle East, 3% in Latin America and 19% 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 and Sub-Saharan Africa, the focus is on primary and secondary education. In Europe/Caucasus, the projects financed included measures in primary and secondary education and vocational training with roughly the same weighting.

Commitment development

Within a 10-year period, the volume of new commitments in the education sector increased more than sevenfold from around EUR 85 million to around EUR 622 million. Overall, the following developments can be observed with a slight decline from the previous year: for example, the volume of market funds decreased by EUR 130 million due to a shift in cooperation with China to the focus on climate change mitigation and environmental protection. This was almost completely compensated by the fact that educational commitments are gaining in importance, especially in fragile contexts. Of the commitments in 2018, close to one third of all new projects, or EUR 203 million, will be implemented in cooperation with UN agencies.

Overall, it can be said that more and more commitments are being made to fund vocational education projects regardless of the main focus of education. This is consistent with the Federal Ministry for Economic Cooperation and Development's 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 (SED).

According to Federal Minister Müller, as much as 25% of all new Federal Ministry for Economic Cooperation and Development commitments will be made in the education sector in future (currently 11%). If this assertion were to be implemented, this would lead to a further significant increase in the number of education

projects in the medium term. The Federal Ministry for Economic Cooperation and Development has not yet taken any concrete steps to implement these guidelines.

⁴ See poverty orientation AO 1 and AO 2

⁵ See gender equality GG 1

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 2018, 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.⁶

Category	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total
General figures						
Number of projects	61	61	10	13	57	202
Percentage of total portfolio	30%	30%	5%	6%	28%	
Total volume (in EUR million)	649	1,061	396	170	960	3,237
Percentage of total volume	20%	33%	12%	5%	30%	
of which budget funds (in EUR million)	602	194	37	156	885	1,874
of which KfW funds (in EUR million)	0	867	0	14	45	926
of which delegated funds (in EUR million)	47	0	359	0	31	437
Disbursement status	52%	49%	26%	56%	74%	54%
Target group						
Total target group reached (millions)	9.5	1.7	0.2	2.6	7.8	21.9

Core statements

- At the end of 2018, KfW had supported 202 projects in the education sector with a total volume of EUR 3.2 billion.
- At EUR 1.87 billion (around 60%), most of the portfolio is financed with Federal Ministry for Economic Cooperation and Development budget funds (and to a lesser extent by the German Federal Ministry of Education and Research (BMBF)).
- Asia/Oceania and North Africa/the Middle East are each allocated 30% of the budget while Sub-Saharan Africa receives 28%.
- The education projects reach 21 million people.

⁶ Differences in the totals are due to rounding

Analysis of the sub-sectors

Sub-sector	OECD-DAC definition
Primary and secondary education	Early childhood education Primary education Secondary education Basic life skills for youth and adults
Vocational training	Vocational training Advanced technical and managerial training Teacher training
Higher education	Higher education

Sub-sectors in the regions, new commitments 2018

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.⁷

Category	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total
Primary and secondary education						
Number of projects	7	3	2	1	9	22
Total volume (in EUR million)	76z	22	154	10	190	451
Percentage of regional volume	63%	23%	78%	54%	100%	
Percentage of sub-sector volume	17%	5%	34%	2%	42%	
Vocational training						
Number of projects	4	6	3	0	0	13
Total volume (in EUR million)	40	75	43	0	0	158
Percentage of regional volume	33%	77%	22%	0%	0%	
Percentage of sub-sector volume	25%	48%	27%	0%	0%	
Higher education						
Number of projects	1	0	0	1	0	2
Total volume (in EUR million)	5	0	0	8	0	13
Percentage of regional volume	4%	0%	0%	46%	0%	
Percentage of sub-sector volume	38%	0%	0%	62%	0%	
Regional total volume (in EUR million)	121	97	197	18	190	622

Core statements

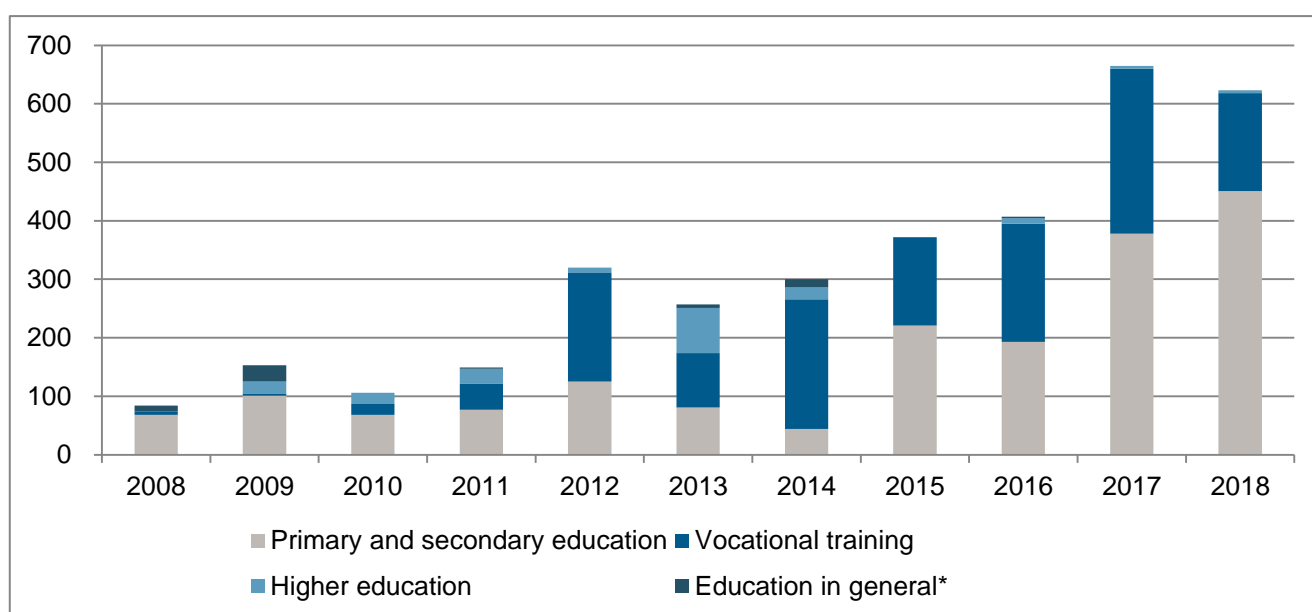
- Primary and secondary education accounts for 73% of the total volume of new commitments in 2018, of which 34% are in the Europe/Caucasus region.
- Vocational training accounts for 25% of the total volume of new commitments in 2018. The regional priority here is in Asia/Oceania with around 48%.
- Europe/Caucasus accounted for the largest share of new commitments at 31%, closely followed by North Africa/Middle East (31%).

⁷ Differences in the totals are due to rounding

Sub-sectors in the total portfolio

Sub-sectors	Primary and secondary education	Vocational training	Higher education	Total
General figures				
Number of projects	100	89	13	202
Percentage of total number of all projects	50%	44%	6%	
Total volume (in EUR million)	1,715	1,364	158	3,237
Disbursement status	63%	43%	57%	54%
Average FC volume (in EUR million)	17	15	12	17
Target group				
Total target group reached (millions)	20	2	0.03	22

Commitment development 2008 to 2018 (in EUR million)



*broken down by other sub-sectors starting in 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).⁸

⁸ Differences in the totals are due to rounding

Markers	Sub-Saharan Africa	Asia/Oceania	Europe/Caucasus	Latin America	North Africa/Middle East	Total (percentage share)
Project-based approaches						
PBA 0	44	56	9	11	30	150 (74%)
PBA 1	9	4	1	1	23	38 (19%)
PBA 2	8	1	0	1	4	14 (7%)
PBA 3	0	0	0	0	0	0
Gender equality						
GG 0	5	36	0	1	1	43 (22%)
GG 1	54	23	10	12	54	153 (77%)
GG 2	1	0	0	0	2	3 (2%)
Poverty orientation						
AO 0	6	38	1	2	1	48 (24%)
AO 1	40	14	4	0	12	70 (35%)
AO 2	14	7	5	11	44	81 (41%)

Core statements

- In total, around 26% of the projects in the education sector follow a programme-based approach (PBA 1 and PBA 2).
- 77% 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).



Contact

KfW Group
KfW Development Bank
Palmengartenstrasse 5–9
60325 Frankfurt am Main, Germany
Phone: +49 69 7431 0
Fax: +49 69 7431 -2944
info@kfw-entwicklungsbank.de
www.kfw.de