

OUR FRAMEWORK Policies and Strategies

ADB



EDUCATION

Asian Development Bank

This is a typeset version of the official policy paper approved by the Asian Development Bank Board of Directors on August 2002.

ADB

OUR FRAMEWORK Policies and Strategies



EDUCATION

Asian Development Bank

Published by Asian Development Bank, July 2003

Contents

Abbreviations	iv
Preface	v
Executive summary	vii
I. Introduction	1
II. Development of the policy paper	5
III. Education and poverty reduction	7
IV. The changing context	9
V. Experience of the Asian Development Bank	13
A. Changing nature of ADB support	13
B. Lessons learned	20
VI. Assistance policies and support for education	23
VII. Role of the Asian Development Bank	27
VIII. Dimensions of the education policy	29
A. ADB's vision for education	29
B. A policy-oriented approach	30
C. Elements of a policy-oriented approach	30
D. Consequences of a policy-oriented approach	34
IX. Education policy principles	37
A. General priorities	37
B. Subsector priorities	42
X. After the policy paper	49
XI. Recommendation	53
Appendixes	55

Abbreviations

ADB	Asian Development Bank
DMC	developing member country
DFID	Department for International Development
EFA	education for all
HIV/AIDS	human immunodeficiency virus/acquired immunodeficiency syndrome
ICT	information and communication technology
MDG	Millennium Development Goal
NGO	nongovernment organization
SDP	sector development program
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNICEF	United Nations Children's Fund

NOTE

In this report, "\$" refers to US dollars.

Preface

Asia is the world's most populous region where

- 900 million people live on less than \$1 a day, comprising 75% of the global total
- nearly 40% of the population is under the age of 18
- three fourths of the world's illiterates live; two thirds are poor women
- millions of children who complete primary school can barely read and write
- one of every four South Asian children is not enrolled in primary school
- millions of children drop out of primary school each year because of poverty
- 50% of all children are not enrolled in secondary school, most of these are poor
- almost 40% of children under the age of 5 are malnourished, and thus unlikely to achieve their full intellectual potential
- some governments spend more on their soldiers than on their children
- 6% of Asian Development Bank (ADB) lending has been for education

ADB, as a member of the global community, is dedicated to supporting the achievement of the Millennium Development Goals (identified in agreements and resolutions of United Nations conferences during the 1990s) within the Asia and Pacific region by 2015. These goals include enrolling all children in primary school, promoting gender equality, and empowering women.

Poverty reduction is ADB's overarching development objective. Since investment in education is an essential element of any poverty reduction strategy, ADB has undertaken to prepare a new education policy to focus its efforts to support educational development, and to link this support more closely to poverty reduction.

This paper aims to (i) examine the role of education in development and, in particular, in poverty reduction; (ii) briefly assess the status of educational development in the region, focusing on outstanding issues;

(iii) review the past experience and future role of ADB; (iv) identify the essential principles upon which ADB support for the sector should be based; and (v) propose follow-up actions to guide and monitor implementation of the education policy.

The fundamental purpose of the policy is to facilitate achievement of ADB's vision for education in the region.

All children and adults in the Asia and Pacific region will have equitable access to and complete education of sufficient quality to empower them to break out of the poverty cycle, to improve their quality of life, and to participate effectively in national development.

Executive summary

In 1999, the Asian Development Bank (ADB) identified poverty reduction as its primary objective. Much more complex than simply income deprivation, poverty entails lack of empowerment, lack of knowledge, lack of opportunity, and lack of income and capital. The relationship between education and poverty reduction is clear. Education empowers; it enables a person to participate more actively in local and national government. Education inculcates the skills and knowledge needed to improve the quality of life, to become more productive, and to improve income-earning potential. Education, particularly education of girls and women, facilitates improvement of many human development indicators, such as reduced fertility, and better health and nutrition for children. The Universal Declaration of Human Rights, approved by the General Assembly of the United Nations in 1948, recognizes education as a basic human right. Education helps lay the foundation for the three pillars of poverty reduction: pro-poor sustainable economic growth, social development, and good governance. ADB is committed to helping developing member countries achieve the Millennium Development Goals by 2015, including achievement of universal primary education, and gender equality in primary, secondary, and tertiary education.

Both ADB and the region it serves are changing. Regional economies are rapidly embracing higher technology and provision of services. Urbanization and increased life expectancies are changing the distribution and composition of populations. Globalization demands increased productivity and the maintenance of international quality standards. The information technology revolution requires changes in the way knowledge is acquired and transmitted. Education can no longer be targeted mainly at children and youth; continuing education and lifelong learning are needed by everyone to acquire new knowledge and skills. To reflect these changes, ADB recognizes that its role must evolve from that of project financier, to incorporate greater provision of policy advice, technical expertise, and capacity building. Its role in the education sector must evolve simultaneously.

Education, too, has undergone rapid change. Many countries of the region have achieved universal primary education, and are expanding the period of compulsory education in response to economic and social demand. Despite increased access to education, the poor—disproportionately women, ethnic minority groups, the disabled, and persons living in remote regions—are often deprived of a basic education. And when basic education is available, the poorest are unable to avail of it because the direct and opportunity costs are too high. All too often, the quality of education provided at all levels remains unacceptably low. Completion of a particular level of education by no means guarantees mastery of knowledge and the skills necessary to improve the quality of life.

Many countries are decentralizing education management to local and institutional levels, with the aim of improving efficiency, sharing costs, and providing better service; but local capacity to deliver education effectively and efficiently is often limited. As governments seek to reduce their financial burden, the role of the private sector is increasing, especially in the provision of higher levels of education. The question of how to sustainably finance the delivery of quality and equitable education remains an important one for virtually all countries in the region. The rapid growth of information and communication technology (ICT), and its ever-increasing importance to social and economic development, has profound implications for education—both how ICT can be used to strengthen education, and how education can be more effectively used to promote the growth and application of ICT. The continuing challenge for education is to ensure that all people have the knowledge and skills necessary for continuing human and economic development, and for breaking the poverty cycle.

ADB has invested \$5.3 billion in education sector development since 1970; two thirds of this since 1991. The pattern of ADB support has changed significantly during the last 3 decades. Initially, ADB concentrated on funding facilities and equipment for technical and vocational education, an approach consistent with human resource planning and the emphasis on economic growth at the time. ADB's first education sector policy paper (1988) recognized the importance of investing in primary and secondary education in the context of broader human and social development. Since 1990, ADB has been a major regional supporter of Education for All (EFA). The education sector portfolio is focusing more on basic education, with increasing attention to software such as teacher training, curriculum, and education planning. From 1970 to 1990, 48% of ADB's education investment was in technical and vocational education and 11% in basic education, but from 1991 to 2001 investment in technical and vocational education was

only 14% while basic education accounted for 41% of ADB's education portfolio. ADB's technical assistance grants for education have increasingly supported broader policy, research, and capacity building activities rather than concentrating on project preparation—another indication of ADB's evolving role.

However, while ADB provides a larger amount for education sector development, its investment in education as a proportion of its total portfolio remained fairly constant at about 6% during the last decade. The proportion of education projects of the ADB total is 10%. While ADB's education investment has been largely successful in that its immediate output objectives have been achieved, until recently ADB tended to concentrate on project lending with relatively little attention to the broader framework of education sector reform.

ADB's vision for education is that "All children and adults will have equitable access to and complete education of sufficient quality to empower them to break out of the poverty cycle, to improve their quality of life, and to participate effectively in national development." This vision can best be achieved through a policy-oriented approach that (i) links investments to an overall framework for sector reform and development, and (ii) helps governments identify and implement policies and strategies that focus on the needs of the poor. Thus, ADB will need to give more attention to education sector analysis, to closer collaboration with nongovernment organizations (NGOs) and communities, and to enhanced coordination with investments in other sectors such as health. To accomplish this, ADB will need to strengthen its own capacity in the education sector.

The priorities for the education sector are reducing poverty; enhancing the status of women; and providing the knowledge, attitudes, and skills essential for pro-poor, sustainable economic growth. In support of these, ADB's education policy must give particular attention to increasing equity and access; improving quality; strengthening management; mobilizing resources; strengthening partnerships; and applying new and innovative technologies, especially ICT. These need to be addressed in each education subsector if the overall priority of maximizing the education sector's contribution to poverty reduction is to be achieved. In literacy and nonformal education, ADB will expand support for innovative and responsive programs, particularly in collaboration with NGOs. Recognizing the importance of ensuring good health, proper nutrition, and mental stimulation to young children as the foundation for lifelong learning capacity, ADB will expand support for early childhood development with special emphasis on low-cost, community-based provision. ADB priorities for basic education are

ensuring equitable access and resource allocation, improving quality, and strengthening community involvement. ADB will support the improvement of the quality of secondary education, with particular attention to cost sharing, private sector provision, and special programs to increase access by the poor and women. For higher education, ADB will focus on enhancing the role of the private sector, developing government capacity to determine and monitor standards, improving institutional governance, and assisting programs to increase equity of access by the poor and women. In skills development, including technical and vocational education, ADB will focus on strengthening government capacity to establish and monitor standards, encouraging private sector provision, and supporting NGO-led provision of skills training in income-generating activities for poor women.

ADB support for education, at all levels, will concentrate on policies and activities that directly contribute to overall programs for poverty reduction. However, the balance of investment across education subsectors will need to be determined according to the particular country's situation. Variations between countries, and rapidly changing circumstances within the region, require that country programs of assistance be planned to respond to particular needs and conditions. The priority for ADB investment in the education sector is to maximize education's impact on poverty reduction, and to maximize leverage by planning investment within the context of an overall sector policy framework.

This policy paper is the first step. It must be followed by preparation of education sector strategies and road maps for each country, to translate policy principles and priorities into specific strategies and investment plans. The policy paper should be followed by specific actions, including systematic monitoring of policy indicators and project outcomes, to ensure that ADB investment in education is achieving its aim of contributing to poverty reduction. This in turn implies that the education policies and strategies of ADB and its developing member countries will be periodically reviewed, revised, and strengthened to maximize impact and respond to evolving circumstances.

I. Introduction

1. In 1988, when the Asian Development Bank (ADB) approved the education policy paper,¹ it officially recognized, for the first time, basic education as a human right. It also acknowledged that investment in the sector should extend far beyond ADB's traditional focus on technical-vocational and higher education. In the following decade, the region and ADB experienced enormous change. Education is now recognized as a prerequisite for development, both economic and human development. Basic education—especially for girls and women—is acknowledged as being closely linked to the achievement of other human development indicators such as lower infant mortality rates and reduced fertility rates. The incidence of child labor also declines with education enrollment. Investment in education is synergistic, leading to greater utilization and greater impact of investments in other areas of social infrastructure such as health, nutrition, sanitation, and the environment. An educated population is more productive and more likely to use modern methods and technologies. An educated workforce is easier to train and better able to acquire new skills and technologies required as economies develop. The question is not whether to invest in education, but how such investment can be targeted most effectively in the different context of each country to ensure maximum human, social, and economic benefits.

2. ADB recognizes it can attain its overarching objective of poverty reduction only if the poor have equitable access to quality basic education.² ADB's poverty reduction strategy³ identifies three pillars: pro-poor sustainable economic growth, social development, and good governance.

¹ ADB. 1988. *Education and Development in Asia and the Pacific*. Manila.

² In this paper, "basic education" refers to education provided for children between the ages of 6 and 14, usually equivalent to primary and lower secondary school, or 9 years of schooling. This is considered the minimum for a person to improve the quality of life and participate in national development.

³ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

Investment in education is clearly needed to support these three basic aspects of poverty reduction. Economic growth requires skilled and educated workers. Social development requires investment in basic education, especially for women. Demand for good governance is closely linked to the level of education of the population. ADB’s long-term strategic framework (2001–2015)⁴ stresses that “large investments will be required in the social sectors and in social infrastructure, particularly in education, health, water supply and sanitation, and shelter, especially in poorer countries. These investments, in areas such as education and health, besides promoting human development and improving the quality of life, are essential for sustained growth and productivity.” The strategic framework also commits ADB to help the region achieve the eight Millennium Development Goals (MDGs)⁵ agreed to by the international community (*Box 1*). Two are directly related to education: achieving universal primary education and promoting gender equality at all levels. But education also promotes achievement of other MDGs: reducing poverty, reducing child mortality, improving maternal health, lowering the prevalence of HIV/AIDS,⁶ and ensuring environmental sustainability. Support for the achievement of the MDGs is a fundamental element of ADB’s education and poverty reduction policies.

Box 1: The Millennium Development Goals

- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, malaria, and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency virus.

⁴ ADB. 2000. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

⁵ The MDGs summarize the development goals agreed on at international conferences and world summits during the 1990s. At the end of the decade, world leaders distilled the key goals and targets in the United Nations Millennium Declaration (United Nations Millennium Summit, September 2000).

⁶ HIV/AIDS refers to human immunodeficiency virus/acquired immunodeficiency syndrome.

3. ADB faces many challenging questions about the role it can most effectively play in the education sector. Approximately 72% of education financed globally is provided by governments, 25% by the private sector (including parents and communities), and about 3% by development agencies.⁷ This rather humbling figure carries a very important message: development finance, because it is small and often in the form of a loan, must be used effectively to be justifiable at all. What then is the comparative advantage of this 3%? How can ADB ensure that its own support is most highly leveraged to achieve maximum benefit? The broad aim of the education sector policy paper is to articulate the nature of ADB's priorities for education sector development, and the sector's role in poverty reduction. The paper will (i) analyze how changing conditions affect education investment requirements; (ii) examine the situation of education in the region, particularly continuing challenges; (iii) distill the experience of ADB's prior investment in education; and (iv) articulate policy directions to guide ADB's investment in education over the medium term.

⁷ From an informal study by the World Bank in 1999.

II. Development of the policy paper

4. The sector policy paper is based on a series of activities funded by a regional technical assistance,⁸ including (i) preparation of five separately published analytical technical resource papers on key crosscutting issues in education, prepared by international experts; (ii) development of detailed representative country case studies⁹ prepared by a leading research institute in eight representative countries; (iii) publication of a major regional study that examines trends, issues, and national policies in education; (iv) regional seminar on education sector issues and policies for developing member country (DMC) officials, international experts, and persons from the development and nongovernment organization (NGO) communities; and (v) a consultative seminar with representatives of government, academia, NGO community, private sector, United Nations agencies, multilateral development banks, and regional organizations.

5. The draft policy was discussed first with an informal internal working group representing key ADB units, and then circulated internally for comment. The draft policy was also placed on ADB's web site for comments from the general public. Comments received have been incorporated to help ensure that the education policy reflects the views of as much of its diverse potential constituency as possible. The true test of any policy is, of course, the extent to which it is actually implemented and achieves its aims. Subsequent incorporation of the policy principles in ADB country operational strategies, and careful monitoring and evaluation of policy implementation are needed to ensure that the actual pattern of ADB investment in the sector reflects policy priorities and, above all, reinforces at every possible point ADB's concern for poverty reduction.

⁸ ADB. 1999. *Technical Assistance for the Study of Trends, Issues, and Policies in Education*. Manila.

⁹ The People's Republic of China, Indonesia, Kyrgyz Republic, Nepal, Pakistan, Papua New Guinea, Philippines, and Viet Nam.

III. Education and poverty reduction

6. The relationship between education and poverty reduction is very clear: educated people have higher income earning potential, and are better able to improve the quality of their lives. Persons with at least a basic education are more likely to avail of a range of social services, and to participate more actively in local and national government through voting and community involvement. They are less likely to be marginalized within the larger society. Education empowers; it helps people become more proactive, gain control over their lives, and widen the range of available choices (*Box 2*). In fact, the opposite of marginalization is empowerment, and basic education is one of the keys to empowerment, both for individuals and groups.¹⁰ The combination of increased earning ability, political and social empowerment, and enhanced capacity to participate in community governance is a powerful instrument for helping break the poverty cycle. In fact, education is the primary vehicle by which economically and socially marginalized adults and children can lift themselves out of poverty and obtain the means to participate fully in their communities.¹¹

7. Poverty is both a cause and an effect of insufficient access to or completion of quality education. Children of poor families are less likely to enroll in and complete schooling because of the associated costs of attending school, even when it is provided free. The cost of uniforms, supplies, and transportation may well be beyond the means of a poor family, especially when the family has several children of school age. This means that choices have to be made, and the choice is often to drop out of school or, worse yet, to deny schooling to girls while enrolling the boys, thereby contributing directly to maintaining the inferior status of women. And as poor children who are enrolled grow older, the opportunity cost (their lost labor and the foregone

¹⁰ United Nations Educational, Scientific, and Cultural Organization. 1997. *Education for All Status Report*. Paris.

¹¹ United Nations. 1999. Press Release, HR/4445. Concluding Session of the Committee on Economic, Social and Cultural Rights, New York, 3 December.

Box 2: Education as Empowerment

Basic education empowers individuals by opening up avenues of communication that would otherwise be closed, expanding personal choice and control over one's environment, and providing the basis for acquiring many other skills. It gives people access to information through both print and electronic media, equips them to cope better with work and family responsibilities, and changes the image they have of themselves. It strengthens their self-confidence to participate in community affairs and influence political issues. Basic education is the key with which individuals can unlock the full range of their talents and realize their creative potential. It gives disadvantaged people the tools they need to move from exclusion to full participation in their society. Basic education also empowers entire nations because educated citizens and workers have the skills to make democratic institutions function effectively, to meet the demands for a more sophisticated workforce, to work for a cleaner environment, and to meet their obligations as parents and citizens.

Source: United Nations Educational, Scientific, and Cultural Organization. 1997. *Adult Education in a Polarizing World*. Paris.

income it may entail) becomes greater, thus increasing the likelihood of abandoning school. Dropping out of school because of poverty virtually guarantees perpetuation of the poverty cycle since the income-earning potential of the child is reduced, not to mention overall productivity, receptivity to change, and capacity to improve quality of life. Lack of education perpetuates poverty, and poverty constrains access to schooling. Eliminating poverty requires providing access to quality education.

8. Education is recognized as a basic human right. Education is closely linked to virtually all dimensions of development—human, economic, and social. It is also a key factor in improving governance. *Appendix 1* provides more detailed discussion of these linkages. Investment in education supports a much broader agenda including health, nutrition, the values of the environment, and community participation. Expanding girls' education, for example, has a positive effect on fertility, infant mortality, nutrition, and enrollment rates of the next generation. An educated populace has easier access to important information about HIV/AIDS prevention and other public issues. Keeping children in school is a well-recognized strategy for reducing child labor. The synergies of education investment are powerful, and underscore the importance of education to facilitate achievement of a range of social and economic goals.

IV. The changing context

9. Rapid changes in the region require ADB to continuously adapt its role and policies. Demographic changes profoundly affect education. Rapid urbanization in recent decades has implications for the type of basic education required. The Asian crisis in 1997 demonstrated the vulnerability of social sector investments to macroeconomic disruptions. The growing proportion of the school-aged population in some countries increases the need for investment in basic education. In other countries, aging populations and increasing life expectancy suggest a greater need for worker retraining, skills upgrading, and lifelong or continuing education. Meanwhile, economic change requires more attention to investment in postbasic and higher education, as well as in skills development to support the transformation to a high-technology, service-oriented economy, where research and development, and knowledge management are industries in themselves.

10. Globalization presents a major challenge to which education systems and policies must respond to ensure that international standards are met. Increased competitiveness in marketing goods and services means that countries must enhance workforce productivity and improve overall efficiency; both are linked to investment in better education and training. The movement to a market economy in many countries of the region requires fundamental changes in the way economic growth is managed and promoted, including the need to retool and upgrade the skills of the workforce through better education and training. Increased demand for good governance is manifested in many countries as events and experience strengthen recognition that transparency and fairness are not simply abstract ideals, but forceful concepts whose absence in practice extracts high social and economic costs—ideals whose realization is closely associated with the availability of education. HIV/AIDS is increasingly posing a threat to the education system in the region, and if measures are not taken to increase awareness, may result in a reduction of the teaching workforce and a rise in the number of orphans. Each of these areas of change has implications for education and training: their content, how they are provided, and how they will be financed.

11. The obvious consequence of variety and rapid change is that any policy and strategy that seeks to guide ADB in maximizing the effectiveness of its investment in education must be inherently flexible. Flexibility must be the underlying principle upon which any policy is based. If ADB is to respond effectively to both the variety and pace of change within its region, both its policy and operational frameworks must be adaptable and flexible. Education is a moving target that evolves as old needs are met and new needs emerge. Education influences and is influenced by the context in which it is developed. This synergistic relationship implies that education must be in a constant state of change, as it responds to changing social and economic needs, and that education itself is a force for social and economic change as people become more empowered and more productive. A major challenge is to ensure that ADB can provide effective support to education in an ever-changing social and economic environment. *Appendix 2* provides an overview of the status and issues of education development in the region.¹²

12. Much work remains to ensure that the enduring issues of equity, quality, efficiency, and finance are addressed in a way that provides a sustainable and flexible basis for the continuous evolution of education necessary to respond to ever-changing circumstances. Today's education must prepare children for tomorrow's challenges, but much of today's teaching and learning are oriented to yesterday's conditions. How can ADB support development of education that will ensure today's children receive an education relevant to their future needs? Workers with many more years of productive life need to acquire new and better skills. How can ADB support training systems that will ensure adults acquire new skills and increase productivity?

13. What is the main education challenge confronting the region? The answer is simply put: to ensure that all people have the knowledge, skills, attitudes, and values necessary for continuing human and economic development. But to achieve this, education systems need to reach all people, especially girls, women, and the poor. Education systems need to provide the skills required for continuing economic development. They need to ensure sufficient quality to enable the full benefits of education to be realized. They need to ensure that education is provided in a sustainable, and

¹² ADB. 2001. *Education and National Development in Asia*. Manila, examines in-depth the status of education in the region.

thus cost-effective, manner. What is ADB's role in helping meet this challenge? It is twofold: (i) to provide funds, ensuring that these are carefully targeted to achieve maximum impact on system development within an appropriate policy framework; and (ii) to provide policy and technical advice appropriate to the context of each country's needs and aspirations, while supporting achievement of ADB's own strategic objectives.

V. Experience of the Asian Development Bank

A. Changing nature of ADB support

14. ADB has been providing support to the education sector since 1970, when education—technical and vocational—was seen as an essential element of any strategy for national economic development. The days of human resource planning were at their height. Assessing the likely demand for particular types of skills, and developing training programs to produce the designated number of persons with the required skills were important activities. This rather mechanistic approach gradually fell out of favor as economists and planners began to recognize that (i) they could not predict with any certainty how many people with a particular skill might be required in a few years' time; (ii) basic education had higher rates of return, and laid the foundation upon which broad economic development must ultimately rest; and (iii) even where particular skills might be required, government provision was by no means the most efficient and cost-effective strategy for doing so.

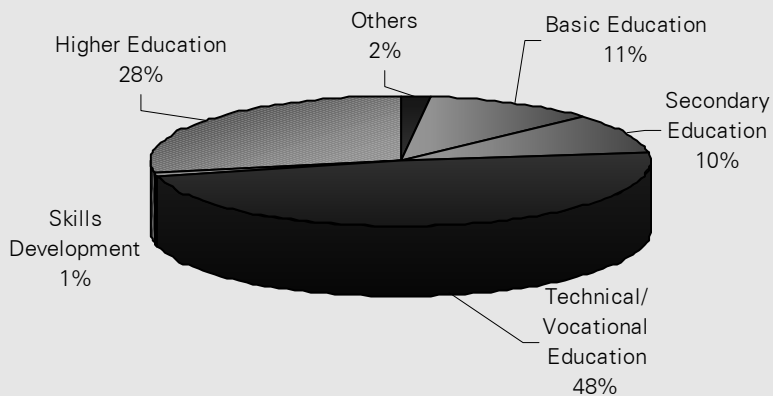
15. In the two decades from 1970 to 1990, ADB provided a total of about \$1.5 billion in loans to the education sector, of which 48% was allocated to technical and vocational education, and 28% to higher education (*Figure 1a*). Technical assistance followed a similar pattern (*Figure 2a*). Within these subsectors, most of the ADB funds were used for expanding and upgrading facilities, and for procuring equipment needed for training, with smaller amounts going for staff development and institutional capacity building. By the late 1980s, ADB and the international development community as a whole began to shift resources to basic education, especially basic education for girls, as a broader view of development began to prevail. That view, while recognizing the importance of economic growth, gave much greater importance to human development as an indispensable and integral aspect of national development. The 1990 World Conference on Education for All (EFA) endorsed an ambitious declaration to provide basic education to all

children and all uneducated adults by the end of the century (*Box 3*). At the conference, ADB pledged to increase its own lending for basic education.

16. The pattern of ADB's education lending and technical assistance by subsector in the years since 1991 is quite different, with basic education accounting for 41% and technical and vocational education for only about 14% of lending (*Figures 1b and 2b*). Within the basic education subsector, ADB diversified its lending with support for primary education, lower secondary education (usually as part of an expanded definition of basic education), nonformal education, and early childhood development, with girls' and women's education receiving more attention. Not only did the subsectoral focus of ADB's support for education evolve substantially during the 1990s, but the nature of the allocation changed as well. Increasingly, ADB shifted its support from the traditional hardware of facilities and equipment to the software of teacher training, curriculum development, provision of instructional materials, planning and management, and institutional capacity building. The process of identifying and preparing projects also changed, as participatory planning and beneficiary consultation became increasingly important to ensure that projects were designed in a manner that encouraged local ownership and local management.

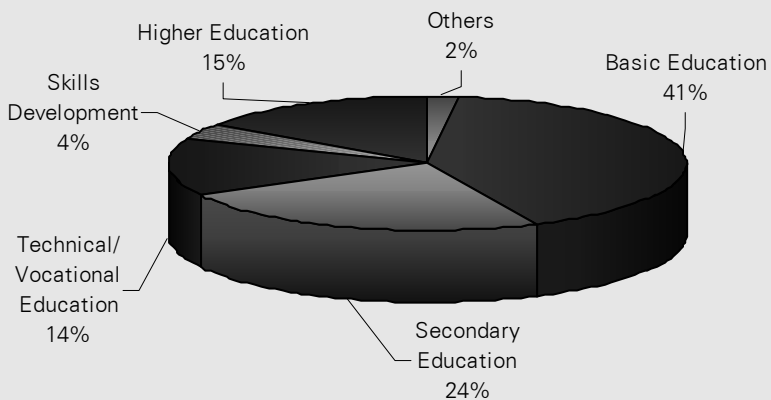
17. ADB support for education lending has also evolved in terms of the type of lending modality used. ADB has channeled most of its resources for education through projects that are prepared in considerable detail, and have relatively little flexibility for alteration during implementation. Some have been sector loans for which the borrower and ADB agree on certain criteria for appraising particular subprojects, appraise a representative sample together, and leave the remainder for the borrowing agency to select and appraise. The program (policy) lending modality has not been often used in the education sector. Recently, the sector development program (SDP) has been added to ADB's lending modalities and used successfully in Cambodia, Indonesia, Kyrgyz Republic, and Mongolia (*Box 4*), with new SDPs being prepared for the Philippines and Uzbekistan. The SDP is a blend of program and project lending, under which the borrower agrees to certain policy reforms in exchange for a quick-disbursing program loan, while the parallel project loan provides more detailed and targeted support for implementing activities related to policy implementation. The SDP is particularly appropriate in cases where ADB aims to help the government design and then support implementation of a broad framework of sector policy reform.

Figure 1a: Cumulative Education Sector Lending, 1970–1990



Total lending = \$1.5 billion

Figure 1b: Cumulative Education Sector Lending, 1991–2001



Total lending = \$3.8 billion

Source: Internal ADB database.

Figure 2a: ADB Cumulative Education Sector Technical Assistance, 1970–1990

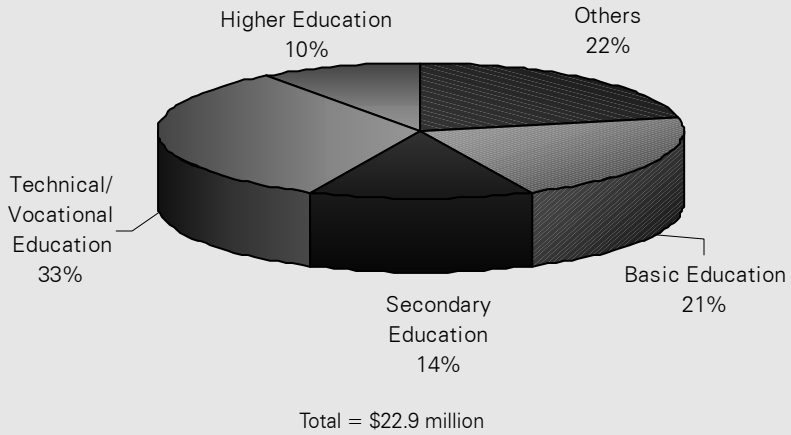
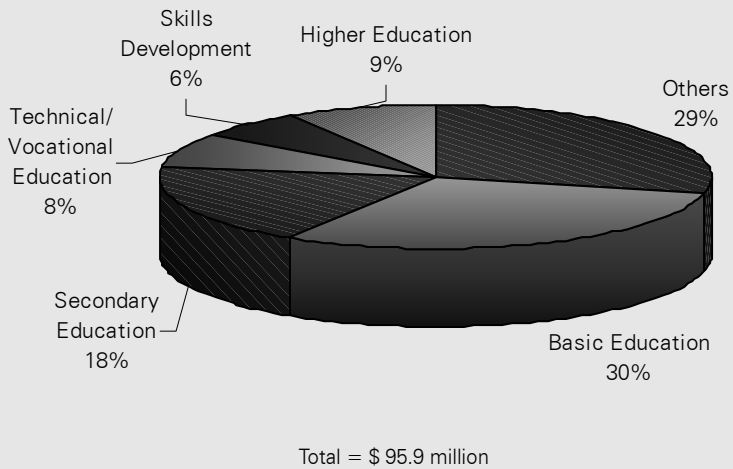


Figure 2b: Cumulative Education Sector Technical Assistance, 1991–2001



Source: Internal ADB database.

Box 3: Education for All

Every person—child, youth, and adult—shall be able to benefit from education opportunities designed to meet their basic learning needs. These needs comprise both essential learning tools (such as literacy, oral expression, numeracy, and problem solving) and the basic learning content (such as knowledge, skills, values, and attitudes) required by human beings to be able to survive, to develop their full capacities, to live and work in dignity, to participate fully in development, to improve the quality of their lives, to make informed decisions, and to continue learning. The scope of basic learning needs and how they should be met varies with individual countries and cultures and, inevitably, changes with the passage of time.

Source: World Declaration on Education for All.

Education For All (EFA) is a global movement supported by a group of agencies including the United Nations Development Programme; United Nations Educational, Scientific, and Cultural Organization; United Nations Children's Fund; World Bank; the regional development banks (including the Asian Development Bank); and major bilateral assistance agencies. It was organized in the late 1980s in urgent recognition that as the world approached the new millennium a large number of children and adults, especially girls and women, were still denied the opportunity to attain basic education. The World Conference on EFA held in Thailand in 1990 was attended by over 150 countries, which endorsed a pledge to provide basic education to all adults and children by 2000.

The EFA declaration served as a catalyst for countries and international agencies to focus their support on achieving EFA. National plans of action were prepared and monitoring systems were established. ADB has provided four technical assistance grants to support EFA activities at the regional and country levels. ADB's lending for basic education as a proportion of education lending has increased threefold since 1990 and will continue at high levels as ADB's focus shifts to poverty reduction.

But EFA has not been achieved in many countries of the Asia and Pacific region. Investment in basic education has not kept up with population increases in many countries. The quality of education provided has remained poor. The proportion of illiterates has declined, but the absolute number has increased. Many countries have made only modest progress in increasing the enrollment rate of girls. Clearly, problems of illiteracy, lack of access to primary schooling, high dropout rates, and poor quality instruction remain.

The irony is that the solution to these problems is well known: allocation of adequate resources, combined with strong political will. But these have been lacking in many countries. ADB as a development institution, with a commitment to human and social development and poverty reduction, will continue to provide resources for the achievement of EFA in the region, while seeking to strengthen management and improve efficiency in basic education.

Box 4: Education Reform in Mongolia

Mongolia's education system must be reformed to respond to the new demands of the transition to a market economy. Given present high levels of overhead costs, investments for improving productivity and efficiency throughout the sector will not be financially sustainable. Any investment in the sector—however essential and desirable—must accordingly be closely linked to a program of policy and institutional reforms that ensures the longer term sustainability of the education system.

To support education reform, ADB has helped finance the Education Sector Development Program. The objective of the program was to transform the education sector to match the changing requirements of an economy in transition from central planning to a market-oriented system. To attain this objective, the program aims to upgrade the quality, performance, and sustainability of the education sector, and improve educational management capacity.

The policy program included measures to (i) rationalize education structures and staffing, (ii) promote cost-recovery schemes, (iii) support privatization and private sector provision of education, and (iv) develop a comprehensive policy framework for technical education and vocational training.

The investment project helped (i) strengthen education management and capabilities at central, local, and institutional levels; (ii) improve coordination of management and academic development in higher education; and (iii) upgrade quality and relevance in educational content at upper secondary and higher education levels. Associated technical assistance strengthened the institutional capacity of the education sector to achieve the objectives of the program.

18. ADB resources have tended to concentrate on schooling as opposed to education in the broader sense, for example, community education and nonformal education. ADB has focused its attention much more on funding inputs to the formal schooling process, for example, school construction, teacher training, instructional materials, and staff development. Fairly recent initiatives supported by ADB in early childhood development and nonformal education are signs that ADB is moving to a broader concept of education that goes beyond formal schooling and can better address the education needs of poor communities, including ethnic minorities.

19. ADB currently has 35 DMCs that are eligible to borrow. Of these, ADB has provided loans for the education sector in 24 countries since 1970. However, ADB support is unevenly distributed with only three countries

accounting for two thirds of total education lending since the first loan in 1970: Indonesia (42.3%), Pakistan (10.8%), and Bangladesh (10.6%).

20. During this period, ADB began to use its technical assistance grant facility to support an increasing range of activities other than traditional project preparation. Technical assistance has been increasingly used to fund capacity building, education sector studies, research, and policy studies. Since 1970, ADB has provided about \$118.8 million in technical assistance to the education sector, 80% of this since 1991. Between 1970 and 1990, ADB provided 86 technical assistance grants, of which 60% were used for project preparation; but from 1991 through 2001, 185 technical assistance grants were provided, and only 38% were used for project preparation—another indication of ADB’s evolving role of providing advice and guidance.

21. While ADB has increased its support for the basic education subsector, it has not increased its overall investment in education as a percentage of overall lending by any significant extent in the last decade. Even as the importance of human development and the role of education in human and economic development became ever more clearly recognized, ADB’s support for the sector as a percentage of total investment did not increase (although the absolute amount of funds lent for education did increase). ADB lending for education totaled about \$3.8 billion from 1991 to 2001, more than twice the amount provided in the preceding 20 years. The proportion of education lending as a percentage of total lending has remained fairly constant, at around 6% per year since 1991 (Table 1). On average about 10% of all ADB projects have been for education. About 41% of all education lending has been from the Asian Development Fund, and thus on concessional terms. The remainder has been from ADB’s ordinary capital resources for nonconcessional lending. Given the importance of investment in education for both poverty reduction and economic development, one can still strongly argue that the percentage of ADB lending for education should be substantially increased.

Table 1: Education Lending as a Percentage of ADB Lending, 1991–2001

Year	Loan Amount			Number of Projects		
	All Sectors (\$ million)	Education Sector ^a (\$ million)	% of	All Sectors	Education Sector ^a	% of
			Education Sector to All Sectors			Education Sector to All Sectors
2001	5,339.00	257.10	4.82	60	7	11.67
2000	5,850.38	370.70	6.34	74	7	9.46
1999	4,978.57	190.75	3.83	52	6	11.54
1998	5,982.52	536.28	8.96	57	8	14.04
1997	9,414.04	627.70	6.67	75	10	13.33
1996	5,545.08	484.90	8.74	83	8	9.64
1995	5,504.40	357.70	6.50	72	7	9.72
1994	3,686.51	132.20	3.59	48	3	6.25
1993	5,231.33	387.10	7.40	78	8	10.26
1992	5,125.19	236.20	4.61	65	7	10.77
1991	4,808.75	182.00	3.78	76	4	5.26
Total	61,465.77	3,762.63	5.93	740	75	10.18

^a Including education component in multisector projects.

Source: Asian Development Bank annual reports; and internal loan, technical assistance, and equity approvals database.

B. Lessons learned

22. Many lessons have been learned from ADB's experience in the education sector. Perhaps the most important is this: effective assistance must evolve, as the circumstances and needs of the nations of the region change. While this may be obvious, what is not so obvious is how the actual process of effecting this evolution is to be managed. Therein lies the principal purpose of a policy paper—to review changes, identify trends, project emerging issues, and link these to ADB's own evolving strategic priorities.

23. ADB support for the education sector has not always given sufficient attention to lending within a carefully developed country education sector policy framework. Comprehensive sector work has not always formed the clear basis for determining ADB's sector investment program. Historically, much of ADB's investment has been on a project-focused basis, with relatively little attention to sector policy reforms designed to improve equity,

efficiency, finance, and quality. This pattern, coupled with a tendency to dilute project investments across a range of subsectors without seeking to concentrate on priority subsectors for a sustained period of time, may well have diminished the impact of ADB investment on any particular subsector. ADB's own sector evaluation studies have concluded that (i) many projects have been too complex in their design; (ii) investments have paid insufficient attention to addressing sector issues in a sustainable manner; (iii) a longer term view of sector development—supported by multiple, sequential interventions—needs to be taken; and (iv) project performance could often be improved through more intensive supervision of implementation. These lessons provide significant guidance for future investment: focused, based on sector reform, planned with a long-term view, and better monitored.

24. While ADB increasingly recognizes that education development must be based on sector reform guided by clear policy goals and strategies, the pattern of its lending modalities has not always reflected that awareness. Relatively little (although increasing) use has been made of program or SDP lending, both of which seek to support comprehensive education reform. ADB has in its education sector support tended not to take a longer term perspective, with a series of investments planned and targeted at selected aspects of reform. Instead, ADB has concentrated on individual project investments that may have successfully delivered the desired inputs, and achieved the desired outputs, without necessarily achieving lasting education sector reform, or even sustainability of project outputs.

25. Despite these lessons, ADB's investment program in education has been largely successful in terms of individual projects achieving their particular targets. However, such investment could well have had greater impact on overall education sector development if it had been based more strongly on sector analysis, and targeted more intensively to support sustainable policy reforms that address key issues. The lessons learned from this experience can help formulate ADB education policy to be more proactive and flexible; to direct funding support more systematically to education sector development and reform; and to build stronger linkages with ADB's own strategic objectives, articulated in the early 1990s.

VI. Assistance policies and support for education

26. ADB's emphasis on poverty reduction, and on basic education as an investment priority, is consistent with that of the international assistance community. The International Working Group on Education¹³ reports¹⁴ that EFA in the context of poverty reduction remains a major focus of funding agencies in the education sector. According to the report, between 1991 and 1997, the absolute amount of overall bilateral assistance fell from \$56.7 billion to \$47.6 billion, but the proportion allocated to the social sectors increased to 30.5%, of which nearly a third was for education.

27. The World Bank, in its most recent education strategy paper,¹⁵ identified two global priorities: (i) reaching for international goals, especially basic education for girls and for the poorest; and (ii) improving the quality of teaching and learning. The strategy commits staff to focus on the client, build upon sector analysis and country plans, focus on development impact, and work in partnership with other agencies. The report points out that early interventions (e.g., early childhood development), innovative technologies, and systemic reform are key elements of the strategy to improve the quality of education.

28. The United Nations Educational, Scientific, and Cultural Organization (UNESCO), the lead agency for EFA, devotes much time and effort to EFA planning and information exchange. The 2000 global EFA conference in

¹³ An informal group of aid agencies whose planning committee is composed of representatives of the Aga Khan Foundation; the German Foundation for International Development; the Swedish International Development Cooperation Agency; United Nations Children's Fund; United Nations Educational, Scientific, and Cultural Organization; the United States Agency for International Development; and World Bank.

¹⁴ Working Group on Education. 1999. *Disadvantage, Dialogue and Development Co-operation in Education*. Paris: UNESCO, International Institute of Educational Planning.

¹⁵ World Bank. 1999. *Education Sector Strategy*. Washington, DC.

Dakar, coordinated by UNESCO, recognized education as a “fundamental human right.” The Dakar Declaration called for greater effort to reach minorities and to improve the quality of education. The declaration calls on the international community to (i) increase external finance for education, in particular basic education; (ii) strengthen sectorwide approaches; and (iii) provide debt relief or cancellation for poverty reduction. Recognizing that the “heart of EFA lies at the country level,” the declaration calls for more support for developing national EFA plans, reinforced by regional activities to exchange information and experience. The declaration estimates that achieving EFA will cost \$8.0 billion per year, and proposes new and concrete commitments by governments and bilateral and multilateral funding agencies, including the regional development banks.

29. The United Nations Children’s Fund (UNICEF) in its 1999 strategy paper focused on four EFA areas: (i) early childhood development, (ii) access to primary school, (iii) use of innovative technology, and (iv) girls’ education. UNICEF calls for more systematic sector planning in collaboration with other funding agencies. It also promotes decentralization of education as an essential strategy for empowering families and communities. UNICEF also recognizes the need to support education for children in situations of conflict and in emergencies.

30. The United Kingdom’s Department for International Development (DFID) has prepared a major statement on primary education,¹⁶ which declares its commitment to achieving universal primary education and demonstrating progress in gender equality, as priorities for development. DFID identifies a threefold strategy: (i) contributing to the development and coordination of policies and programs for EFA, (ii) ensuring well-targeted country programs for EFA, and (iii) developing knowledge and research strategies to strengthen sharing of lessons learned and to monitor progress. DFID proposes to work to influence international institutions to support EFA, strengthen partnerships for policy dialogue, encourage a sectorwide approach, and link EFA to other DFID concerns such as elimination of the worse forms of child labor. Finally, DFID identifies 10 main priorities for achieving universal primary education, including making primary education free and ensuring access for excluded children.

¹⁶ Department for International Development. 2001. *The Challenge of Universal Primary Education: Strategies for Achieving the International Development Targets*, London.

31. ADB's own education sector policy clearly reflects the consensus of the international community through its emphasis on poverty reduction, achieving the MDGs and the related EFA, improving access for girls, emphasizing sector analysis as the basis for systemic reform, and collaborating with other funding agencies within a framework of common goals and approaches. Strengthened collaboration with the larger funding community must therefore become in itself an important element of ADB's education sector policy.

VII. Role of the Asian Development Bank

32. ADB defined itself initially as a project-financing institution whose principal objective was to promote economic development. Its role during its first quarter century reflected that definition. However, as the social, economic, and political situation of the region evolved, so did ADB's role in serving its region. ADB reoriented its focus during the 1980s away from projects as such, to policies and institutions within the context of country strategies and sector policy papers. A 1989 external panel report¹⁷ recommended expanding ADB's role to include support for social development, thus recognizing that development does not simply mean the economic growth that was ADB's earlier primary focus. During the 1990s, ADB increasingly focused on crosscutting issues such as good governance, environmental protection, private sector development, and social development. In 1999, ADB strongly reaffirmed that its overarching priority is poverty reduction.

33. To facilitate its support for regional development, ADB has declared its intention to become a broad-based development institution that plays a number of roles and is not merely a provider of funds. ADB's focus on poverty reduction confirms a change in attitude to development. While ADB's comparative advantage lies in its knowledge of the region, it has the ability to offer finance and act as a catalyst for cofinancing, maintain long-term commitment, facilitate exchange of regional experience, provide technical expertise, be a source of policy advice, support sector and policy studies, and provide training for capacity building in such key areas as finance and governance.

34. As applied to the education sector, ADB's evolving role suggests that greater attention will be given to providing advice on education policies and finance, especially as these relate to achieving poverty reduction,

¹⁷ ADB. 1989. *Report of a Panel on the Role of the Asian Development Bank in the 1990s*. Manila.

through enhanced policy dialogue. It also suggests that ADB will more actively facilitate exchange of regional experience in key aspects of educational development, for example, policy reform, good practices in promoting quality and equity, and effective strategies for strengthening the use of information technology in education. ADB's changing role implies as well that more attention should be given in the education sector to defining the overall policy environment, building capacity in the sector, and introducing innovative approaches to address enduring issues. At a time when rapid technological change and a more competitive economic environment demand innovative responses, ADB should play the role of helping introduce, explain, plan, monitor, and institutionalize key innovations. Perhaps the most important role, however, is for ADB to use its vision and experience to help its DMCs develop policies and implement programs designed to ensure equitable access of the poor to quality education at all levels.

VIII. Dimensions of the education policy

A. ADB's vision for education

35. ADB's vision for education is simply stated: all children and adults will have equitable access to and complete education of sufficient quality to empower them to break the poverty cycle, to improve their quality of life, and to participate effectively in national development. To realize this vision, ADB support for education must be carefully targeted for maximum impact on the complex set of interrelated issues affecting the development of effective education systems. ADB support should therefore be provided within the context of education sector reform, that is, it should comprise a set of activities planned and delivered within an integrating policy framework that articulates a vision and sets goals. ADB's approach to education should evolve to lending within a policy framework over a sustained period, with emphasis on policies and interventions that most effectively reduce the poverty of the ultimate clientele of ADB—the poor people of the Asia and Pacific region.

36. This is not an argument for more program lending, but for linking project lending more carefully to frameworks for sector reform. Program lending provides resources in exchange for policy reform. Policy-linked lending means that all lending—including project lending—should be planned within a broad sector policy context, based on sector analysis, and conceived as part of a long-term strategy. ADB should help DMCs develop sector reform plans, and then support implementation, using carefully targeted lending. Of course, not all education issues can be solved by merely formulating better education sector policies. Broader national policies related to budgetary priorities, and broader social issues such as discrimination against women, cannot be resolved by education sector reform alone. But within these limits, education investment can be more effective if it is delivered within a context of sector policy reform with clear overall aims and strategies.

B. A policy-oriented approach

37. The fundamental purpose of policy is to articulate and clarify goals, and provide a conceptual framework to guide progress to achieve the goals. Policy is therefore to some extent a statement of vision, a declaration of what is to be achieved. Experience globally and regionally demonstrates that most of the basic issues of education development cannot be resolved in isolation from each other, and cannot therefore be resolved in the absence of a coordinated framework that establishes clear goals and priorities for reform, in other words, in the absence of sector policy. The focus of ADB's education investment should be on education sector development and reform, thus maximizing ADB's leverage and impact. Lending must be based on a sound sector analysis, and a clearly articulated sector policy framework that aims to facilitate progress to achieving stated goals, and resolving identified issues, with particular reference to improving access to quality education for the poor.

38. Resources should be invested in a set of activities linked to a comprehensive policy reform framework, a sectorwide approach, that facilitates coordination of investments within a longer term perspective. Funding classrooms and desks for girls, for example, should continue, but such investment will be far more effective if resources are also provided to develop policy incentives for increasing girls' enrollment, addressing policy constraints to training and recruiting female teachers, and ensuring equitable allocation of budgetary resources for schools enrolling large proportions of poor girls. Building new schools in poor regions will increase the number of places available, but will not necessarily increase enrollment and retention of the poor unless policies and incentives designed to decrease the cost of schooling to the poor and increase the equity of resource allocation to poor schools are put in place. The point is this: the impact of ADB investment in the education sector will be maximized if it is more carefully linked to sector policy development and reform, and targets investment funds at activities designed specifically to support implementation of policy reform.

C. Elements of a policy-oriented approach

39. Moving effectively to a lending program oriented to addressing key education issues in the context of sector policy reform entails several elements that must be addressed if ADB is to be successful in maximizing its contribution to education development in the region:

- (i) ADB should give much greater attention to sector analysis and to policy dialogue as the basis for effective lending for policy reform. Policy-oriented lending must be based on comprehensive sector knowledge, including macroeconomic policies and public finance, and detailed examination of policy options with the key sector players: government, the private sector, NGOs, communities, and beneficiaries.
- (ii) The shift to emphasizing policy requires that ADB take a longer term perspective of sector development, and in effect commit itself to a series of interventions focusing on high-priority goals and measurable targets within a sector policy framework. Sector reform cannot be effected through the occasional project; it requires sustained effort over a longer term of perhaps 8 to 10 years. It also requires careful attention to monitoring and evaluation, with focus on outcomes and impact rather than inputs, as well as the capacity to revise and adapt the nature of the intervention as circumstances demand.
- (iii) Emphasis on policy-based sector development requires greater use of diverse lending modalities. The overwhelming majority of ADB support to the education sector has been in the form of freestanding project investments. Modalities such as SDPs need to be more frequently utilized. This is not to say that project lending has no continuing role, but rather to argue that a broader repertory, and a different mix of lending modalities are desirable if education sector development is to give greater attention to policy reform—and that even project-based lending must be linked to policy reform.
- (iv) To maximize the impact on poverty reduction, education investments should be coordinated with investments in other sectors. Investment in education for the poor will be more effective if linked to parallel investments in, for example, health and nutrition. The many problems affecting the status of women might be better resolved through multipronged investments, combining nonformal education, maternal health care, nutrition enhancement, entrepreneurial skill development, and microcredit access. Early childhood development, parental education, environmental education, community development, school-feeding programs, and improved local governance are all necessary ingredients in helping the poor to benefit from education, and collectively they extend beyond the conventional reach of education projects.

- (v) Addressing education sector issues requires new approaches. A policy-oriented approach to education sector development should necessarily involve experimentation with new and different approaches. ADB must support the development of innovative approaches and technologies, especially information and communications technology (ICT). ADB must also more proactively promote the incorporation of new learning technologies in programs it is supporting.
- (vi) If the aim is to strengthen education in the context of policy reform addressing key issues, ADB is not, and should not be, the only player. To be effective, ADB should plan its sector investment program in the context of a policy framework developed through dialogue with the government, and in consultation with its development partners. Greater attention to aid coordination, and indeed more attention to joint aid support to implement a common policy framework, is essential.
- (vii) Governments, while they are the main source of education funds and the main provider of education services, are not the only source. The roles of the private sector, NGOs, and local communities should be recognized and enhanced through partnerships. In many ways, the government—certainly the central government—is the least effective provider of education because it is (a) often out of touch with community needs, (b) unable to respond quickly to changing demands, and (c) burdened with a bureaucracy that reduces cost-effectiveness. The private sector should become a closer partner of ADB, particularly in higher education and skills training. NGOs at both the national and community levels, must be involved more actively at all stages of the education development process (*Box 5*). Local communities—especially poor communities, which are increasingly the target of ADB support—should participate more actively in project design and implementation. Early and continuous participation by the intended beneficiaries is an essential ingredient of successful and sustainable development of education.

Box 5: Literacy, Nonformal Education, and Nongovernment Organizations

Eradication of illiteracy is a continuing challenge in the region. Expanding enrollment in primary school while improving primary school completion rates will eventually cut off the source of illiteracy. However, many adult illiterates still cannot attend primary school. Large numbers of young people have dropped out of school too early to acquire sustainable functional literacy. The needs of these groups of illiterates, or functionally illiterate, are best met through nonformal education programs that provide flexible programs that reflect the learning styles of adults and out-of-school youth. Such programs must almost by definition be community-based and directly responsive to community needs. Government agencies are seldom well-tuned to community needs, and programs of literacy delivered by government departments are often supply driven, centrally planned, and fairly inflexible with regard to individual learning requirements. Experience in many situations has shown that nongovernment organizations (NGOs) are much better at providing relevant, community-oriented literacy instruction. NGOs tend to be small and locally based. They tend to have closer community links and therefore a better understanding of community needs.

The common lack of effectiveness of government-provided literacy programs and the existence of many NGOs at the local level combine to lead to a logical conclusion: let the government support programs delivered by NGOs. This approach has been used in two nonformal education projects assisted by the Asian Development Bank (ADB).

In Bangladesh, about 44% of men and 23% of women are literate. NGOs have long taken the lead in providing literacy courses for adults at the village level, but NGOs are chronically underfunded and often lack the technical skills needed for effective program design and monitoring. In 1995, ADB provided a \$26.7 million loan for a project (cofinanced by the International Development Association, and the Government of Switzerland), designed to enhance the Government's capacity to provide technical support to literacy programs by strengthening policy, planning, and monitoring capacity, while leaving the delivery of literacy programs to the NGOs.

In the Philippines, the overall literacy rate is high, but 27% of the adult populations is estimated to be functionally illiterate. A wide disparity exists between regions; some areas have a functional literacy rate of up to 50%. A central government department was responsible for providing literacy programs through a network of over 2,000 part-time district nonformal education coordinators, but the centralized approach was not responsive to local needs. With assistance from a \$25.2 million ADB loan, the Government has been removing itself from the business of program delivery, while strengthening its capacity to provide technical support. The project provided a learning fund to which NGOs and community groups could apply for funding to conduct local literacy programs. The NGO was engaged in a

Box 5: Literacy, Nonformal Education, and Nongovernment Organizations (*continued*)

contract with the Government to train an agreed number of illiterates, and performance was measured by a standard literacy test. Over 300,000 learners have benefited from the program. The nonformal education project also developed alternative means to complete equivalent primary and secondary education, thus opening new opportunities for the poor to complete their education. The Philippines project was awarded the Noma Literacy Prize of the United Nations Educational, Scientific, and Cultural Organization for 2000.

40. ADB's education sector policy aims to maximize impact by shifting to flexible policy-based support built upon more comprehensive sector and policy study. Longer time frames will be used with multiple investments addressing key education sector issues: (i) focusing on poverty reduction with increased attention to cross-sectoral coordination, (ii) stressing introduction of innovative approaches and technologies, and (iii) increasing aid coordination and involvement of communities and NGOs.

D. Consequences of a policy-oriented approach

41. Just as education sector policy in a country must be prepared with a view to the larger national development agenda and the availability of resources, ADB's education sector policy—if it is to be successfully implemented—must be linked to the availability of resources and capacity within ADB. Successfully shifting in the direction described has several institutional consequences: (i) a staff skills mix with a greater emphasis on policy and sector analysis; (ii) greater attention to professional development to provide up-to-date skills and knowledge; (iii) a sufficient number of staff working in the education sector as project processing time increases to accommodate more consultation and dialogue with NGOs and beneficiary communities; and (iv) more attention (and thus more staff time) allocated to supervising project implementation. Successful policy reform, no matter how well planned and how well financed, ultimately is a matter of implementation, requiring greater attention to supervision and monitoring, continuous consultation with stakeholders, and constant review and revision of procedures and processes. In other words, to support and enhance the role of education in achieving the institutional objective of poverty reduction, ADB will need to strengthen its own capacity in the sector.

Implementing a policy-oriented approach yields benefits in terms of higher quality investments and more effective use of resources, but it also has implications: staff must be available in sufficient numbers and with adequate skills. More training opportunities, more occasions to interact and exchange views with colleagues in other agencies, more time to learn about good practices and new approaches, and new incentives to encourage creative and innovative approaches are also needed.

IX. Education policy principles

42. The basic principle of ADB's education sector policy is to maximize leverage and impact by orienting ADB support increasingly to education sector policy development and reform, particularly reform linked to poverty reduction. The corollary principles are (i) taking a longer term view with multiple, sequenced interventions; (ii) increasing the amount and improving the quality of sector and policy work; (iii) using a greater variety of lending modalities, especially those best suited for supporting policy reform; and (iv) increasing cross-sectoral coordination to better address poverty.

A. General priorities

43. The principal priorities for education sector development are reducing poverty, enhancing the status of women, and facilitating economic growth. Subsidiary priorities linked to achieving these are

- (i) increasing equity, access, and retention, especially for the poor, women, and other marginalized groups;
- (ii) improving quality of education;
- (iii) strengthening management, governance, and efficiency; and emphasizing greater stakeholder participation;
- (iv) mobilizing resources for sustainable education delivery, in particular facilitating the role of the private sector, while protecting access by the poor to affordable basic education;¹⁸
- (v) strengthening collaboration with partners and beneficiaries; and
- (vi) emphasizing more experimentation with, and dissemination of innovative strategies and technologies.

¹⁸ Basic education should be free and is provided free by most governments. Poor children, however, are disadvantaged by the "associated costs" of schooling such as uniforms, transportation, and school supplies, which governments generally do not provide.

These six subsidiary priorities are in a sense not new, because the issues they seek to address are perennial. What is new is (i) ADB's determination to focus its efforts to address these issues with particular reference to poverty reduction, and (ii) ADB's determination to approach resolution of the issues through a broader sector policy reform framework and to seek greater leverage for its investment.

1. Reaching the poor

44. The priorities are to increase the access of the poor (especially girls) to affordable basic education, and to assist governments to develop pro-poor education policies and strategies to ensure equitable allocation of resources to disadvantaged groups. Designing interventions to reduce drop-out from school will be a major thrust, since the poor are most likely to leave before finishing primary school. ADB will support programs for "reaching the unreached"—including children in remote and usually poor regions; ethnic minority children; and marginalized children such as working children, street children, and disabled children who are often excluded from schooling or assigned to specialized institutions that isolate them from the mainstream. The learning environment, e.g., the students' immediate surroundings, also influence learning outcomes. Even if the poorest students have access to education, they often suffer most from ill health. A child's health affects the child's ability to learn. Health programs and school health services, such as deworming and micronutrient supplements, will help to solve some of the most immediate problems, and should be part of interventions to reach the poor and disadvantaged.

45. While strategies must be adapted to particular situations, in general ADB will seek to develop flexible approaches to basic education delivery, including nonformal and community education for adults as well as children. ADB will encourage development of equitable resource allocation formulas that recognize and seek to compensate for differences between schools and communities in their ability to provide supplementary budget resources for education. ADB will give greater attention to early childhood development in recognition of its impact on enhancing the capacity of poor children to take better advantage of later formal schooling opportunities. ADB will also encourage development of policies and strategies to ensure that government resources are targeted at basic education as a public good, rather than disproportionately at higher education where cost recovery from beneficiaries is more justified. Finally, ADB will promote policies and strategies to enhance equity of access to higher education and skills training opportunities for women and the poor.

2. Improving quality

46. Quality, by definition, is an elusive goal. The degree of quality perceived will almost always lag behind the degree of quality expected or required. Continuous investment in education quality is thus needed, especially since there is a positive correlation between quality and the demand of poor households. ADB will support quality improvement at all levels of education and training, with particular emphasis on attainment. ADB will support efforts to define minimum standards, and to strengthen quality monitoring through better assessment at the classroom and national levels. It will concentrate on improving the quality of instruction at the classroom level (basic and higher education). ADB will give greater attention to experimenting with, evaluating, and institutionalizing innovations designed to enhance learning to focus on the development of critical thinking and problem-solving skills at all levels, and to meet the needs of poor families. Curriculum reform, including curricula that meet local needs, and take full account of HIV/AIDS realities will also be emphasized. ADB will continue to support provision of teaching and learning materials in all subsectors, but with greater attention to low-cost and locally produced materials, and to improving overall materials development and delivery systems (as opposed to improving printing and publication capacity alone). Teacher training and development, and improvements in teacher service conditions and incentive structures, including the promotion of community support, are other areas for support. In higher education, and skills training, ADB will give priority to supporting activities designed to strengthen accreditation, establish standards, and monitor achievement of standards.

3. Strengthening management, governance, and efficiency

47. ADB will continue to support the general trend to decentralize education management where appropriate. Among the types of support that could be provided by ADB are (i) supporting organizational restructuring, role redefinition, and capacity building of central education ministries to reflect their changing responsibilities in a decentralized system; (ii) developing capacity at the provincial, district, and school levels in planning, administration, and financial management; (iii) strengthening community participation in school management to improve accountability, increase transparency of decision making, and enhance ownership; and (iv) capacity building for institutional autonomy for higher education facilities. ADB will intensify its support for the development of education management information systems, with increased emphasis on (i) providing long-term

support through a series of interventions spread across several projects, and (ii) strengthening the capacity and willingness of education policymakers to use education management information systems proactively to assess the extent to which sector reform is being effectively implemented. ADB will also provide support, when required, for drafting legislation and regulations needed to facilitate programs of education sector reform. Finally, ADB will provide technical assistance to help governments identify major constraints to improving the efficiency of resource utilization at all levels of education, and to develop policies and programs to address those constraints.

4. Mobilizing resources for sustainable financing

48. ADB will provide technical assistance to help governments formulate policies and programs to enhance cost-sharing and cost recovery to lessen the burden on government, although with careful attention to maintaining or increasing support for women, the poor, minorities, and other disadvantaged groups for whom basic education should be free. ADB will assist governments in developing policies and strategies to increase local generation, retention, and control of revenues for education through, for example, revised taxation codes. ADB will actively support private sector education institutions and education-related industries and services through direct lending, and through assistance for governments to formulate policies and regulatory frameworks and develop roles conducive to the growth of the private education sector, for example, providing tax incentives, and outsourcing provision of student places and education services to the private sector when this is clearly the more cost-effective alternative.

5. Strengthening collaboration with partners and beneficiaries

49. ADB recognizes that achieving its goal of poverty reduction, and maximizing the contribution of its education investment to that goal, requires it to work in close collaboration with other development partners. Education reform can only be achieved through the joint efforts of all players—ADB, governments, other funding agencies, NGOs, and the communities and beneficiaries themselves. ADB will therefore seek to strengthen its cooperation with its development partners, for example, through the country and strategy programs, in education sector work, and through sectorwide or subsector approaches to education programs. Resident missions will help support partnerships at the country level. ADB will more actively seek the views of NGOs, and encourage NGO involvement in project design, service

delivery, and monitoring. It will seek to involve communities, especially poor communities, more substantially in managing education locally and through the schools.

6. Supporting innovation

50. ADB will provide more support for the application of appropriate forms of ICT to leap frog conventional means of providing instructional resources. ADB will support development of information technology policies and strategies for the education sector, and seek to link these to improving the efficiency and quality of education at all levels. ICT, for distance education, offers enhanced opportunities to improve quality in teacher training and higher education. Connecting educational institutions to the Internet, coupled with appropriate investment in training and equipment maintenance, should be even more important than traditional support for library development. Facilitating Internet linkages between regional and nonregional universities, for example, can expand access to higher education while improving the quality of instruction in local institutions. ICT can also be used to support regional cooperation through existing networks to facilitate exchange of education experiences, methodologies, and ideas. Experiments in many countries have also demonstrated the potential of the Internet to bring immediate change to the lives of the poor by providing them with direct access to needed information. The challenge for ADB is to systematically incorporate ICT strategies into the education sector component of country assistance programs that are suitable to the context, sustainable and affordable, and directly promote access to and quality of education.

51. Innovation, of course, means more than supporting ICT. It means developing and adapting new approaches to deal with a range of issues. Often, the problem is not identifying a new approach, but adopting it and integrating it with the education system. The region abounds in examples of good practices that have been developed on a small scale—often by NGOs—but never expanded or mainstreamed. Reasons for this include higher costs, lack of trained staff, unwillingness to accept change, and lack of understanding. ADB should seek out and evaluate innovative practices, and ensure support for incorporating them in the education system, especially innovations that will improve access and quality of education for the poor.

B. Subsector priorities

52. The principle of flexibility is strongly supported in this paper as a fundamental element of any policy framework. Given the region's diversity, a prescriptive and preemptive policy is both undesirable and untenable. The paper identifies basic and corollary principles on which ADB's education sector policy is based. While the policy principles may be relatively immutable—that is, poverty should always be the focus, and improvements in equity, quality, and efficiency should always be aimed for—priorities for subsectoral allocation of resources will vary from country to country depending on economic and social circumstances. The following discussion identifies priorities within each of the major education subsectors, but the proportion of resources allocated to any particular subsector must always be determined in the context of a particular country's needs and development goals, both of which will change over time. ADB's investment in the education sector of each country must be based on a process of sector analysis and policy dialogue with the government, and an overall sector policy framework, recognizing that each country is unique and that ADB support must be flexibly provided.

1. Literacy and nonformal education

53. An enormous body of experience and literature exists on issues, methodologies, and good practices for providing literacy. Yet illiteracy persists for many reasons: lack of adequate funds, lack of political will (especially since illiterates are predominantly poor women who often lack political visibility), inadequate management of existing programs, insufficient public awareness to generate greater demand for literacy, inadequate understanding by governments of the enormous social and economic cost of illiteracy, to name only a few. This lack of attention needs to be redressed in the context of ADB's increased attention to poverty reduction by including adult literacy activities in programs of other sectors, such as rural development, designed to benefit the poor.

54. Nonformal education brings education, especially basic education and literacy, to ethnic minorities and other marginalized groups that for whatever reason have not availed of formal schooling. ADB has tended in its education investment portfolio to concentrate on formal education, although it has supported nonformal education projects in Bangladesh and the Philippines, and projects are being planned by other countries. ADB will expand

support for innovative, responsive, and flexible nonformal education, particularly in collaboration with NGOs, as part of an overall poverty reduction strategy. ICT applications will be especially considered.

2. Early childhood development

55. Investment in early childhood development, with its emphasis on the health, nutrition, and education of the young child, demonstrably leads to improved learning capacity and reduced dropout from school, and gives disadvantaged children a head start in their effort to break out of the poverty cycle. However, most countries in the region have low early childhood development participation rates; typically children who participate represent middle- and upper-income families, whose home environments tend to already provide adequate food and stimulation. The children of poor families, who are most in need of early childhood development, are usually those least likely to receive it because their families cannot afford the type of formal, institution-based early childhood development that is most commonly available. ADB will expand its support for early childhood development with special emphasis on low-cost, community-based provision of services, especially in the broader context of social protection and poverty reduction.

3. Basic education

56. Given the fundamental importance of basic education as a human right, and as the basis for human and economic development, ADB will give priority to investment in basic education (i) in countries where universal access (especially for girls) has not been achieved, (ii) in situations where poverty and serious equity constraints combine to deny access to and completion of basic education by the poor, and (iii) in countries where the quality of basic education—especially the quality of the education provided to the poor—is inadequate (*Box 6*). ADB believes that basic education should be free of charge. It recognizes, however, that while tuition may be provided free, textbooks and school supplies are often not provided. In addition, the cost of uniforms, shoes, and transportation (not to mention opportunity cost) are borne by the family of the student. Poor children and girls are much more likely to drop out of school or not to enroll even when available. ADB will actively engage in policy dialogue with governments to identify strategies to assist poor children and girls, including targeted subsidies, scholarships, and special incentives.

Box 6: Girls' Primary Education in the Lao People's Democratic Republic

Almost half of the population of the Lao People's Democratic Republic (PDR) belongs to ethnic minority groups, and 86% of the population is engaged in subsistence agriculture, often in remote mountainous districts. With a per capita income of \$360, the Lao PDR is one of the poorest countries in the world; 46% of the population live below the official poverty line, and 88% of those live in rural areas. Human development indicators are poor: life expectancy is 51 years, the fertility rate is 6.7 births per woman, infant mortality is 93 per 1,000 live births, and maternal mortality is 650 deaths per 100,000 births. The literacy rate among ethnic groups such as the Hmong is 46% for men, and only 8% for women.

The overall net enrollment rate is 74%, but the cohort survival rate is less than 40%—indicating that 60% of children drop out of school before finishing the 5-year primary cycle. Ethnic minority girls are especially disadvantaged. Many families do not enroll their daughters because they are needed to work at home. Since only half of the 8,000 primary schools are complete (that is, have all five grades), children must often walk considerable distances to a village that has a complete primary school. Girls who do enroll in school in their village often do not continue beyond the first two grades because it is not feasible for them to walk long distances to their villages.

The Asian Development Bank-assisted Basic Education (Girls) Project¹ provides a good example of an effort to address the needs of the rural poor, especially poor girls. The project employs several strategies to enroll more ethnic minority girls in school and to keep them there. It provides for community mobilization to involve parents more actively in the village school and to encourage them to keep their daughters in school. Multigrade schools will be established in villages with incomplete schools so that children do not have to travel to other villages to complete the full primary cycle. Special efforts are being made to recruit and train female ethnic minority teachers who will be provided with more supervisory support in the classroom. Locally adapted curriculum materials are being developed to complement the national core curriculum and cater to the special needs of girls in the village.

¹ Asian Development Bank. 1998. *Report and Recommendation of the President to the Board of Directors on Proposed Loan to the Lao People's Democratic Republic for the Basic Education (Girls) Project*. Manila.

57. In countries where access is high, but low retention rates are a continuing problem (especially among the poor and the disabled), ADB will support alternative approaches to conventional schooling to ensure that all children are able to at least complete primary school. ADB will also consider assistance for governments to upgrade and mainstream schools such as madrasahs and NGO-run schools. ADB will support the development of 9-year basic education in countries that are expanding their period of compulsory basic education as part of an overall effort to upgrade the quality of human resources. ADB will continue to support teacher training programs, both preservice and in-service, but give more attention to (i) developing effective teacher supervision programs; (ii) training principals in leadership, school management, and community relations; (iii) reforming teaching service conditions; and (iv) applying low-cost teacher training approaches. ADB will support curriculum development, especially if it (i) reflects local culture; (ii) develops local capacity; (iii) focuses on inculcation of specific learning skills (as opposed to content retention); and (iv) uses local languages, at least at the initial stages of formal education. Application of appropriate ICT strategies for basic education will be developed, taking into account local priorities, capacities, and constraints. ADB priorities for basic education include (i) ensuring equitable access and resource allocation, (ii) improving quality, and (iii) strengthening community involvement and local management.

4. Secondary education

58. At the level of upper secondary education—the transition level between basic and higher (or postsecondary technical) education—difficult decisions must be made, including (i) clarifying the purpose of upper secondary education, (ii) determining the size of the subsector, and (iii) identifying who pays the cost of providing education. In many cases, upper secondary education is bifurcated into two parallel and separate streams: academic and vocational. Evidence from many countries suggests that such streaming is not cost-effective because the labor market often treats the graduates equally, even though the unit cost of a vocational graduate is usually several times that of an academic graduate. Since children of lower income groups tend not to enroll in upper secondary education, the case for free government provision is not strong. Moreover, government provision often competes directly with the private sector in situations where the private sector is more responsive to labor market demand, and can produce the skills required at a lower unit cost with no loss of quality. Programs of expansion of publicly financed upper secondary education should

be rigorously scrutinized to ensure that these are the least-cost alternative, and that provision is made to enhance access to the poor and to girls through targeted scholarship assistance. In countries where investment in upper secondary education is appropriate, ADB will give particular attention to improving its quality, while ensuring that (i) cost-sharing is enhanced, since upper income groups tend to be disproportionately enrolled at this level; (ii) private sector provision is encouraged through an appropriate policy environment; and (iii) special programs are established to enhance participation by girls and the poor.

5. Higher education

59. Countries at all stages of development require the knowledge and skills of persons with higher education. Higher education produces the analytical, research, and management skills essential for sound economic management, and for maintaining economic competitiveness. Higher education also plays a key role in achieving basic and secondary education, for example, by training teachers and professionals for curriculum design and educational research. The question is thus not whether investment in higher education is justified, but rather what is the government's role in ensuring that a sufficient number of higher education graduates are available. A strong argument exists for governments to focus their role on creating a supportive policy environment for private sector provision, determining and assessing standards of performance, setting broad national policies, and developing an accreditation mechanism. Where demand for higher education can be met by the private sector, little justification exists for the government to compete with the private sector by providing subsidized higher education at unit costs often higher than those in private institutions.

60. Higher education tends to enroll persons from upper income groups, benefits the graduate by ensuring higher lifetime earnings, and often consumes a disproportionate share of the national budget, compared with basic education, which serves a much broader spectrum of society. This situation raises major questions of equity. A common argument is that government resources should be predominantly allocated for basic education, and that those who benefit from higher education should pay the cost themselves. However, in the interests of equity, governments should provide some form of targeted support to help ensure that the poor have access to higher education (but not necessarily government-provided education).

61. ADB's priority in higher education will be capacity-building for the improvement and management of basic and secondary education, especially the training of teachers. In countries well ahead in attaining universal primary education and gender parity in basic education, ADB will support the development and expansion of higher education, focusing on (i) enhancing the role of the private sector, including direct lending to appropriate private institutions, and creation of a regulatory environment; (ii) developing government capacity for policy formulation, setting and monitoring standards, and accreditation; (iii) improving quality; (iv) helping programs to increase equity of access for girls and the poor; (v) improving cost-effectiveness, establishing financial sustainability, and improving institutional governance; (vi) catalyzing development of specialized high-priority research and development activities that cannot yet be funded by the private sector alone; and (vii) strengthening the application of ICT to higher education. In countries where investment is justified, but where provision is largely funded by government, ADB will support development of a long-term plan to encourage a greater role for the private sector.

6. Skills development

62. To maintain productivity and competitiveness, countries must ensure that the current workforce is able to constantly acquire new skills and improve existing ones, and that new entrants to the workforce have an adequate skills base. This requires a country to develop policies and strategies to facilitate constant upgrading and adapting of worker skills, while ensuring that preemployment skills training is flexible and relevant to changing skill demand. Sometimes governments provide supply-driven technical and vocational or skills training programs at high unit cost, in direct competition with the private sector, and of such poor quality and relevance that graduates do not gain in employability or productivity. The region nevertheless contains good examples of clear and effective skills development policies, for example, Republic of Korea; Singapore; and Taipei, China have ensured availability of needed skills within the framework of an effective national skills development policy, linked to an economic development strategy. Attention will also be given to development of nonformal training programs in entrepreneurial and income-generating skills for the poor, as well as to ICT applications for skills training delivery.

63. ADB will support skills development, both preemployment and upgrading of workforce skills by (i) developing government capacity to coordinate (but generally not to provide) skills training, and to establish

and monitor skills standards; (ii) encouraging private sector provision of training by helping governments to establish conducive policy environments and incentives; (iii) strengthening public-private partnerships for skills training; and (iv) helping to establish skills development funds that can be used by agencies such as NGOs and community groups to provide nonformal skills training for the poor, especially poor women. Support for government provision of skills can be justified in the absence of a private sector alternative, but even then the strategy should be to help create a facilitating climate and a concrete strategy for the devolution of skills training to private sector institutions over the long term.

X. After the policy paper

64. Development of the education sector policy is only the beginning. It defines ADB's vision. It sets out ADB's goals for the development of education as an element of ADB's overall development strategies and priorities. Implementing the policy requires several essential actions. The policy principles must be articulated and applied in education sector strategies/sector road maps as part of the country strategy and program for each DMC. The framework of education sector reform to be supported by ADB must be clearly formulated, and subsectoral priorities and strategies must be stated in a manner consistent with overall sector policy principles. These strategies/road maps must be based on sector analysis and dialogue with governments and other partners, link education investment to overall poverty reduction, and support the overall country strategy and program. The country strategy and program should form the basis for identifying specific investment projects and programs over the medium term. Above all, the sector strategies/road maps must clearly demonstrate how ADB investment in education will contribute to poverty reduction in each country, and to the attainment of the MDGs.

65. Finally, implementation of the policy must be monitored to determine whether ADB is in fact providing the type of support required to achieve the policy goals—the vision articulated in the policy paper and detailed in the country education sector strategy/sector road map. The policy will be revised and adapted after 5 years to address shortcomings and unanticipated needs. This process of monitoring policy implementation, and revising it in general and its application to particular countries as circumstances warrant, can only be done through systematic review and collection of data. Acceptance of the policy should thus be followed by continuous and systematically planned efforts to assess its impact, and to ensure its continuing relevance. Development of the policy is only the first step to reaching ADB's vision of supporting quality education and skills training that maximize poverty reduction and pro-poor sustainable economic growth.

66. Monitoring involves several levels, including (i) ADB overall resource allocation patterns by sector, (ii) nature of education sector lending, (iii) achievement of specific targets such as net enrollments, student achievements, or textbook ratios, (iv) progress toward the MDGs, and (v) performance of country policies and investments. On an annual basis, ADB should monitor sectoral lending patterns, with the aim of ascertaining whether sufficient resources are being allocated to sectors, and to activities that promote the MDGs. Monitoring should also examine the subsectoral distribution of resources within education to determine whether investments target areas, e.g., basic education for the poor, that contribute most substantially to the MDGs and to poverty reduction, are prioritized. For each country, ADB should monitor progress toward the MDGs as the ultimate indicator of success. Such monitoring can be done by country and by sub-region. In the interests of efficiency and consistency, MDG monitoring should be undertaken in collaboration with other agencies, such as UNICEF and UNESCO, which already have established systems for collecting data on key social indicators. Finally, monitoring—which is useful only if its results are actually used to guide subsequent actions—should be a key feature of country strategic plans, which themselves form the basis for ADB investment. Monitoring of the implementation of the education policy should ultimately be seen as part of a larger process—the achievement of the MDGs and poverty reduction.

67. To help implement the policy, ADB currently has about 15 staff working in education in the regional departments. After the reorganization, they are complemented in their work by economists, poverty reduction specialists, and social development specialists. The staff strength is considered adequate to implement the education policy with current education sector investment demands, and no staff increase is immediately needed. If demand for education investment increases in the future, however, the staffing needs will have to be carefully assessed.

68. Specific follow-up actions include the following.

69. **Setting Targets.** Incorporate the MDGs and related education indicators into the country strategic plans, and set MDG-related country targets.

70. Support DMCs in compiling data annually on key education indicators (especially those related to the MDGs, and access to education by the poor),

with the intention of using the annual updates to guide ADB country lending strategies and resource allocation.

71. **Increasing Assistance.** Increase education assistance, and concentrate education investment for those countries where primary and lower secondary enrollment and completion rates and the ratio of boys to girls are low. In countries with higher rates, focus on ensuring that poor children, especially girls, have equitable access to and complete basic education of adequate quality.

72. **Facilitating Dissemination.** During 2003, conduct a series of in-house seminars to discuss the education sector policy and implementation approaches with key constituents, including staff from the Operations Evaluation Department, the Strategy and Policy Department, the Economic and Research Department, regional departments, and resident missions.

73. **Promoting Sector Coordination.** Advocate for effective government-led education sector coordination among funding agencies, within an agreed policy and strategic framework.

74. **Preparing Country Strategies.** Prepare an education sector strategy and sector road map for each DMC in the context of the country strategy and programming process, to guide ADB investment in the sector, based on (i) new or existing sector work, and/or policy and strategic framework; (ii) dialogue with the DMC through country programming missions and special education policy dialogue missions; and (iii) consultation with key ADB internal players, including the Regional and Sustainable Development Department, and Economics and Research Department; and ensure that the strategy is incorporated in the country strategy and program.

75. **Strengthening Advocacy.** Undertake public expenditure reviews in the context of the country strategy and programming process every 3 years starting in 2003, and advocate strongly that DMCs below the subregional average for education expenditure, as a proportion of total public expenditure, allocate an appropriate share of budgetary resources to basic education, particularly for girls and the poor.

76. Advocate more actively during policy dialogue with governments on behalf of increasing resource allocation (government and external funds) for MDG achievement.

77. **Monitoring Progress.** Conduct, by the end of 2005, a comprehensive review of the implementation of the education sector policy paper; examining in particular the extent to which the poor have gained better access to basic education.

78. Assess the status of each of the follow-up actions proposed in the policy paper.

79. **Updating Policy.** Undertake, after 5 years, a comprehensive review of the education policy paper, and revise it to reflect changing needs and circumstances, as well as lessons learned from the implementation of the current education policy.

XI. Recommendation

80. It is recommended that the Board approve the (i) policy contained in para. 43 with subsequent elaborations (paras. 44-51); (ii) subsector priorities in paras. 53-63; and (iii) followup actions proposed in paras. 69-79.

Appendixes

Number	Title	Page
1	Education and development	56
2	Education in the region	61

Education and development

1. Education is universally acknowledged as an essential element in the process of national development. The fundamental purpose of investment in education is to empower people with the knowledge, skills, values, and attitudes to improve their quality of life, enhance their productivity and their capacity to learn new skills, and enable them to participate more fully in the development process. So essential is education to human development that access to basic education is now considered a human right, and not merely an ingredient in the recipe for economic development. The right to education is recognized in the Universal Declaration of Human Rights, adopted by the United Nations General Assembly in 1948 (*Box A1.1*), and in a series of treaties including the International Covenant on Economic, Social, and Cultural Rights (1966), the Convention on the Elimination of All Forms of Discrimination Against Women (1981), and the Convention on the Rights of the Child (1990).

Box A1.1: Article 26, Universal Declaration of Human Rights

1. Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.

2. Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance, and friendship among all nations, and racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

3. Parents have a prior right to choose the kind of education that shall be given to their children.

Source: United Nations. 1948. *Universal Declaration of Human Rights*. New York.

A. Education and human development

2. Access to education is essential for social development. In particular, investment in the education of women (*Box A1.2*) yields high development dividends in the form of reduced fertility rates, lower infant mortality, improved child nutrition, and greater likelihood of enrolling children in school. Generally, a country's literacy rate and primary and lower secondary participation rates are accurate predictors of performance on a range of other key social development indicators. Investment in education is closely linked with several key social indicators and therefore creates synergy with investments in other sectors, particularly health and nutrition (*Box A1.3*). The literacy and primary education enrollment rates (especially those for women) of a country are the most effective proxy indicators of the country's overall level of human development.

Box A1.2: Impact of Women's Education

Investing in women's education results in substantial gains and economic benefits. Female education produces social gains by improving health, increasing child schooling, and reducing fertility by increasing the demand for family planning and promoting more effective contraceptive use. Economic benefits are increased by female education as it increases the value of women's time in economic activities by raising labor productivity, level of employment, and wages; and creates competition for women's time spent in child bearing and rearing in favor of smaller family size. The impact on social gains and economic benefits to be derived from educating women provides strong justification and rationale for the Asian Development Bank and its developing member countries to invest in women's education.

Social Gains. Educated women have fewer children, thus improving family income and access to health, family planning, and educational services. In South Asia, women with no education have seven children on average; women with at least 7 years of education have fewer than four children. Educated women have healthier children; in Africa, one out of five children dies before the age of 5 if the mother has no education; the probability is more than halved for children whose mothers have 7 years of education.¹ Educating women has a stronger positive effect on children's health than educating men as mothers spend a higher proportion of their own income on children than do fathers. Mothers are also much more

¹ Birdsall, N. 1993. *Social Development in Economic Development*. Working Paper, WPS 1123, World Bank, Washington, D.C.

Box A1.2: Impact of Women’s Education (*continued*)

closely involved in the immediate care of children and in the critical decisions about food, sanitation, and general nurturing, all of which affect children’s health and development. Longer spacing between births leads to healthier children.

Economic Benefits. Economic benefits are derived from female education as it provides women with greater opportunities for employment and income, and increases the opportunity cost of their time in economic activities, compared with child rearing. Such economic gains motivate families to have fewer children, build the demand for family planning services and more effective use of contraceptive methods, and lead to fertility decline. The vicious cycle of high birthrates, high maternal and infant mortality, and endemic poverty has been transformed into a virtuous circle by investing in human capital-enhancing labor productivity, reducing fertility and mortality, raising economic growth, and thus securing domestic resources for investments in people.²

² Birdsall, N. and R. Sabot. 1993. *Virtuous Circles: Human Capital, Growth and Equity in East Asia*. World Bank, Washington, D.C.

Source: Asian Development Bank. 1994. *Population Policy Paper: Framework for Assistance in the Population Sector*. Manila.

B. Education and sustainable economic growth

3. In an increasingly competitive international economic environment, investment in education becomes an indispensable instrument to help maintain comparative advantage. Successful transitions from subsistence agriculture to modern agriculture, from basic industry to higher technology, from manufacturing to provision of services, all depend on the quality of human capital; and the quality of human capital depends to a large extent on investment in the social sectors, including education, health, and nutrition. Investment in education, especially in basic education, has a high rate of return—that is, the value of the benefits to the individual and to society exceed the cost of the investment by a large margin. Experience clearly demonstrates that investment in basic education is a prerequisite for economic development, and that continuing investment in education quality at all levels, together with development of appropriate skills for the workforce, is a prerequisite for continuing economic growth, particularly in an era of rapid and revolutionary advances in information and communications technology (ICT). Workforce skill development facilitates

the shift to higher-order technology, improves productivity, and helps to maintain economic competitiveness. Higher education sharpens the cutting edge of development by fostering capacity for innovative research, strengthening higher-level management skills, and enhancing local research and development capacity. Continuing and adult education programs allow individuals to pursue both professional and personal development over a lifetime.

Box A1.3: Education and Nutrition: Some Disturbing Facts

- Children with iodine or iron deficiency or severe protein-energy malnutrition have lower intelligent quotients.
- Malnourished and frequently ill preschoolers are listless, play less, and learn less at home.
- Malnourished and frequently ill children have poor school attendance and are more likely to drop out of school.
- Malnourished children have a shorter attention span and less learning capacity.

Source: Various research reports.

C. Education and social development

4. Education, as the primary instrument for the transmission of social and cultural values, plays an essential role in social development. Education is an important means of facilitating and directing social change. Children (and adults) who attend school are exposed to new ideas, concepts, and attitudes that form part of the basis for social change. The process of attending school has a profound impact on the development of what is often called “modernity,” that is, the set of values and attitudes essential for functioning effectively in the evolving societies of the developing world. Education promotes peace and stability through, for example, peace education, including equity, justice, security, and intercultural education. The socialization obtained by attending school includes such values as punctuality, following instructions, managing time, planning work, focusing attention, adhering to rules, and being receptive to new concepts, thus helping to develop persons better suited to function effectively in a changing society. Finally, education plays an important role in cultural transmission. Transmission of culture, appreciation of cultural heritage, understanding of national history, and inculcation of basic cultural values are all increasingly left to the schooling process as traditional societies change.

D. Education and governance

5. Education is a powerful tool for introducing members of a society to the system of government, and the concept of governance. The school curriculum always includes considerable attention to the essential ideas of nationhood and government, and to the operation and structure of government. Participation by children in classroom committees and school government lays the foundation for participation as adults in local government. Educated persons are more likely to vote and participate in local and national government. They avail more frequently of government services such as health and agricultural extension training. They are more likely to demand better and more accountable government, thus creating demand for improved governance. Improving school governance by increasing community involvement offers an excellent opportunity to inculcate appropriate skills and attitudes in the community as a whole. Education empowers, and a major manifestation of empowerment is the demand for better governance. Perhaps the single most important thing that can be done to promote good governance is to facilitate access to information and knowledge since this forms the basis of decision making and concerted action.

Education in the region

1. In a region as socially and economically diverse as Asia and the Pacific, the status of education varies greatly. While generalizations may be difficult, development of a framework is still possible—even essential—to guide education sector investment based on current and emerging issues. Trends must be analyzed, and good practices and successful policies identified to guide future investment. Perhaps the most important considerations are (i) reflecting individual country differences when planning an education investment strategy; and (ii) developing a responsive and adaptive, rather than prescriptive and preemptive, policy to fit changing national and regional contexts.

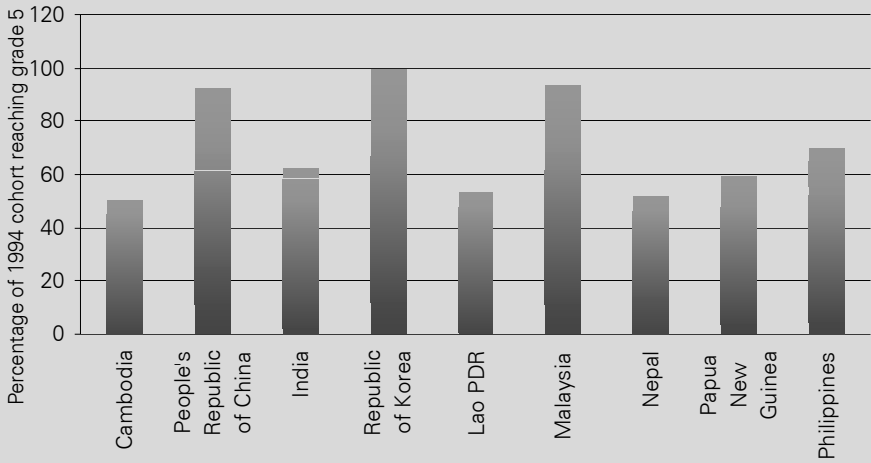
2. **Access and Equity.** Access to education improved substantially over the last 20 years. Since 1980, the regional adult literacy rate, a key indicator of human development has risen from 61% to 73%, but female literacy rates overall are still only half the rate for males. In absolute terms, the number of illiterates in the region has increased from 647 million to 651 million, and the number of female illiterates from 410 million to 422 million. Illiterates, particularly female illiterates, are heavily concentrated in South Asia. Despite its progress, the Asia and Pacific region still accounts for almost three fourths of the world's illiterates, and it is the illiterates who are poor.

3. Universal primary education has nearly been achieved in most countries of East and Southeast Asia and the Pacific, and many countries are now increasing the period of compulsory basic education to include primary and lower secondary schooling (9 years). However, many South Asian countries continue to invest too little in primary and lower secondary education, with the result that many children, especially girls, do not have access to schooling. Enrollment rates in higher education have also increased since 1985: in South Asia from 5.3% to 6.5%, and in East Asia from 5.4% to 8.9%, but these are still lower than the demand for higher-level skills experienced in many countries. Increased enrollment figures in basic education mask the fact that poor children are not enrolled: children of minority groups, children in remote areas, working children, street children, and disabled

children. Equity of access is a continuing problem. Furthermore, the children of poor families are most likely to drop out before completing primary schooling, or are least likely to make the transition to secondary school even when access is available (*Figure A2.1*), leading to even greater inequity of opportunity for the poor in accessing higher education and skills training.

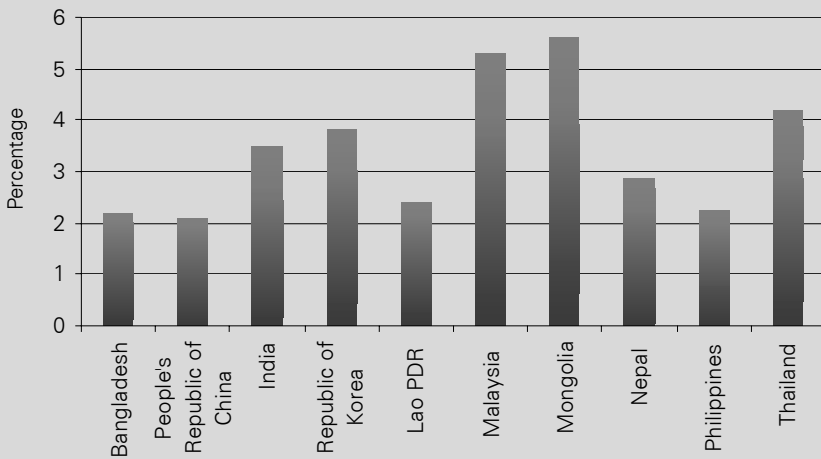
4. **Quality.** Simply having access to school and attending classes is not sufficient to make a difference in the lives of children if the quality of education, that is, the degree of mastery of core skills and knowledge, is inadequate. Most countries of the region have a continuing problem with quality, manifested by the large number of children who complete basic schooling but who still lack the literacy and numeracy skills necessary to improve the quality of their lives or to become productive workers. The children of the poor are most likely to receive poor quality education. Poor quality is a function of inadequate investment, insufficiently trained teachers, inadequate instructional materials, poor classroom management, and often the language of instruction (which may be different from the mother tongue of the child). These are compounded by the fact that children of poor families receive inadequate health care and nutrition from birth (or even before birth), thus reducing their mental and physical capacity to learn. Improving access to quality education for the poor must be an essential element of a poverty reduction strategy. The quality of higher education is often poor as well, and programs of study frequently do not reflect the types of skills needed by the economy. Education at all levels often focuses on teaching facts for memorization and recall, rather than teaching the application of knowledge, and the critical thinking and problem-solving skills called for in modern economies. Furthermore, quality is often monitored by poorly designed national examinations that reinforce rote memorization, and provide insufficient feedback for teachers to use in improving classroom practice.

Figure A2.1: Primary School Retention Rate in Selected Countries



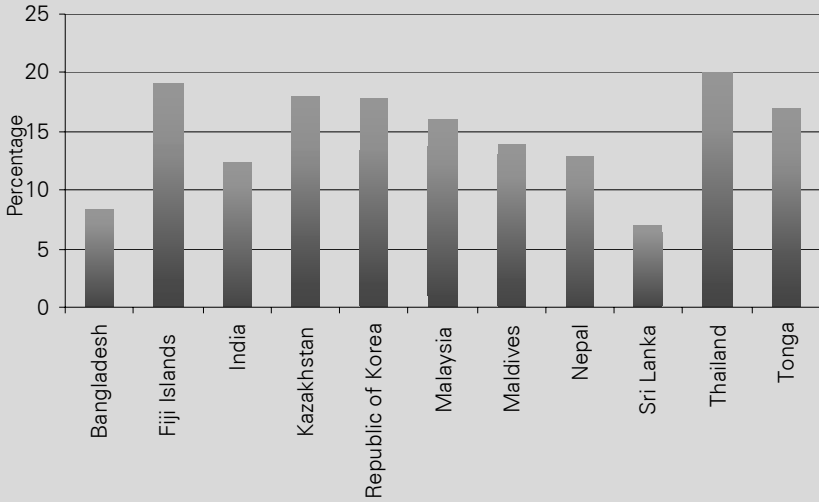
Source: United Nations Educational, Scientific, and Cultural Organization. 1998. *World Education Report 1998*. Paris.

Figure A2.2: Public Expenditure on Education as a Percentage of Gross Domestic Product, 1995



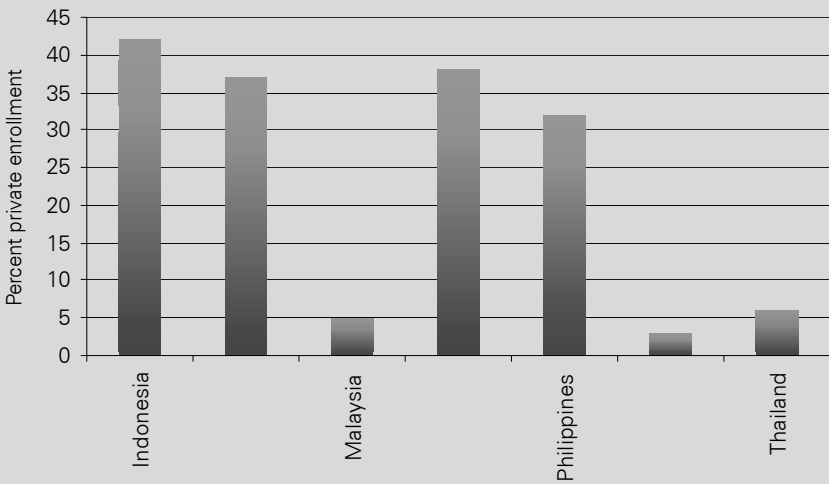
Source: United Nations Educational, Scientific, and Cultural Organization. 1998. *World Education Report 1998*. Paris.

Figure A2.3: Public Expenditures on Education as a Percentage of Total Government Expenditure, 1995



Source: United Nations Educational, Scientific, and Cultural Organization. 1998. *World Education Report 1998*. Paris.

Figure A2.4: Private Enrollment as a Percentage of Total Total Secondary Enrollment, 1995



Source: United Nations Educational, Scientific, and Cultural Organization. 1998. *World Education Report 1998*. Paris.

5. **Decentralized Management.** Many countries are increasingly aware that education can be more effective (and perhaps less costly) by decentralizing management, that is, making communities and lower levels of government responsible for basic education management and planning, and individual higher education institutions more autonomous. They are also moving to increase institutional autonomy in higher education. The People's Republic of China, for example, has substantially devolved higher education management from the central ministry to institutions. Indonesia is decentralizing basic education management to the district level.

6. Delegating budgeting and decision-making authority to local education offices or schools and institutions has usually not been accompanied by enhanced attention to developing more capacity in the many skills essential for effective education management. Relatively little attention has been given to redefining the role of the central education ministry to focus on setting standards, formulating policy and monitoring, and providing technical support to universities and local education agencies. Decentralization of education management is a clear trend, but still an act in progress with much to be learned about how best to support it.

7. **Financing Education.** The percentage of gross domestic product and national budget allocated to education varies widely among the developing member countries (*figures A2.2 and A2.3*). How education is financed has profound implications for access, equity, and quality. The era of predominantly government financing, especially at levels above basic education, may well be coming to an end as governments seek to diversify the sources of education, finance education by cost sharing and cost recovery, and thus relieve some of their burden. Primary education is generally considered to be a public good to be provided by government free of charge. Despite the free tuition policies of most governments, primary schools often impose a variety of user fees that constitute a considerable burden for poor families. Decentralization can require increased contributions to primary schooling by local communities causing inequities in the provision of primary education, because poor communities are unable to generate the needed resources for quality education. The challenge is to develop funding policies that encourage local participation and ownership, and reduce the government's burden while not disadvantaging poor communities with reduced opportunities for generating revenues to support education. In government-provided higher education and postsecondary technical and vocational training, user fees are increasingly being introduced in the

broader context of instituting fuller cost recovery. Since the benefits of higher education accrue more directly to the individual through increased earnings over a lifetime, the equity argument for higher user charges is strong, especially with scholarships and loans being available for lower-income students to ensure equal opportunity of access. Vouchers are being used in some developed countries in an attempt to enable students, especially poor students, to obtain an education at an institution of their choice; this experiment also forces schools to compete for students by improving the quality of their services. Finally, some of the resources for education must come from improving internal efficiency, by reducing unit costs through such measures as more appropriate teacher-student ratios, and consolidating inefficient schools through rigorous school-mapping exercises. However, most developing member countries have not made substantial progress in doing so.

8. **The Private Sector.** Many countries in the region increasingly seek to involve the private sector in providing education, especially secondary (*Figure A2.4*) and higher education, and postsecondary technical and vocational training. In Indonesia and the Philippines, for example, about one third of secondary school enrollment is in private schools, and in the Philippines over 80% of postsecondary education is provided by private sector institutions. ADB has provided a private sector education project to Viet Nam to establish an international university of world class.¹ Private sector provision of on-the-job skills training for workers is common in many countries. Public-private partnerships are becoming more frequent (*Box*), but the potential for substantially increasing such partnerships has not been realized. The scope for private sector provision of education services extends far beyond spaces in classrooms. In most developed countries, education systems are supported by a vast private sector network of supplementary services such as textbook publishing, assessment, and marketing of supplementary teaching and learning materials. Such provision is quite limited in many countries of the region, where governments tend to assume responsibility, often with greater cost and inferior quality, for all education services. No country in the region has yet attempted what several developed countries (for example, the United Kingdom and the United States) are doing

¹ ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to RMIT International University of Viet Nam*. Manila. The university is sponsored by the Royal Melbourne Institute of Technology (RMIT) of Australia, which will guarantee high quality learning.

with greater frequency—contracting management of publicly owned schools to private sector agencies. Expanded private sector provision of education is unlikely to happen without governments proactively creating conducive policy environments and financial incentives. However, enhancing private sector provision does not relieve governments of a significant, even essential, role in accreditation (quality control) and monitoring (consumer protection). Governments can do much more to facilitate and to monitor the provision of private education.

Box: Education Service Contracting in the Philippines

The Philippines has an active private education sector, particularly at the secondary and higher education levels. When public sector enrollments began to increase rapidly with the introduction of free universal secondary education in the late 1980s, public sector institutions were often unable to cope with the additional students, while private sector institutions began to suffer a decline in enrollment. The Government developed a novel solution: buying student places from the private sector. Under the education service contracting scheme, students who could not be enrolled in a public school and who were officially designated as “overflow” students were enrolled in nearby private institutions that chose to participate in the scheme. Under the scheme, the Government paid directly to the private institution an amount equivalent to the actual cost to the Government of the student’s education in a public school. Although this amount was sometimes less than the actual cost of the private school’s tuition, many private schools were pleased to accept the overflow students because they occupied places that would otherwise have been vacant. The private schools benefited by filling their unused spaces and the Government benefited by “renting” spaces at a cost less than constructing new schools to accommodate the overflow. Such arrangements should be encouraged and supported as a means of strengthening public and private partnerships.

9. Information and Communications Technology. The information and communications technology (ICT) revolution has forever changed the way the countries of the Asia and Pacific region must plan and manage their economies. Increasing productivity, ensuring competitiveness, and maximizing utilization of and benefit from the vastly increased access to knowledge require investment in ICT, and in education and training related to ICT. The rising demand for training in ICT demonstrates recognition of its importance on the part of students and workers. Much, if not most, of the demand for training is being met by private sector providers in many countries, testament perhaps to the relative speed and efficiency with which the private sector can accommodate new demand. Appropriate ICT has

particular potential for enriching and improving the quality and relevance of education provided to the poor. Application of ICT can provide resources for teachers in poor schools, and flexible learning schedules for out-of-school youth. But in most countries of the region, basic education, nonformal education, upper secondary education, higher education, and skills training continue to make minimal use of ICT, either to improve quality or to increase access. The challenge for ADB is to support education sector strategies and investments that (i) strengthen the application of appropriate ICT in education and training, (ii) ensure that education and training support the requirements of developing ICT in each developing member country, and (iii) are both cost-effective and sustainable.