Chapter 4

The aid compact: falling short of commitments

Outdoor learning in Uganda: adapting education to community needs

Conflict and displacement pose particular challenges to education, Afghanistan

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Window of opportunity: slum children in and out of school, Bangladesh

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An inclusive school in Nicaragua makes room for everyone

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Education budgets in developing countries are under increasing pressure. Concessional aid could help alleviate this pressure. This chapter looks at the donor record on aid delivery and finds a collective failure to act on the pledges made at Dakar. It also assesses ongoing efforts to strengthen aid effectiveness and meet the needs of countries affected by conflict. Finally, it critically reviews the multilateral architecture for aid to education, concluding that far more could be done to scale up financing, give developing countries a greater voice in governance and engage with the private sector. Reform of the Fast Track Initiative is identified as a priority – and lessons are drawn from global initiatives in public health.
Introduction

International aid is a vital part of the Education for All compact. When rich countries signed the Framework for Action in Dakar in 2000, they pledged that no country committed to achieving the EFA goals would be allowed to fail for want of finance. The global economic downturn has reinforced the importance of that commitment. Weaker economic growth and mounting pressure on government budgets threaten not only to slow progress in education, but also to reverse the hard-won gains of the past decade. Countering that threat will require not just increasing aid flows but also improving the quality of aid.

International aid debates often focus on technical issues surrounding aid delivery. The human face of what is at stake is sometimes overlooked. Development assistance can help bring learning opportunities to the marginalized children and young people discussed in previous chapters. The limits to aid for education have to be recognized, but so does the potential for it to help remove the barriers to school created by poverty, gender and other sources of marginalization.

This chapter examines some of the most pressing concerns surrounding aid. The first section looks at how overall trends in development assistance compare with collective commitments made by donors in 2005. While overall aid is rising, several major donors are falling far short of their pledges. In effect, the underperformers are ‘free-riding’ on the efforts of others. The record on aid for education is disappointing and inconsistent with the Dakar promise. Large financing gaps remain and commitments to basic education are stagnating. The narrow donor base for support to basic education and the skewing of aid towards post-secondary education contribute to the problem. Poor countries affected by conflict, which account for a large share of the world’s out-of-school children, are not receiving enough attention, with the result that opportunities to rebuild education systems and societies are being lost.

Improving aid quality is as important as increasing quantity. Development assistance is a scarce resource, and it is vital for donors and aid recipients to work together to maximize the benefits it generates. As the global economic downturn has raised pressure on donor budgets, the need to make aid more efficient has taken on greater significance. The case for scaling up development assistance ultimately rests on demonstrating that more aid can improve access to schools as well as equity and quality in education. Donors and partner countries have agreed to a wide-ranging agenda for strengthening aid effectiveness. The third High-Level Forum on Aid Effectiveness, held in Accra, Ghana, in 2008, gave renewed momentum to that agenda. The record on implementation has been mixed, however, and many donors need to speed up reform.

One of the most important financing initiatives to emerge from the Dakar forum was the EFA Fast Track Initiative (FTI). The second section of this chapter looks at the record of that initiative. The aim of the FTI is to galvanize political and financial support for accelerated progress towards universal primary education and wider goals. Its core principles are as valid today as they were in 2002, when the FTI was created. Unfortunately, very little has been achieved. The initiative has not facilitated mobilization of new financing and its own limited financial contribution has entailed high transaction costs. Protracted delays between aid allocation decisions and disbursement have undermined education planning in many developing countries. Conflict-affected countries have also faced difficulties in receiving support from the FTI. Nevertheless, the world needs a multilateral aid mechanism for education. As the FTI is not currently functional for this purpose, fundamental reforms are needed to fix the financing and governance problems that undermine its ability to deliver aid.

As the global economic downturn has raised pressure on donor budgets, it is vital for donors and aid recipients to work together to maximize the benefits.
Aid for education

Since the Dakar World Education Forum in 2000, the global aid environment has undergone a profound shift. After a steep decline in the 1990s, development assistance budgets have been rising. An important catalyst for change was the Millennium Development Goals (MDGs). Donors and developing country governments see increased aid as vital support for policies aimed at reducing poverty, getting children into school and achieving the wider goals set out in the MDGs.

Donor commitments – and efforts by campaigners to hold donors to those pledges – reflect a positive view of international aid. Some commentators argue, however, that aid undermines economic growth, distorts national priorities, fuels corruption and delivers little for the poor (Easterly, 2003). As one prominent critic puts it: ‘Aid has been, and continues to be, an unmitigated political, economic and humanitarian disaster for most parts of the developing world’ (Moyo, 2009, p. xix). Controversies about aid effectiveness go back several decades but recently have taken on a new lease of life, with some commentators calling for development assistance to be curtailed or even eliminated. Yet the evidence does not support this intense pessimism on aid effectiveness.

Consider first the argument that more aid means less economic growth. If it were true, this would clearly be bad not just for poverty reduction, but also for the financing of basic services such as health and education. But there is no robust evidence to support the claim that aid weakens growth prospects. From 2000 to 2008, as aid to sub-Saharan Africa almost doubled, economic growth averaged 5% to 6% a year – double the average of the 1990s. Meanwhile, the incidence of poverty fell from 58% to 51%, with absolute numbers below the poverty line declining for the first time in a generation (Chen and Ravallion, 2008).

Cross-country analysis looking further back suggests aid has a broadly positive impact on growth, though high levels of aid dependence over long periods can have adverse consequences (Clemens et al., 2004). Part of the problem with the argument of aid pessimists is that it fails to differentiate between types of aid. No one would expect aid to basic education or child health to deliver early results for economic productivity.

But aid to productive infrastructure has supported growth. One study finds that each US$1 in aid yields US$1.64 in increased income in the recipient country (Radelet et al., 2005).

The association between aid and governance is even more complex. Aid pessimists claim that an assured and abundant supply of development assistance can reduce the incentives for governments to raise domestic revenue, creating a cycle of dependence and weakening accountability to citizens. Another claim is that large inflows of aid can help fuel corruption, especially in countries with weak public financial management systems (Brautigam, 2000). Yet, while there is no shortage of corruption among many governments receiving aid, cross-country studies have generally failed to establish significant, clear or consistent causal links between aid dependence and standards of governance (Coviello and Islam, 2006; Moss et al., 2006). Moreover, aid has played an important role in supporting the development of more accountable institutions in countries including Mozambique, Nepal and the United Republic of Tanzania.

Nevertheless, aid pessimists raise some important issues. Economic growth in many aid-dependent countries has been disappointing. That does not mean aid is the underlying reason, but there are strong grounds for concluding that aid could have achieved far more. Similarly, aid optimists tend to turn a blind eye to corruption. Too much aid that could have been used to build classrooms, train teachers or stock health clinics has been wasted or stolen – sometimes with the collusion of major donors – or otherwise ill-used because of poor governance (Wrong, 2008). There is no doubt that aid is likely to work better in countries that are serious about tackling corruption and strengthening governance.

Developments in education underscore the potential for aid to make a difference. To cite some achievements in countries where aid financing is important:

- Since the overthrow of the Taliban in 2001, Afghanistan has received sizable amounts of aid to restore its education system. With support from many non-government organizations, donors and United Nations agencies, the government has responded to the high demand for education from the Afghan people. Fewer than a million children, most of them boys, were enrolled in primary
education at the beginning of the decade. In 2007, over 4.7 million children went to school, more than one-third of them girls.

Cambodia’s Education Sector Support Project, funded by several donors, provides scholarships that help children from poor families make the transition from primary to secondary school. The scholarships have had a marked effect: schools benefiting from the programme have secondary enrolment rates 21% higher than non-participating schools (Fiszbein et al., 2009).

Over the past decade, Mali has embarked on an ambitious programme to accelerate progress towards universal primary education. Twenty-two donors provide financial and technical assistance. External aid accounted for nearly three-quarters of the programme cost in 2007 – excluding teacher salaries. The primary net enrolment ratio increased from 46% at the end of the 1990s to 63% in 2007. While marked gender disparities remain, the ratio of girls to boys in primary school rose from 70% to 80%. A decade ago, children entered primary schools with very few books, but in 2008 every first grade pupil had two books (Ky, 2009).

In Mozambique, donors have pooled their support for the national education strategy. Aid has played a key role in financing school construction in rural areas, recruiting and training teachers, and providing textbooks. From 1999 to 2007, the net enrolment ratio in primary education increased from 52% to 76%. The number of children out of school fell by half a million.

When the Dakar forum was held in 2000, about 3 million children in the United Republic of Tanzania were out of school. The figure is now less than 150,000. The country’s education strategy has combined measures aimed at improving access, including the removal of user charges, with increased investment in classroom construction, teacher training and textbooks.

These examples do not represent aid success stories in a narrow sense. They are the result of national policies and national political leadership supported by development assistance. No amount of aid can counteract poor policies and political indifference. But when increased aid is harnessed to strong policies, it is possible to rapidly expand opportunities for basic education. As the case of Afghanistan shows, development assistance can also help rebuild education systems in countries affected by conflict.

This section is divided into four parts. The level of aid to education is a function of two things: overall flows of official development assistance (ODA) and the share of those flows directed into education. Part 1 looks at the first part of that equation, assessing the record of donors in the light of pledges to increase aid by 2010. Part 2 examines the level of aid to education, with a focus on basic education. Part 3 looks at progress towards more effective aid, focusing on aid predictability and donor use of country reporting systems. Part 4 considers the position of countries affected by conflict. The following are among the key messages:

- Development assistance works. Aid pessimists argue that development assistance is failing the world’s poor. The evidence on education does not support that claim. While much can be done to strengthen aid’s effectiveness, it is delivering results.

- Overall aid levels are rising – but there is a real danger that donors will fall short of their pledges. Taking into account current spending levels and forward spending plans, projected aid in 2010 may be US$20 billion less than target levels. Budget pressures and political decisions in donor countries may exacerbate the gap. Delivering on commitments made to developing countries in 2005 will require an emergency response on the part of the donor community.

- Free-riding has emerged as a serious problem. Donors have adopted bold collective targets, but national targets reveal highly variable levels of ambition, and some countries – including G8 members – are undermining collective commitments by failing to meet their fair share of the burden.

- There are large financing gaps for basic education and aid commitments are stagnating. With the 2015 deadline for achieving the Dakar targets approaching and many countries off track, it is urgent for donors to close the basic education financing gap. The stagnation in commitments for basic education remains a concern, with several major donors orienting aid towards higher levels of education.
Donors still have to mobilize an additional US$29 billion — in other words, they are less than halfway to meeting their pledges.

Governance problems continue to undermine aid effectiveness. Aid works best when its provision is predictable and when it operates through viable national reporting and public financial management systems. Under the Paris Declaration on Aid Effectiveness, donors and recipients adopted ambitious targets in these areas. However, progress has been limited. Unpredictable aid and failure to use national systems weaken the ability of developing country governments to undertake long-term financial planning and add to transaction costs.

Conflict-affected poor countries receive insufficient support. Countries enduring or emerging from conflict often have large out-of-school populations, severely damaged education infrastructure, weak governance, and limited financial, technical and human capacity. While there are problems in building aid partnerships in these countries, far more could be done. Opportunities to consolidate peace through the reconstruction of education systems are being lost. Over one-third of out-of-school children are in conflict-affected poor countries. Yet donors commit less than one-fifth of aid to education to these countries.

Overall aid pledges: the record on delivery

International support for education depends on the size of the global aid envelope and the allocation of resources within that envelope. Here we examine overall aid levels and donors’ progress towards the benchmarks set by their own pledges.

Aid flows rose sharply in 2008 after two years of decline, but there is a real danger that commitments made in 2005 to increase overall aid by US$50 billion by 2010 – and to double aid to Africa – will not be honoured. Even before the global economic downturn, spending plans indicated that these targets would be missed by a wide margin. As budgets come under mounting pressure, the deficit could widen, with grave consequences for international development goals in education and beyond.

Aid levels are rising – but too slowly

‘Despite the severe impact of the crisis on our economies, we reiterate the importance of fulfilling our commitments to increase aid,’ the leaders of the Group of Eight industrialized countries stated at their July 2009 summit in L’Aquila, Italy (Group of Eight, 2009c, p. 35). Their joint communiqué marked the fourth such reaffirmation of a pledge made at the Gleneagles summit and other high-level meetings in 2005. Commitments under that pledge include an increase in overall aid from the US$80 billion spent in 2004 to US$130 billion by 2010, with around half the increase, or US$25 billion, directed towards Africa.¹

Measuring progress towards these benchmarks is complicated by several factors. High levels of debt relief in 2005 led to a sharp spike in reported aid, followed by a comparative decline in 2006 and 2007. Another difficulty relates to the way aid is measured. The OECD Development Assistance Committee (OECD-DAC) converted donors’ initial pledges to targets that expressed aid as a proportion of donor countries’ gross national income (GNI). With economic growth projections having fallen, the same aid-to-GNI ratios translate into less real aid. The question is whether the Gleneagles pledge should be adjusted to reflect the new growth projections.

Leaving the aid-to-GNI targets unchanged would contradict the spirit of donors’ commitments. For aid recipients, what counts is real financing for schools, teachers, clinics and roads, not the bookkeeping arrangements of the OECD-DAC. This Report, therefore, uses the original pledge of increasing aid by US$50 billion by 2010 as the benchmark for measuring progress.

Overall development assistance rose sharply in 2008 as debt relief reverted to more normal levels. Spending on aid increased by around US$10 billion to US$101 billion in 2008 – a rise of more than 10% from the previous year (Figure 4.1). The share of aid in the GNI of rich countries also increased, to 0.30%.²

The positive news on the recovery in aid flows is counterbalanced by the prospect of large shortfalls against the targets set. Two years before the 2010 deadline, donors still have to mobilize an additional US$29 billion. In other words, they are less than halfway to meeting their pledges. Their currently planned increases fall far short of the level required to close the impending 2010 deficit. As Figure 4.1 indicates, the estimated increases leave a global gap between target spending and actual spending of around US$20 billion.

Africa accounts for a large share of the 2010 financing gap. Donors are a long way from the aid spending targets they set for the region at

¹ As the 2010 target of increasing aid by US$50 billion is expressed in constant 2004 prices, so are the figures throughout this part.
² The 2008 aid data were still preliminary at the time of writing.
Gleneagles. The region has accounted for less than one-third of the global increase in aid from 2004 to 2008, whereas the 2010 target share is 50%. The latest OECD-DAC survey of spending plans provides an overview of the regional distribution of future aid flows. Preliminary findings show an increase of only US$2 billion in programmed aid to Africa between 2008 and 2010. This represents one-third of the planned global increase in country programmed aid and a marked slowdown in the rate of increase in planned aid spending for Africa. To achieve the 2010 target, donors need to increase aid spending for Africa by US$18 billion [OECD-DAC, 2009a and 2009d]. Uncertainty about whether donors will meet their commitments for 2010 is holding back education planning in some of the world’s poorest countries. Promises made at summit meetings cannot build schools, pay teachers, buy textbooks or finance incentives for marginalized groups. These activities require real funds. Budget planners need to be confident that donors will deliver on their commitments – and donors’ collective performance to date does not breed confidence. As the OECD puts it, ‘only a special crisis-related effort can ensure that the 2010 targets for aid are met’ [OECD-DAC, 2009b, p. 2]. Failure to make that effort will undermine education financing in recipient countries and prospects for accelerated progress towards the goals set at Dakar.

**Donor performance varies**

Global monitoring provides an aggregate picture of how well rich countries are meeting their collective commitment to developing countries. But it conceals significant differences between donors, some of whom perform much more strongly than others.

While almost all donors have signed on to collective commitments, there is little uniformity in how they translate these into national targets. European Union members have a shared commitment to reach a collective aid-to-GNI target of 0.56% by 2010 and 0.70% by 2015. Some members have already met the first target and others have set the bar even higher. Japan’s national commitment entails an increase of US$10 billion between 2005 and 2009 – nearly double what would have been required to increase aid in line with the Gleneagles goal. Canada’s commitment is directed to doubling aid by 2010, but only from the nominal level of aid provided in 2001. The United States has committed to doubling aid to sub-Saharan Africa between 2004 and 2010 but has no global aid target. Further complicating the picture, OECD-DAC members start from very different baselines in terms of their 2004 aid levels.

There are no simple mechanisms for comparing national aid targets, yet it is vital to submit donors’ comparative performance to critical scrutiny. One way to place commitments and performance on a common scale is to look at the ratio of aid to gross national income. How do individual donors shape up against each other?

Figure 4.2 provides a partial answer to that question. It captures the wide variation behind the increase in the aggregated OECD-DAC aid-to-GNI ratio, along with the divergence in starting points. By converting the 2010 targets of individual donors into a common unit, it also provides a snapshot of their different levels of ambition.

Five countries surpass the United Nations target of 0.7% and Sweden invests almost 1% of GNI in aid. Three of the four least generous donors – Italy, Japan and the United States – are all G8 countries.

Uncertainty about whether donors will meet their commitments for 2010 is holding back education planning in some of the world’s poorest countries.

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3. Country programmable aid for Africa rose by 7%, a year from 2004 to 2007. The planned annual increase for 2008–2010 is 3%.

4. To meet the Gleneagles target, total aid would need to increase by 62.5% from 2004 to 2010. Japan’s commitment translates into a 112% increase for the same period.
While some countries, such as Germany and Spain, have significantly increased aid-to-GNI from the middle of the range, others have registered a marginal increase (Italy), no increase (the United States) or have fallen back (Japan) from a low level.

Some donors have set the bar far higher than others. That is one reason it is problematic to compare donors on the basis of progress towards national targets. Starting from a high level, Norway and Sweden aim to reach an aid-to-GNI level of 1%, while EU members have set a collective target of 0.56%. The financial target for Canadian aid would translate into a 0.34% aid-to-GNI ratio and meeting the Japanese target would produce a ratio of 0.28%.

Another way to measure donors’ comparative performance is to look at ‘fair shares’, allocating each donor responsibility for delivering on a share of the global pledge based on the size of their GNI. Figure 4.3 illustrates this approach with reference to the G8 for the aid target of a US$50 billion increase by 2010. As G8 countries account for two-thirds of global development assistance, the group’s collective and individual performance is clearly of great importance in terms of reaching aid targets.

The data show that G8 performance has been variable. Preliminary 2008 data for France, Japan and the United States indicate they have made little progress towards their fair share target while Germany and the United Kingdom are progressing at a rate that would see them surpass that target. Figure 4.4 looks at the broader group of OECD-DAC donors, providing a league table in terms of fair shares. It highlights the strong performance of some countries, including the Netherlands, Spain and Sweden, which have exceeded their share of the overall commitment.

The large prospective 2010 deficit facing sub-Saharan Africa is a source of growing concern. Aid represents a large share of revenue for the region and is a vital source of finance for education. The 2005 Gleneagles commitment was prompted in part by donor recognition that the region was far off track for many of the Millennium Development Goals and that a stronger aid effort could help change this picture. In the event, though, many donors have failed to give higher priority to aid for sub-Saharan Africa (ONE, 2009).

Four years after the 2005 pledges were made, confusion over targets and monitoring criteria continues to hamper effective scrutiny of donor performance. At the 2009 G8 summit in L’Aquila, leaders agreed to explore a ‘whole of country’ approach to development that takes into account ‘a wide range of factors such as government aid and non-aid policies, private sector and civil society efforts’ (Group of Eight, 2009c, p. 37). It is not clear what this means in practice. An obvious danger is that the conspicuous failure of some donors to deliver on measurable aid pledges will be obscured by a poorly defined reporting system designed to report on indicators that are not comparable – and in some cases not readily measurable.

The financial crisis threatens future aid flows

Prospects for achieving the 2010 aid targets have diminished with the global economic downturn. Donor country governments are grappling with swelling fiscal deficits as they seek to balance a shrinking revenue base with rising expenditure.
for economic recovery and social protection. The impact of the financial crisis will inevitably depend on the severity and duration of the economic slowdown. But there are growing concerns that as aid budgets come under pressure, the pledges made to the poorest countries in 2005 are even less likely to be honoured.

Experience points in a worrying direction. Aid contracted sharply and recovered slowly after the early 1990s’ financial crisis. Over the quarter century to 2004, aid tended to decline at times of rising public debt and deteriorating fiscal indicators in rich countries (Roodman, 2008; World Bank and IMF, 2009).

It is encouraging that political leaders have publicly reaffirmed aid targets, notably at the Doha Conference on Financing for Development in late 2008, and the London summit of the G20 and L’Aquila summit of the G8 in 2009. But acting on these reaffirmations in national budget negotiations will require strong political leadership, with governments and development advocates setting out a compelling case in defence of aid.

The record to date has been mixed (Box 4.1). The United Kingdom has committed to maintaining the real financial value of its aid budget, implying a rising share for development assistance in GNI. Public spending reviews in Ireland and Sweden have led to announcements of aid cuts for 2009 and 2010, respectively, albeit in the context of medium-term financing plans that, if implemented, will restore aid levels. There are strong indications that Italy’s aid budget may be cut, with no clear framework thus far for recovery and future growth.

Many donor countries have yet to set out clear post-crisis aid spending plans. This has added to the uncertainty over prospects for achieving the 2010 targets. The European Commission has prepared one of the most detailed projections so far, using information from EU members. It indicates that overall EU aid spending in 2010 will represent 0.50% of GNI, against the 0.56% target level (European Commission, 2009b).

The varying responses of donors to the economic crisis are conditioned by many factors, including fiscal pressures, the depth of the recession and prospects for recovery. It would be naïve to suppose that aid budgets can be entirely insulated from wider economic developments, but political leadership can make a significant difference.

Consider the very different positions of Italy and Spain within the European Union. Not only is Italy one of the least generous EU donors, but it has also moved towards shared aid targets more slowly than almost any other member state. Meanwhile, Spanish aid has almost doubled as a share of GNI.
Box 4.1: Aid and the financial crisis

People in the world’s poorest countries played no part in creating the financial market implosion that caused the global economic downturn, but they stand to be among the biggest losers. International aid has a vital role to play in preventing the short-term global downturn from causing long-term damage to human development.

The impact of the economic crisis on poor countries makes it urgent for donors not only to deliver on past aid commitments but also to respond to the additional needs arising from the crisis. The record to date has been mixed:

- **The United Kingdom: maintaining the real value of commitments.** Given the recession and a lowered forecast for GNI in 2010, the United Kingdom could have made deep cuts in its aid budget and still remained on track for the 0.56% aid-to-GNI ratio. Instead, a public spending review in 2009 announced plans to meet the real spending commitments projected for 2009 and 2010. As a result, the country is expected to reach an aid-to-GNI ratio higher than the 0.56% European target in 2010/2011.

- **Ireland: initial cuts but a commitment to recovery.** The downturn has affected Ireland more than almost any other OECD country. With the national budget absorbing the cost of a large-scale financial rescue package, deep budget cuts have been programmed. Plans announced in 2009 will see the aid budget cut by 22%, reversing a rapid expansion. However, medium-term budget plans reflect a continued commitment to achieving a 0.70% aid-to-GNI ratio by 2012.

- **Spain: continuing the upward trajectory.** Despite the economic downturn that started in 2008, in early 2009 the Spanish Government adopted a highly ambitious new policy framework setting out multiyear commitments. Public spending targets are on course to achieve the 0.70% aid-to-GNI ratio by 2012, three years ahead of the collective EU schedule.

- **Ireland: low levels of aid.** Ireland’s aid budget has not been affected by the recession and it remains on course to achieve the 0.56% aid-to-GNI ratio.

- **Italy: deep cuts from a low base with little predictability and no recovery plan.** It is difficult to square the actions of the Italian Government with the letter and spirit of the international communiqués it has signed since 2005. The European Commission calls Italy ‘the only Member State apparently abandoning its commitments’ (European Commission, 2009b, p. 27). Grounds for that judgement include...

since 2004 and Spain has overtaken Italy in absolute financial terms. As Figure 4.5 shows, Spain is broadly on course to achieve its national goal of a 0.56% aid-to-GNI level by 2010, while Italy is hopelessly off track in terms of the goals it has endorsed at successive G8 summits, as well as the 2005 EU goal. From a development financing perspective, this shortfall matters. Had Italy’s aid level moved towards the 2010 target at the same rate as Spain’s, its aid budget would have been around US$3.8 billion larger in 2008 [at constant 2007 prices]. In effect, Italy has been free-riding on the strong performance of Spain and the other countries that have pushed the European Union towards its aid targets.

The impact of the economic downturn on aid levels will depend partly on how donors interpret their commitments. With economic growth projections declining, defining commitments in terms of aid-to-GNI ratios has potentially damaging implications for overall aid: a fixed share of declining national income translates into less aid. This is not a technicality: adjusting the 0.56% EU aid-to-GNI commitment to reflect lower projections could result in a loss of nearly US$9 billion from the pre-crisis growth forecast for 2010. If education’s share of overall aid remains the same as in 2007, the adjustment could mean a loss of US$890 million in aid to education from European donors in 2010.6

Currency movements linked to the financial crisis could also affect development assistance flows. Appreciation of the US dollar against the currencies of other major donors has deflated the value of aid. Preliminary analysis by the World Bank suggests that the losses could be in the order of US$3 billion to US$5 billion annually (World Bank and IMF, 2009).

6. These projections are based on OECD-DAC Secretariat simulations of net ODA disbursements by EU members in 2010. The simulations show the ODA levels resulting from each donor reaching its 2010 aid-to-GNI target. The calculation requires growth projections for each donor country. For the pre-crisis calculation, the same growth projections (from June 2008) were used as in OECD-DAC Secretariat simulations (OECD-DAC, 2008a). For the crisis-adjusted amounts, growth projections from the OECD Economic Outlook (14 June 2009) were used.
Conclusion

This is a critical moment for leadership in the donor community. Whatever the immediate budget pressures, there are very good reasons for donors to avoid or minimize aid cuts. Unlike rich countries, many of the world’s poorest countries are ill equipped to protect their inhabitants against the economic downturn through fiscal expansion. Cutting aid at a time when poverty levels are rising, budgets are under pressure and financing gaps in education and health are widening would deal a fatal blow to hopes for accelerated progress towards the international development goals. More than that, it would erode the benefits of past aid investments.

The additional financing needed to achieve the 2010 targets needs to be placed in perspective. Expressed in absolute financial terms, the US$20 billion financing gap appears large. Yet it is equivalent to a tiny fraction of the estimated cost of bailing out financial systems in advanced economies – and to 0.05% of DAC donors’ collective GNI. Without discounting the very real budget pressures facing donor governments, redeeming the aid pledge is affordable. It might also be viewed as a small price to pay given the expected gains in education, health and poverty reduction.

It would also boost the credibility of international commitments to the Millennium Development Goals. Donors need to go beyond reaffirming their commitments and adopt more credible approaches to monitoring their aid efforts. The long-awaited G8 Preliminary Accountability Report adopted at the L’Aquila summit fundamentally failed the credibility test in important areas (Box 4.2). Looking to the future, the three top priority areas for action are:

- Clarifying the commitment to real financial targets. Developing countries widely interpreted donors’ 2010 aid targets as constituting a real financial commitment to a US$50 billion increase in overall aid, with US$25 billion directed to Africa. All donors should clarify their commitment to these targets, if necessary by adjusting aid-to-GNI targets for 2010. The United Kingdom decision to maintain real aid commitments for 2010 should serve as a model.

Cutting aid at a time when poverty levels are rising, budgets are under pressure and financing gaps in education and health are widening would deal a fatal blow to hopes for accelerated progress.
Commitment levels are stagnating and the trend is highly erratic

- Translating commitments into public spending plans. Long-term development requires predictable aid flows. Setting clear aid budget plans is therefore a priority. Donors forced to make deep budget adjustments as a result of the crisis should adopt the Irish and Swedish approach of setting a course for recovery.

- Monitoring donor delivery more closely. The aid pledge is a collective commitment. Some variation in individual donor performance is inevitable. However, in the case of the 2005 aid pledges it is difficult to escape the conclusion that free-riding has become a problem, with some donors having to compensate for the weak commitment of others. More rigorous monitoring and public reporting is required.

Box 4.2: The G8’s disappointing Accountability Report

The annual G8 summits have produced a steady stream of communiqués making impressive commitments on education. Recognition in recent years of the importance of tracking delivery on these commitments culminated in the G8 Preliminary Accountability Report adopted at the 2009 summit in L’Aquila, Italy. Its contents fell far short of the required reporting standards.

The report claims to account for ‘the progress made towards the Education for All goals and the Fast Track Initiative’ (p. 16). In fact, it treats G8 commitments to the FTI as the sole measure of performance. In contrast to health, where the G8 has adopted a global financing target aimed at achieving international development goals, there is no global education target. The US$1.2 billion FTI replenishment estimate represents a small fraction of the global basic education financing gap.

To make matters worse, the accounting system for FTI support leaves much to be desired. The United Kingdom is the only G8 member to have been a major source of Fast Track finance. Successive summits have pledged to close the funding gap, with no effect on delivery. The accountability report obscures this failure by including aid for education pledged to close the financing gap, with no effect on delivery. The accountability report obscures this failure by including aid for education in countries receiving Fast Track support as aid to the initiative itself.

Further such reports should take a new approach to benchmarking in three areas:

- The G8 should adopt a credible figure for the global financing gap figure for Education for All. This Report estimates that gap at US$16 billion.

- The summit should agree a ‘fair share’ framework stipulating commitments of individual G8 members to investment in basic education, based on global financing gaps.

- The accountability report should measure real FTI financial commitments and G8 leaders should provide leadership in reforming and revitalizing the initiative.

Source: Group of Eight (2009a).

Recent trends in aid to education

As governments look to the 2015 target date for achieving universal primary education and wider goals, prospects for accelerated progress will depend in part on future aid flows. Sustained and predictable increases in those flows can help support more ambitious education strategies, supplementing the resources available to recruit teachers, construct classrooms and reach the marginalized. Aid delivered to education continues to rise, but there is no evidence of a concerted drive to mobilize the additional resources needed to achieve universal primary education and other education goals. Looking ahead, there is a real danger that reduced commitments to basic education will lead to lower levels of disbursements over the next few years.

The share of education in overall aid has not changed

Aid priorities have shifted a great deal in recent years, with the shares of overall aid devoted to various sectors rising, falling or staying the same. Education falls in the third category. The increase in support to education recorded since the Dakar forum in 2000 has been driven principally by the overall increase in aid rather than redistribution from other sectors. In 2006–2007, education accounted for about 12% of all aid commitments to sectors, the same level as in 1999–2000. In contrast, health has been a big winner in aid allocations, with an increased share of sector aid from 11% in 1999–2000 to 17% in 2006–2007. This reflects a surge of bilateral, multilateral and philanthropic aid directed through global funds and national programmes. United Nations agencies, campaigners, governments and the private sector have succeeded in putting health at the centre of the international development agenda.

Education financing has not suffered directly as a result of the rising share of health in aid spending. With overall aid flows increasing, a fixed share still implies an increase in real resources. Moreover, investment in health generates important benefits for education. What matters in the end is whether overall aid flows and aid targets are commensurate with the commitments donors made in 2000 at the

7. Where a two-year period is indicated, figures have been calculated on the basis of two-year averages, in order to smooth out volatility of aid commitments.

8. If education had risen at the same rate as health, direct aid commitments to education would have been US$15.9 billion in 2006–2007. The actual figure was US$10.7 billion.
Dakar forum. Unfortunately, they are not. If donors increased aid in line with their Gleneagles commitment and the share directed towards basic education remained constant, there would still be a financing gap of some US$11 billion against the requirements identified in this Report. Donors need to urgently review both the overall level of planned aid and its distribution by sector.

**Disbursements are still rising — but are commitments waning?**

Effective national planning also requires a clear indication of how much aid can be expected in future years. Recruiting teachers in 2010 has budget implications for salaries in 2012. Similarly, bringing more children into primary school and ensuring that they complete a basic education requires planning classroom construction and purchases of books and other teaching materials. That is why aid commitments, which act as a signal for future disbursements, are important.

Disbursements and commitments are not directly comparable: aid committed by donors this year may be allocated to national programmes over one, two, three or more years. Another complicating factor is that several donors, notably some multilateral institutions, do not report disbursements to the OECD-DAC and so are not included in the analysis of disbursements in this Report.9

Disbursed aid has been on a steadily rising trend both for education in general and for basic education (Figure 4.6). Overall aid flows to education reached US$10.8 billion in 2007, more than double the level in 2002.10 Aid disbursements to basic education grew more slowly – from US$2.1 billion in 2002 to US$4.1 billion in 2007 – indicating a slight distribution shift towards secondary and post-secondary provision: the share of basic education in total education disbursements fell from 41% to 38% over the period.

The picture for aid commitments contrasts strongly with that for disbursements. Overall commitment levels are stagnating and the trend is highly erratic (Figure 4.7). In 2007, reported commitments stood at US$12.1 billion, around the same level as in 2004.

Basic education remains an area of particular concern. While aid commitments rose in the years after Dakar, with an increase of 58% between 1999–2000 and 2003–2004, the period since then has been marked by stagnation punctuated by episodes of steep decline. In real terms, the US$4.3 billion reported in 2007 represented a cut of 22% from 2006 – or about US$1.2 billion in real finance – so that commitments were below the 2003 level. The decline in commitments to basic education was far greater than that for education as a whole.11

Several factors contributed to the steep decline in aid commitments for basic education. In 2006, the Netherlands and the United Kingdom made large pledges to the Catalytic Fund of the Fast Track Initiative. The Netherlands also committed resources to UNICEF for education in countries affected by conflict and humanitarian emergencies.12 As a result, commitments from the Netherlands and the United Kingdom spiked in 2006 and declined the following year. The decline was only partly offset by an increase in commitments from other bilateral donors,
principally the United States, and some multilateral agencies. The net effect was a 31% decline in bilateral aid commitments to basic education from 2006 to 2007, to below US$3 billion. Another important factor behind the decline was the timing of commitments to major aid recipients. Commitments to the twenty largest recipients of aid to basic education, including Ethiopia, Mali and the United Republic of Tanzania, dropped from US$2.8 billion in 2006 to US$2.0 billion in 2007.

While fluctuations in commitments are an inevitable part of aid programming, recent trends highlight serious systemic problems. One is that a small group of donors dominates aid to education. In 2006 and 2007, the five largest donors to education – France, Germany, the Netherlands, the United Kingdom and the World Bank’s International Development Association (IDA) – accounted for 59% of total commitments to the sector. With a combined commitment of US$3.5 billion, France and Germany account for over one-quarter of overall aid to education. Similarly, the five largest donors in basic education – the European Commission, the IDA, the Netherlands, the United Kingdom and the United States – accounted for 61% of commitments (Figure 4.8). An important consequence of this concentration is that relatively small movements by one or two key donors can have large global consequences, as the combined effect of the Netherlands’ and United Kingdom’s aid programmes showed in 2006 and 2007.

The record on aid commitments to basic education is a matter of growing concern. Fluctuations on the scale recorded since 2003 raise questions over the predictability of future disbursements. While the data in this section are global, volatile commitment levels have consequences for national budgets and education planning in many aid-dependent countries. Developing a broader base of donor support for education is one key to a less volatile pattern of commitments.

The distribution of aid to low- and middle-income countries has changed little since Dakar (Figure 4.9). In 2006 and 2007, low-income countries received just under half of all aid to education, on average, and almost 60% of aid to basic education. Middle-income countries accounted for nearly two-fifths of overall aid to education. Much of that goes to the post-secondary level, though these countries account for a quarter of aid to basic education.

**Primary education needs to be given higher priority**

Countries do not expand the choices open to people through primary education alone. Progress towards universal primary education brings increased demand for secondary education – and secondary schools have a vital role to play in training teachers. Investment in post-primary education is also important in developing skills that strengthen prospects for economic growth.

For all these reasons, aid to post-primary education is justified in terms of the Dakar commitments. The challenge for donors – and for aid recipients – is to achieve the right balance of support for the different levels of education. How successfully are they meeting that challenge?

In signing the Dakar Framework for Action, donors pledged to increase the share they devoted to primary education and other forms of basic education.¹³

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¹³ Aid to basic education covers pre-primary, primary, literacy and basic life skills. Comprehensive data on aid to forms of basic education other than primary are not readily available, but previous editions of the EFA Global Monitoring Report have shown that the amounts of aid for these purposes are very limited.
Implicitly, this pledge acknowledged that too little aid was being directed to the primary level, especially in countries that were far from achieving universal primary education. Patterns since 2000 do not indicate that any major correction has taken place, however. Around one-quarter of aid is directly committed to basic education, which is slightly below the share reported at the time of the Dakar forum. With the deep cuts in 2007, the share of basic education in all direct education aid commitments fell sharply. Beyond basic education, the post-secondary level dominates, accounting for 38% of total commitments from 1999 to 2007. Sandwiched in between is secondary education, object of around 12% of education aid over the period, though the overall level of support for it is rising – seemingly at the expense of commitments to basic rather than post-secondary education.

This global picture is the result of highly disparate national aid profiles. As Figure 4.10 shows, individual donors vary considerably in their commitments to the different levels of education. Two of the six largest bilateral donors – the Netherlands and the United States – direct over 60% of aid to basic education. Three others – France, Germany and Japan – commit over 55% to post-basic education, underpinning the global distribution of aid beyond the basic level. A closer look at the data reveals a strong bias towards post-secondary, with over 70% of French and German aid directed towards this level. The figure also shows that France and Japan have significantly

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14. This refers only to direct aid commitments to basic education, which excludes general budget support and 'level unspecified' aid (see Box 4.3).
increased the share of aid commitments directed to post-secondary education. Meanwhile, some other donors have moved in the opposite direction. Spain is one example (Box 4.4).

Promotion of higher education often entails high levels of aid spending in the donor country. The EFA Global Monitoring Report 2009 critically examined accounting practices associated with the reporting of post-secondary aid levels. In the case of France and Germany, more than four in every five dollars of the aid reported to the OECD-DAC takes the form of “imputed student costs”. This essentially means that the estimated costs of teaching students from developing countries in French and German tertiary institutions are counted as aid to the students’ countries. In Germany, €701 million of the €714 million allocated to higher education in the aid programme is spent in this way, representing around 68% of German aid to education (German Federal Ministry for Economic Cooperation and Development, 2009). While counting domestic spending on higher education as aid is consistent with OECD reporting rules, civil society groups in both countries and some French senators have regularly contested its legitimacy.

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Such criticism does not imply that support for higher levels of education is unimportant. As highlighted in Chapter 2, many donors have neglected technical and vocational education and training. An exception is Germany: building on its extensive experience at home, Germany spent €77 million in 2007 supporting vocational education and is one of the largest donors to the subsector in the world. It finances the reform and expansion of vocational education in countries including Egypt, Ethiopia, Mozambique and Uganda. As part of a
wider strategy for achieving the Millennium Development Goals, Germany has responded to requests from national governments to scale up support for skills development as a means of raising wages and tackling youth unemployment (German Federal Ministry for Economic Cooperation and Development, 2009). German aid plays an important role in supporting the reform of technical and vocational education, and there is scope for other donors to follow the lead provided. The wider challenge for all donors is to find the right balance. In countries where poverty remains a huge obstacle to achieving universal primary education, the case for investing the bulk of scarce aid resources in higher education that overwhelmingly benefit higher-income students is not credible.

Emerging donors, private giving and innovative finance

OECD-DAC members continue to dominate international development assistance. But important new sources of aid are emerging, some of which could give a significant boost to education.

Overall aid from countries that are not DAC members is on a strong upward trend. While often referred to as ‘emerging donors’, many members of this diverse group have a long history of providing aid to developing countries. In 2007, aid from non-DAC donors reporting to DAC\textsuperscript{15} amounted to US$5.6 billion – four times the level in 1999. The largest emerging donor is Saudi Arabia, which spent US$2.1 billion on aid in 2007. Aid from Brazil has been estimated at US$437 million and that from India at US$1 billion. Official data are not available for China, but estimates point to a total Chinese aid budget of US$1-1.5 billion in 2006 (OECD-DAC, 2009c).

Strong economic growth, the size of the external balances available to major economies such as Brazil, China and India, and growing cooperation in areas such as trade and energy could drive a sustained expansion in aid from non-OECD countries. This makes it all the more important to improve the flow of information and coordination between all donors (Manning, 2006). Achieving that outcome will require a broadening of aid governance structures, which need to be reformed to ensure that the views of emerging donors are taken into account when developing policies and identifying priorities.

Too little is known about the composition of non-DAC donors’ aid portfolios to assess their aid to education. China has supported school construction

\textsuperscript{15} Including the Czech Republic, Hungary, Iceland, Israel, Kuwait, Poland, the Republic of Korea, Saudi Arabia, the Slovak Republic, Turkey and the United Arab Emirates.
programmes in sub-Saharan Africa. It has also increased its support for training in its external aid. By 2007, more than 80,000 people from developing countries had participated in short- and medium-term training courses, in such fields as agriculture, health, management and education, supported by Chinese aid (Brautigam, 2008). The Republic of Korea, which aims to become a member of the DAC in 2010, has a strong focus on infrastructure for social services. Education is one of seven priority sectors in the country’s Mid-Term ODA Strategy and accounted for 14% (US$70 million) of its bilateral aid in 2007 (OECD-DAC, 2008c). In September 2008, Saudi Arabia joined the launch of Education for All: Class of 2015, a new global initiative. It pledged US$500 million in concessional loan financing for basic education – its first such undertaking and one pointing to a greater share for basic education in its overall lending (Education for All: Class of 2015, 2008).

Data on private aid are not comprehensive, but the available evidence points to strong growth in recent years. In 2007, private aid for international purposes reported to the OECD reached US$18.6 billion, which almost certainly understates the real flow (World Bank and IMF, 2009). International foundations – such as the Bill and Melinda Gates Foundation – and corporations dominate these aid flows, largely directed towards public health. A recent survey showed that 43% of contributions from United States-based foundations were aimed at health in developing countries, with only 6% directed to education (World Bank and IMF, 2009).

That picture could be starting to change. Several new education initiatives have emerged recently, many involving innovative private-public partnerships. In 2008, the Open Society Institute contributed US$5 million to the Liberia Primary Education Recovery Program. This is one of the first cases of a private foundation, and multilateral and bilateral donors pooling resources in support of a national education programme – an approach that is well established in the health sector through the Global Fund to Fight AIDS, Tuberculosis and Malaria and the GAVI Alliance (see final section). In 2007, the United Nations refugee agency (UNHCR) launched its ‘ninemillion’ campaign in cooperation with Nike and Microsoft. It aims to raise US$220 million by 2010 to give 9 million refugee and vulnerable children access to education, sports and technology (UNHCR, 2007). Projects have also been initiated in conjunction with the World Economic Forum, in several cases with a focus on the use of information and communication technology in education.

There is no shortage of innovative financing models to inform approaches in education. Many lessons can be drawn from experiences in the health sector. The International Finance Facility for Immunisation (IFFIm) has mobilized around US$1.2 billion through government bond issues. The first Advance Market Commitment, a mechanism aimed at creating incentives for the development of new drugs to treat poverty-related diseases, has generated US$1.5 billion (GAVI Alliance, 2009a). Climate change is another area increasingly characterized by creative thinking. Education aid agencies and campaigners, however, have been slow to respond to innovative financing models. It is vital to ensure that the interests of the world’s 72 million out-of-school children are not crowded out of innovative financing by competing claims in other areas.

Avoiding that outcome will require more effective campaigning and advocacy, backed by more incisive political leadership in the United Nations system. Opportunities for action have to be exploited. One example is the 2010 football World Cup, which is becoming an important focal point for international action and campaigning on Education for All. In 2009, France and the United Kingdom reaffirmed a joint pledge to get an additional 8 million children in school by the start of the World Cup, though details – especially with respect to the French aid budget – remain unclear. The Global Campaign for Education is working with the Fédération Internationale de Football Association (FIFA) and several major European football leagues in the lead-up to the World Cup to raise awareness of the education problems facing sub-Saharan Africa, along with some additional financing (1 Goal, 2009). However, awareness raising and limited voluntary contributions are not enough.

Innovative financing could go on benefiting education well after the 2010 World Cup events are over. An agreement by the major European leagues to place a small (0.4%) EFA levy on future sponsorship and media marketing revenue could generate some US$48 million annually. Channelled through a reformed FTI or another multilateral
mechanism, these resources would enable one of the world's most popular sports to make a real difference in the lives of some of the world's poorest children (Box 4.5).

**Conclusion**

Increases in aid to education since 2000 have been the result of improvements in overall levels of aid, rather than a shift in donor priorities. Aid for basic education has also been rising, but there is a large gap between current levels of provision and the estimated US$16 billion required to achieve the EFA goals. This gap will widen if recent falls in commitments to basic education translate into lower future disbursements. At Dakar, donors pledged to increase the share of aid to education devoted to basic education, but this shift has not taken place. If progress to Education for All is to be accelerated, donors need to make a concerted effort to mobilize the additional resources required.

**Box 4.5: Education for All and the football World Cup**

In 2010, Africa will host the World Cup for the first time. The event will set a benchmark for global sporting competitions. Apart from being the first such event to be staged in Africa, it will be watched by more people and generate more media and sponsorship revenue than any World Cup in history. With leadership from FIFA, its national members, clubs, footballers and supporters across the world, the World Cup could also set a benchmark for fighting deprivation in education.

Directing to education just a small proportion of the revenue flowing into the industry could make a big difference in the lives of out-of-school children. Consider what might be achieved through a modest levy on media and marketing revenue (Table 4.1).

The 2010 World Cup is setting new records. As of May 2009, it had generated US$3.4 billion in commercial revenue – a 48% increase over the 2006 World Cup. The sale of media rights is the single commercial revenue — a 48% increase over the 2006 World Cup. The sale of media rights is the single biggest contributor. Revenue flowing to national members of FIFA in the rich world reflects the growth of the global market for football. The five major rich-country leagues – England, France, Germany, Italy and Spain – account for commercial revenue of US$11.1 billion annually. Their broadcast and sponsorship revenue amounts to US$7.8 billion. To put that figure in context: it is more than double all international aid for basic education in low-income countries.

Placing a modest ‘Better Future’ levy on football revenue would generate potentially significant amounts. For example, a levy of 0.4% would mobilize around US$48 million annually – less than some European clubs spend on a single footballer yet sufficient to finance a basic education of decent quality for approximately half a million of the world’s out-of-school children each year to 2015.

A model that could provide guidance is that of Futbol Club Barcelona, which has created a foundation that receives 0.7% of the club’s ordinary income and directs it towards global poverty reduction efforts. To follow this good example, the proposal set out in this box would enable all major football clubs to unite in a global philanthropic effort. Directing the revenue towards a reformed FTI (see ‘Reforming the Fast Track Initiative’ below) would help maximize the benefits, minimize transaction costs and revitalize multilateral aid for education. Football could do for basic education what the Gates Foundation and other philanthropic interventions have done for the Global Fund in health.

The World Cup is an event that will be remembered for many important goals. But its most lasting legacy could be helping to bring basic education into the lives of some of the world’s poorest children and demonstrating to governments that, with good leadership, the goal of universal primary education is still attainable.

**Table 4.1: Football revenue and school levy**

<table>
<thead>
<tr>
<th>Major football leagues</th>
<th>Annual commercial revenue (US$ million)</th>
<th>Revenue from 0.4% school levy (US$ million)</th>
<th>Estimated number of primary school places provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>3 511</td>
<td>14</td>
<td>140 430</td>
</tr>
<tr>
<td>Germany</td>
<td>2 088</td>
<td>8</td>
<td>82 727</td>
</tr>
<tr>
<td>Spain</td>
<td>2 088</td>
<td>8</td>
<td>82 727</td>
</tr>
<tr>
<td>Italy</td>
<td>2 044</td>
<td>8</td>
<td>81 749</td>
</tr>
<tr>
<td>France</td>
<td>1 422</td>
<td>6</td>
<td>56 897</td>
</tr>
<tr>
<td>World Cup</td>
<td>850</td>
<td>3</td>
<td>34 000</td>
</tr>
<tr>
<td>Total</td>
<td>11 963</td>
<td>48</td>
<td>478 530</td>
</tr>
</tbody>
</table>

Notes: Based on a recurrent unit cost of US$100 per child in primary school. No account is taken of the capital costs (e.g. classrooms) required to provide primary schooling. The commercial revenue for the World Cup is averaged over four years to provide an annual revenue figure.

Sources: Sportcal (2009); Deloitte LLP (2009).
Ways to make aid more effective

The quality of aid, by its very nature, is more difficult to measure than quantity – but no less important. The 2005 Paris Declaration on Aid Effectiveness marked an attempt by donors and aid recipients to identify institutional arrangements that can strengthen the impact of development assistance. Recognizing the national planning problems caused by uncertainty over the timing of aid flows, donors acknowledged the need for greater predictability in delivery. They also recognized the importance of supporting and working through national public financial management systems. Greater control by recipient countries and improved donor coordination in support of national plans were seen as antidotes to donor-driven aid programmes that bypassed national structures and reinforced aid dependence, often without delivering sustainable results (Deutscher and Fyson, 2008). Specific targets were adopted to change this picture by 2010.

The Paris agenda has a very direct bearing on aid for education. Perhaps more than in any other sector, planning for education requires predictable medium-term finance. The cost of paying teachers, meeting per pupil costs and financing textbook provision stretches over many years. For governments lacking a sustainable and predictable revenue base, ambitious public investment in education is a high-risk enterprise. Donors’ use of public financial management systems in education is also critical. Reporting through national systems, rather than parallel donor systems, can dramatically reduce transaction costs. Similarly, given the significant presence of many donors in aid for education, aid agency coordination in supporting national plans can reduce the burden on already overstretched education planners.

Progress towards the targets set in the Paris agenda has been mixed. Given the 2005 baseline, any overall assessment would be premature. There has been progress in most areas, albeit from a low base. However, its pace will have to pick up over the next three years if the goals are to be attained (Table 4.2). For instance, less than half of development assistance is currently reported in aid recipients’ budgets, against a 2010 target of 85%.

The 2008 High-Level Forum on Aid Effectiveness in Accra gave renewed momentum to dialogue between donors and developing countries on aid governance. Donors recognize the need to put in practice the principles underpinning the Paris agenda, but this will require a fundamental shift in the way many donors manage their aid – which will in turn require an even more fundamental shift in how they think about aid partnerships. This section looks at four areas of the broad Paris agenda that have important implications for education:

- the predictability of aid;
- the use of national public financial management systems;
- donor coordination; and
- performance-based aid.

Aid predictability

Predictability is a hallmark of effective aid. If recipients cannot rely on donor commitments, they cannot develop and implement medium-term financing plans for achieving education goals.

There is a great deal of room to improve predictability. In 2007, less than half of aid arrived on schedule. For some countries, the figure was far below that. In Yemen, just one-third of scheduled aid was disbursed. Benin was to receive US$477 million but just US$151 million actually arrived (OECD, 2008a). Such shortfalls can have highly damaging effects in education, disrupting school building programmes and limiting the resources available to hire teachers and provide children with textbooks.

Not all the problems associated with unpredictable aid can be traced to donors. If recipient governments cannot account for previously disbursed funds or meet basic reporting conditions, there may be strong grounds for delaying aid. Donor aid management systems are often part of the problem, however, imposing unrealistic conditions or onerous reporting requirements. In most cases, there are problems on both sides of the aid partnership. In the United Republic of Tanzania, disbursements for the Primary Education Development Programme (2001–2006) were consistently below commitments. Delays in approval of work plans, poor quality audit reports and demanding donor reporting requirements all contributed. Using national systems can help strengthen predictability by removing a layer of transactions in reporting. Aid predictability is particularly weak in conflict-affected countries. In 2007, less than half the aid scheduled for disbursement was delivered in the Democratic Republic of the Congo, Nepal and Sierra Leone. In Chad and Liberia, none of the scheduled aid was disbursed that year (OECD, 2008a).
One underlying cause of poor predictability is weak donor planning. Recipient countries are encouraged to develop three to five year expenditure frameworks in areas such as health and education, but donors have made little progress providing reliable multiyear aid estimates. While some donors have legislated multiyear aid commitments, most have no binding commitments – and this information is not always shared with recipients (OECD-DAC, 2009c). At the 2008 Accra forum on aid effectiveness, donors reaffirmed their commitment to improving medium-term aid predictability and to providing regular, timely information for a three to five year period on the levels of aid developing countries can expect to receive. It is crucial that they act on these pledges.

**Use of country public financial management systems**

The efficiency, integrity and transparency that governments demonstrate in mobilizing, managing and spending public resources and in reporting to citizens are at the heart of good governance. Aid recipients have made progress in keeping commitments they made in the Paris agenda to strengthen public financial management systems, but donors are not keeping their promise to use these systems as much as possible, thus weakening incentives for reform.

In many developing countries, progress in strengthening public financial management systems has been slow, not least because the institutional arrangements are complex (de Renzio,
However, the latest OECD survey, from 2008, found that one-third of the forty-two low-income countries covered had improved their financial management systems by at least one measure in the Country Policy and Institutional Assessment (CPIA), a World Bank diagnostic tool that ranks performance on an ascending scale from one to six (OECD, 2008a).

Donors set an ambitious target of channelling 80% of aid through national systems by 2010, but between 2005 and 2007 the actual amount increased from 40% to just 45%. Moreover, the quality of a country’s public financial management system is a weak guide as to whether donors use it, as Figure 4.11 illustrates. Bangladesh scores lower on the CPIA scale than Mozambique, Rwanda or Zambia, yet has a far higher share of aid using national reporting systems.

In any one country, donor perceptions of corruption, organizational incentives, legislation governing aid, the direction of reform and headquarters policies can play a far more important role in shaping policy than a CPIA score. The extent to which individual donors use national financial management systems varies widely (Figure 4.12). More than 60% of aid from France, Japan, the Netherlands, Spain and the United Kingdom goes through national financial management and procurement systems, compared with 35% of aid from the European Commission and only 5% of United States aid. Some countries, such as France and Spain, have been willing to channel aid through weak national systems while supporting efforts to strengthen them.

Channelling aid through national systems gives aid-dependent countries far greater control over budget planning and public spending, and reduces the costly need to create parallel management systems. It makes little sense for the European Commission to require Zambia to meet separate reporting requirements when individual EU members are willing to work through the country’s national system. There is much greater scope for donors to work creatively together in supporting and using effective national systems.

Furthermore, scaling up aid to the required level through current financial arrangements is not a viable option. It would entail a proliferation of separate and parallel management structures.

**Figure 4.11: The extent to which donors use recipients’ financial systems is not related to their quality**

Donor use and quality of public financial management systems, 2007

Source: OECD (2009a).
that would overload the capacity of developing
countries, divert scarce human resources from
national planning, weaken budget systems and
ultimately diminish the effectiveness of aid.

**Aligning aid and coordinating activity**

All donors are committed in their policy
statements to aligning their activities with the
plans of recipient governments. Better alignment
also means improved coordination, with donors
working collectively to support the goals set out
in national plans.

One indicator of progress in this regard is the
share of programme-based aid. In 2005–2006,
it accounted for some 54% of all aid to basic
education, compared with 31% in 1999–2000. In
Bangladesh, donors have formed a consortium that
works with the government on a unified programme
of support for primary education. Mozambique and
Zambia have also seen a strong shift towards pooled
funding for education, with donors working together
through national systems and shared reporting
structures. In some cases, donors have cooperated
in supporting reforms in planning, reporting and
auditing to facilitate a pooled financing arrangement
and the scaling up of aid in support of the national
education strategy (Box 4.6).

While improved donor coordination is delivering
results, it can give rise to new tensions.
Negotiations between aid-dependent countries
and groups of like-minded donors can reinforce
unequal power relationships (Abou Serie et al.,
2009). In the United Republic of Tanzania,
Education Ministry officials saw dialogue with
donors as a source of intrusion, while donors
reported concerns over a perceived exclusion
from discussions over programme implementation
(Box 4.7). Such tensions highlight the complexity
of aid partnerships and the importance of setting
clear parameters for donor influence.

**Managing for results**

Under the Paris Declaration on Aid Effectiveness,
developing country governments committed to
strengthening monitoring of the progress that aid is
intended to facilitate and donors pledged to support
these efforts and to use national data. ‘Managing for
results’ is the shorthand description of this approach.

There is some evidence that the stronger focus
on results is influencing national education
programmes supported by aid. In Bangladesh, for
example, the national primary education programme...
has made result-based management a priority through improved information sharing since 2004. In the past, government departments rarely shared information for sector planning. New systems are breaking down this fragmentation step by step, with an annual report providing an overview of performance measured against key education sector objectives (Bangladesh Government, 2009).

At its best, managing for results is about strengthening the capacity of developing country governments to determine what works on the basis of the best available evidence. The more extensive use of outcome indicators to measure policy effectiveness is a wholly positive development. The drive towards results in aid management is not without problems, however.

Some donors see performance-based funding as an obvious corollary of a commitment to management by results. While such funding takes many forms, the broad approach is to create incentives for governments to strengthen policies that are not achieving targets and to reward those that are performing. The United States Millennium Challenge Account, created in 2004, provides funding on the basis of policy reforms and development results. The Global Fund model also uses incentives to improve poorly performing programmes. In Senegal, for example, a grant to combat malaria was stopped due to underperformance and restored only once the national programme had been strengthened. Negative reviews of programmes in the Laos People’s Democratic Republic, Lesotho and Nigeria have also led to policy reform (Global Fund, 2009d).

Aid’s drive towards results is not without its problems, however. Some donors see performance-based funding as an obvious corollary of a commitment to management by results. While such funding takes many forms, the broad approach is to create incentives for governments to strengthen policies that are not achieving targets and to reward those that are performing. The United States Millennium Challenge Account, created in 2004, provides funding on the basis of policy reforms and development results. The Global Fund model also uses incentives to improve poorly performing programmes. In Senegal, for example, a grant to combat malaria was stopped due to underperformance and restored only once the national programme had been strengthened. Negative reviews of programmes in the Laos People’s Democratic Republic, Lesotho and Nigeria have also led to policy reform (Global Fund, 2009d).

Does performance-based funding conflict with the principle of country ‘ownership’? All aid is to some degree conditional on recipient governments being seen as viable partners – and on results. Recipients are likely to see performance-based funding as legitimate if they have a role in setting goals and deciding how best to achieve them (Abou Serie et al., 2009). In the case of the Global Fund, the central role of developing country governments and civil society in setting national targets, submitting financing and implementation plans, and jointly reviewing progress creates a basis for country ownership. While there have sometimes been severe tensions over the release of funds, in many cases governments already committed to reform appear to have accepted financing incentives.

Under different conditions it is a small step from performance-based support to old-style conditionality, or worse. Recent proposals in favour of ‘cash-on-delivery’ aid for education illustrate the problem (Box 4.8).


**The Aid Compact: Falling Short of Commitments**

**Aid for Education**

**Box 4.8: Cash-on-delivery aid raises as many problems as it solves**

Linking aid to results has an intuitive appeal. If the goal is decent quality education, why not reward governments with a cash payment for every additional child who completes primary education or achieves above a set score on a standardized test? This is the central idea behind cash-on-delivery aid, which aims to provide incentives for recipients to address the institutional and governance problems that can prevent aid from producing results.

The appeal of cash-on-delivery aid is its focus on results. Payments to aid recipients would be made on the basis of verified improvement in outcomes (say, children completing primary education and reaching a specified learning standard) from an established baseline. Recipient governments would be left free to decide on policies and on how to spend the aid they receive. While superficially offering a route to greater ownership, this model poses several problems:

- **Penalizing governments for outcomes they do not control.** School attendance figures and completion rates can be strongly affected by factors such as droughts, floods, unemployment and economic growth. In theory, an external auditor could adjust achieved outcomes (and aid payments) by controlling for exogenous factors, and donors could renegotiate their contract with aid recipients. In practice, unraveling the effects of various influences requires data that are either unavailable or not likely to become available until much later.

- **Shifting the risk.** Development is a risky business. Neither national governments nor aid donors know in advance with any certainty which policy inputs (public investment, targeted incentives, governance reforms and so on) will work. By conditioning aid on broadly shared policy inputs, donors share the risk of failure with the recipient. Basing aid on output transfers risk to the recipient. If a particular input, designed and implemented with a genuine intent to achieve a positive outcome, does not work, the would-be aid recipient loses out while the donor is unaffected. Governments might adopt policies aimed at removing a set of barriers to education of the marginalized, only to find that the policies produce weaker results than expected, incurring cash-on-delivery aid penalties. In effect, this is old-style conditionality on a no-risk basis for donors. Far from encouraging innovation in aid recipient countries, cash-on-delivery could have the opposite effect, creating incentives to avoid risk-taking.

- **Diverting attention from the strengthening of systems.** Cash-on-delivery aid places a premium on achieving short-term targets, such as getting more children through primary school, rather than long-term goals such as strengthening the education system, improving child nutrition and training more teachers. For governments that choose cash-on-delivery aid for quantitative targets, there are also potential tensions with qualitative goals, as has been widely documented in the health sector.

- **Creating incentives for misreporting.** By linking payments to verified results, cash-on-delivery aid has the potential to create perverse incentives, with governments being rewarded for over-reporting – another phenomenon documented in the health sector. Programmes under the auspices of the GAVI Alliance include a payment for every vaccinated child above a baseline. Research indicates that in some countries, including Bangladesh, Indonesia and Mali, official data systematically underestimate the baseline and overstate subsequent coverage.

- **Bypassing ‘underperformers’.** Cash-on-delivery aid effectively penalizes countries that miss their targets. This raises the immediate question of what to do with such countries, many of which are likely to be in the greatest need of support. Should they be disregarded? Or should it be assumed that the prospect of increased aid will create an incentive for policy change?

Accelerated progress towards education for all requires far-reaching changes in monetary and non-monetary incentives, backed by changes in rules for accountability and reporting, aimed at changing institutional behaviour. Under some limited conditions, cash-on-delivery approaches might complement broader performance-based incentives, but they should be developed in the context of national policy, not unequal negotiations between donors and recipients.

Sources: Birdsall et al. (2008); de Renzio and Woods (2007); Lockheed (2008); Lim et al. (2008).

**Conclusion**

Translating the Paris Declaration principles into practical strategies requires donors and recipients to reconsider the distribution of political power in aid partnerships. Effective aid requires a national policy environment in recipient countries that is conducive to planning. It also requires donors to act on their commitments to deliver more predictable aid. Donors also need to resist the temptation to micromanage aid, either formally (through conditionality) or informally (through control over finance). Delivering development assistance in ways that strengthen national capabilities is not just more effective – it is a route out of aid dependence.
**Aid to conflict-affected countries**

Low-income countries affected by conflict pose some of the greatest challenges for aid partnerships. People living in these countries need help to rebuild their livelihoods, health and education systems. Yet for donors, working with conflict-affected countries is difficult and often dangerous.

Analysis of the role of aid to education in conflict-affected states is not straightforward. There is no agreed definition or list of such states. Even if a list could be agreed, the status of the countries on it would vary enormously. The situation in the Darfur region of the Sudan is not the same as that of Helmand Province in Afghanistan. Some prefer the broader term ‘fragile states’ to encompass countries affected by conflict and those facing wider governance challenges, but this does little to add clarity: almost all low-income countries are fragile in some way.

There is broad agreement, however, that conflict has had devastating consequences for education in many poor countries, affecting millions of children. Whether they are injured or traumatized by bombing in Gaza, living in camps for displaced people in Sri Lanka or recruited as child soldiers in northern Uganda, children are never immune to the impact of conflict. Neither are education systems. Warring factions often destroy schools and target teachers, and education suffers badly when conflict leads to a collapse of governance.

Childhood disrupted as a result of conflict is difficult to mend. Yet education can provide children and youth with protection, a safe space and hope for the future. Similarly, the reconstruction of education systems in countries emerging from conflict can play a vital role in underpinning peace, rebuilding lives and laying the foundations for stability. The experience of Sierra Leone demonstrates what is possible, while the failure to rebuild education in the Democratic Republic of the Congo demonstrates the corrosive effect of slow social reconstruction on peace processes.

Most donors recognize the importance of supporting education in conflict-affected countries. Yet they face difficult policy dilemmas. Donors want aid to be effective, so they focus on conditions such as country ownership, macroeconomic stability and good governance. Few countries emerging from conflict are in a position to meet these conditions. In addition, maintaining access to education during humanitarian emergencies is enormously difficult. Such considerations help explain the highly unequal, volatile and poorly coordinated pattern of aid delivery to conflict-affected countries. Yet adequate education provision in these countries will not be achieved without scaling up aid.

**Monitoring aid to conflict-affected countries**

How do countries affected by conflict fare in attracting aid, in comparison with other countries? This Report addresses the question by focusing on twenty poor countries meeting established criteria for classification as conflict-affected (Harbom and Wallensteen, 2009; Uppsala Conflict Data Program, 2009). The diversity of the group underlines the problems in defining conflict-affected countries. Those covered include countries such as Liberia and Rwanda that have embarked on successful post-conflict recovery strategies, countries that have faced localized conflict (Senegal and Uganda) or far broader conflict (Côte d’Ivoire), and those such as Afghanistan where reconstruction is taking place amid continued instability.

The impact of conflict on educational access is clear. Taken collectively, these twenty countries account for about one in three children who are out of school. In many cases, national data make it difficult to establish the full consequences of conflict. For example, there are no reliable estimates of the out-of-school population in Darfur. In other cases, national data can obscure the extent of conflict-related damage to education. While Uganda has made strong national progress towards universal primary education, several northern districts affected by conflict have been left behind.

While aid to conflict-affected poor countries is rising from a low base, it still falls far short of what is needed. For 2006–2007, just under one-fifth of overall aid to education and one-quarter of aid to basic education went to conflict-affected poor countries (Figure 4.13). Data limitations make it difficult to provide an accurate assessment of the levels of aid required for education in these countries. Indicative estimates for this Report put the basic education financing gap in conflict-affected poor countries at approximately US$7 billion or 41% of the total gap for low-income countries (Education Policy and Data Center and UNESCO, 2009). This is substantially more than the US$1.2 billion of aid for basic education committed to these countries in 2006-2007.

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16. The countries included are ones that experienced armed conflicts resulting in at least twenty-five battle-related deaths per year over at least three years between 1999 and 2007 or more than 1,000 battle-related deaths in at least one year during the same period. Of these, only countries categorized as least developed countries by the United Nations or low-income countries by the World Bank in 2007 were included.

17. These twenty countries account for 56% of those out of school in low-income countries.
Aid distribution within the group of conflict-affected countries is highly concentrated in Afghanistan, Ethiopia and Pakistan. They accounted for more than half of total aid to basic education in conflict-affected countries in 2006–2007 (Figure 4.14).\(^{18}\)

Comparisons across the group reveal striking disparities in levels of support. Afghanistan received US$19 per primary school age child – eight times as much as the Democratic Republic of the Congo at US$2 (Figure 4.15). Rwanda received US$20 per child and Burundi US$13 (Box 4.9). At US$4 per child, Liberia received less than half the group average in 2006–2007.

Patterns of aid allocation do not correspond to what might be expected on the basis of a global assessment of need. One reason may be that aid priorities have emerged as a key element of a global security agenda. An obvious case in point is Afghanistan, which receives a large amount of aid overall and for education in particular. This is partly because reconstruction of education systems is recognized both as a requirement for human development and greater gender equity, and as a vital element in state-building. However, it is also because of the perceived threat of the country to global security.

Comparisons between Afghanistan and the Democratic Republic of the Congo illustrate the importance of donor priorities. In the Democratic Republic of the Congo, long-running civil conflicts, fuelled in some regions by neighbouring states, have had devastating consequences for education. Household survey data indicate that more than 4 million children are not in school (Democratic Republic of the Congo Ministry of Planning et al., 2008).\(^{19}\) While the country may be a source of regional instability, donors do not perceive it as a global security threat, unlike Afghanistan. That may explain why it figures among the top ten recipients for only one donor – Belgium, the former colonial power. By contrast, Afghanistan was among the top ten recipients of basic education aid for eight donors in 2007.\(^{20}\)

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\(^{18}\) The twenty countries received 16% of total ODA in 2007, similar to their share of total aid to education. In this group, Afghanistan, Ethiopia and Pakistan are also the biggest recipients of ODA overall (see OECD-DAC, 2009e), suggesting that education is following more general patterns of donor priorities.

\(^{19}\) GMR calculations based on net attendance rate from DRC 2007 DHS and population data from UIS database.

\(^{20}\) Australia, Canada, the European Commission, Germany, the IDA, Japan, Sweden and the United States.
In Afghanistan, aid has played a critical role in expanding education opportunities. Overall, however, the aid allocation patterns raise questions about donor priorities regarding the different recipient countries. In some cases, there are marked disparities in aid levels between conflict-affected countries in the same region, or even neighbouring countries – such as Burundi and Rwanda (Box 4.9).

From humanitarian to development aid – the missing link

‘Support for the re-establishment and continuity of education must be a priority strategy for donors and NGOs in conflict and post-conflict situations,’ wrote Graça Machel in 1996 (Machel, 1996, p. 47). More than a decade later, most aid for conflict-affected countries continues to be delivered through short-term, uncoordinated projects that fail to lay the foundations on which to rebuild education systems. While donor policy statements increasingly recognize the importance of integrating short-term humanitarian assistance with long-term social and economic reconstruction, progress towards a more ‘joined-up’ policy framework has been limited.


In many conflict-affected countries, expenditure on security operations and emergency assistance overwhelmingly dominates donor support, with long-term development in general – and education in particular – taking a back seat. In Liberia, for example, the cost of United Nations peacekeeping operations has consistently been more than double total aid flows since 2004. Only 2% of the total aid was allocated to education in 2004–2007. During this post-conflict phase, humanitarian aid continued to play a significant role (OECD-DAC, 2009d). But it did not make up the shortfall for education: in humanitarian as in development aid, education accounted for just 2%. This suggests that longer-term, more sustainable approaches to supporting basic service delivery are not yet being addressed (Figure 4.16).

Another example comes from the Democratic Republic of the Congo. In the five years after the signing of the 2003 peace accord, development aid was nominally higher than spending on United Nations peacekeeping. However, this was largely because, under an agreement signed just after the peace accord, creditors wrote off a large share of the country’s debt stock, which is counted as aid even though it entails no real financial flows. Humanitarian aid has been a significant proportion of actual assistance from donors, reflecting the difficult environment in which they operate. The 2003 peace accords swiftly broke down, as did subsequent accords. Today, humanitarian aid is dominated by food and emergency nutrition programmes, with long-term aid to agriculture, education and health figuring only marginally. In 2007, US$5 million, or only 1% of humanitarian aid, supported education interventions in the Democratic Republic of the Congo, far short of the US$27 million identified as a minimum requirement for education in the 2007 humanitarian action plan (United Nations, 2007a).
Burundi and Rwanda are known in French as les faux jumeaux – the non-identical twins. Both have experienced devastating episodes of violent conflict which have left a deep imprint on their education systems. One area where they differ is in the level of support they have received from aid donors in rebuilding those systems.

The three months of genocide in Rwanda in 1994 left 800,000 people dead and 3 million displaced, many of them in neighbouring countries. Some 80% of the country’s children experienced death in their immediate family and 90% saw dead bodies. In Burundi, the conflict was more protracted. From 1993 to 2005, out of a population of around 6 million, 300,000 people were killed and 1.6 million fled their homes.

Both countries emerged from conflict with shattered education systems. When a new government assumed office in Rwanda in July 1994, the Education Ministry had no financial resources, no equipment or supplies, and limited manpower. In Burundi, the near-decade of conflict severely weakened education planning and financing. By 2000, just 40% of the school age population were attending primary school, according to household survey data. With large numbers of traumatized children, a bitter legacy of mistrust, shortages of teachers and large financing gaps, both countries urgently needed strong donor support and increased aid.

The donor response has been unequal. Over 2006–2007, Rwanda received US$20 per primary school age child. Burundi received just US$13, even though it is lagging behind Rwanda in progress towards universal primary education, with three times as many children out of school.

Financing disparities of this magnitude are difficult to square with an independent assessment of need, governance or capacity. Other factors have driven aid allocations. The scale of the Rwandan genocide and the failure of the international community to prevent it played a role in eliciting a strong aid response – and rightly so. Public pressure on donors to act was reinforced by graphic media coverage of the genocide. Beyond the humanitarian impulse, many aid donors see Rwanda as a more significant strategic actor than Burundi in the Great Lakes region. The point of the comparison is not to question the level of aid to Rwanda, which has achieved extraordinary progress, but to ask why donors have not supported reconstruction in Burundi more strongly.

Source: Obura and Bird (2009).

Box 4.9: Non-identical donor responses to education systems in Burundi and Rwanda

reconstruction in humanitarian aid and the complexity of the problems facing donors. Food and nutrition are obvious priorities for emergency support. Yet the failure to put in place a viable strategy and adequate finance for education reconstruction may well have contributed to wider factors that have destabilized successive peace accords.

At one level the aid financing profiles for the Democratic Republic of the Congo and Liberia reflect a compelling set of recovery imperatives. The problem is not that the international community invests too much in security and alleviating hunger. It is that too little is invested in other areas that are no less important to post-conflict reconstruction.

Peace, political stability, access to basic services and economic recovery cannot be viewed in isolation. In a post-conflict environment, failure in any one area can lead to collapse in others. When peace settlements bring an end to violence but fail to restore education systems, the thwarted hopes and ambitions of parents can fuel social tensions and mistrust of government. Distributing food to combat hunger without restoring the economic infrastructure and productive systems that people need for more secure livelihoods can erode prospects for sustainable recovery. The bottom line is that security in the broader sense is about more than the absence of violence and hunger. It is about expanding the real choices open to people and building confidence in the future.

Working effectively in conflict-affected states

There is no ready-made model for working in conflict-affected states. In some cases, peace processes create an opportunity to work with governments committed to reconstruction. In others, donors work amid ongoing conflict, with the risk of being seen as a supporter of one side – a risk that has resulted in a growing number of attacks on aid workers. In still other cases, government unwillingness to participate in peace processes or reconstruction may leave non-government groups as the only potential partners for aid agencies. While the problems are often daunting, there are always opportunities to engage.
The potential for engagement depends partly upon donor governance practices. Stringent rules on reporting may be beyond the capacity of many conflict-affected states. Similarly, the scope for supporting country ownership and using public financial management systems – key elements of the 2005 Paris agenda for aid effectiveness – may be limited. Donors have adopted principles to guide their work in fragile and conflict-affected states, but there is a lack of clarity over the alignment of these principles with those of the Paris agenda and over how to translate them into action (Oxford Policy Management and IDL Group, 2008).

One principle for international engagement in fragile states emphasizes the importance of acting fast, but also staying involved for long enough to give success a chance (OECD-DAC, 2007). This often does not happen. One reason is that countries emerging from conflict are thought to lack the governance systems to absorb large quantities of aid. That may be true immediately...
after a conflict, when security and the restoration of basic governance are an immediate priority. But once peace has taken root, there is often a potential for increasing aid [Collier and Hoeffler, 2002].

All too often in the past, donors tended to scale back aid in countries that had emerged from conflict but remained politically unstable two or three years after a peace settlement. The upshot was that aid declined at a time when public concerns were shifting from security to basic services – and when post-conflict governments were building their capacity to use aid more effectively [Weinstein et al., 2004]. There are alternatives. Recognizing that uncertainty over future aid flows could compromise efforts to build on the Sierra Leone peace settlement, in 2002 the United Kingdom Department for International Development made a ten-year commitment to support the government. Similar arrangements were later put in place for Afghanistan, Ethiopia and Rwanda (DFID, 2005).

Seizing opportunities for reconstruction requires flexible policies and a strong commitment to working in conflict-affected countries. Some donors are integrating into their policies approaches to providing education in conflict and emergencies [Brannelly et al., 2009]. Even so, only ten of the twenty-three OECD-DAC members have policy commitments to providing education in countries affected by conflict and fragility.24 and only five include education in their emergency policies [Save the Children, 2009b].23

The risks associated with working in conflict and post-conflict environments can entail high transaction costs for measures such as security assessment, engagement with government and non-government actors, and the design of practical reporting and evaluation systems. Many donors have developed innovative strategies for lowering risks and transaction costs, adapted by context.24 Investing in pooled funds managed by another donor with a strong track record in the recipient country is one approach (Box 4.10). The Netherlands has committed US$231 million,25 around 15% of its direct aid to education in 2006, for the period up to 2010 to a joint programme with UNICEF aimed at supporting education in countries in conflict and emergencies. Norway has reduced its bilateral aid for education in Afghanistan and increased support provided through the Afghanistan Reconstruction Trust Fund, a multidonor trust fund managed by the World Bank [Brannelly et al., 2009; Save the Children, 2009b]. Other innovative approaches to aid delivery in conflict-affected countries include the following:

- In Guatemala, the 1996 peace accords included a commitment to support the development of indigenous education. With the help of funding from Norway directed through Save the Children’s Rewrite the Future Campaign, 60,000 children are reported to have benefited from improved education quality, with the recruitment and training of bilingual teachers and curriculum development playing important roles [Save the Children, 2009b].

- The development of a basic education programme (focusing on pre-primary, primary and adult education) in Nepal in 2004 shows it is possible for donors and government to work together even amid serious armed conflict. In this case, Denmark, Finland, Norway, the United Kingdom and the World Bank contributed to a pooled fund. There are indications of some gains in educational attainment as a result, despite the conflict [Berry, 2007].

- In Somalia, since the early 1990s the European Commission has supported education through international non-government organizations, focusing on basic education, teacher training and vocational or life-skills training for disadvantaged youth [Brannelly et al., 2009]. Support has continued through periods of intense conflict and a non-functioning government.

- Education in northern Uganda has been seriously hindered by violent conflict, with schools and teachers targeted by the Lord’s Resistance Army. Aid from the Netherlands has helped finance a bursary programme for former Lord’s Resistance Army combatants in the north, along with other programmes helping children and youth catch up on missed schooling [Save the Children, 2009b].

Another example comes from Canada, which has dramatically increased its overall aid budget for education and its support for conflict-affected countries. In seeking to align aid financing with a national policy commitment to the reconstruction of education systems, the Canadian International Development Agency (CIDA) has demonstrated a high level of flexibility. In Afghanistan and the Sudan, it has allocated resources to multidonor trust funds and non-government organizations.

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22. Australia, Canada, Denmark, the European Commission, Ireland, the Netherlands, Norway, Spain, the United Kingdom and the United States. The World Bank, which participates in the OECD-DAC as an observer, also has a policy on providing education in conflict-affected countries.

23. Canada, Denmark, Japan, Norway and Sweden.

24. The first principle for International Engagement in Fragile States is to take context as the starting point, recognizing that capacity, political will and legitimacy differ according to whether a country is in a prolonged conflict or recently emerging from conflict, for example.

25. At 2007 prices.
In the Palestinian Autonomous Territories, CIDA has a strong focus on providing safe spaces for learning and institutional support for UNRWA, the United Nations agency for Palestinian refugees, rather than providing funding directly to the Palestinian authorities. In Sierra Leone, a country in which Canada has no significant aid programme, support for reintegrating child soldiers has been delivered via non-government organizations (Mundy, 2009).

Aid for conflict-affected countries is not just about development in a narrow sense. In many such countries, donor governments are engaged in wide-ranging military and security operations, diplomatic activity and the rebuilding of basic governance systems. These overlapping roles entail threats and opportunities for effective aid. The threats derive from the risk that aid will be used, or be perceived by the people of recipient countries, as one element in a wider military strategy. Yet the integration of aid into a wider policy framework can create opportunities for more effective delivery.

Some donors are attempting to organize their aid programmes in conflict-affected countries through a ‘whole of government’ framework linking development, defence and diplomacy (OECD, 2006c). For example, in the Democratic Republic of the Congo, the United Kingdom has supported bridge-building programmes aimed at restoring economic infrastructure under a pooled financing arrangement involving the defence ministry’s conflict prevention fund (DFID, 2009b). Another example, which illustrates the difficult relationship between development and security, comes from Afghanistan, where Canada is developing an education programme in a province marked by severe insecurity (Box 4.11).

Effective multilateral approaches to aid can play a vital role in supporting conflict-affected countries. Such mechanisms enable bilateral donors to pool resources and risk, and to avoid having to create their own delivery systems. One problem with the global aid architecture is the lack of a single unified multilateral framework for education through which donors can channel resources to conflict-affected countries. Hopes that the Fast Track Initiative would fill the gap have not been realized – an issue discussed further in the final section.

Box 4.10: Multidonor trust funds — a promising approach with mixed results

Multidonor trust funds, which pool the funds of several donors, are usually managed by the World Bank or a United Nations agency. A recent evaluation of such funds identifies them as the best-practice post-crisis funding mechanism. They are among the most important coordination, harmonization and alignment mechanisms open to donors.

In difficult post-conflict environments, multidonor trust funds offer donors several advantages. They spread fiduciary risk and reduce the cost of initiating programmes and providing support. For aid recipients, they can reduce transaction costs and provide early delivery of urgently needed support. Experience in Liberia has shown that funds can be disbursed quickly to support reconstruction of education activities (see Box 4.15). Similarly, the Afghanistan Reconstruction Trust Fund has helped pay the salaries of the expanded teaching force needed for the increased numbers of children entering school since 2002.

Not all multidonor trust funds have been as effective. A World Bank-managed fund in Southern Sudan covers about 12% of donor funding to education. Disbursement has been slow. This is partly because of weak capacity on the part of the new Education Ministry, but it has also been reported that stringent application of World Bank procurement rules has made rapid disbursement difficult.

Multidonor trust funds offer considerable potential for scaling up support to conflict-affected countries. The money currently allocated to such funds is usually a small share of total aid to conflict-affected countries, as some donors continue to provide assistance through separate projects or directly to non-government groups. This dilutes the potential benefits of pooling resources, placing additional transaction costs on recipient governments.

Sources: Scanteam (2007); Brannelly et al. (2009); Greeley (2007); Echessa (2009).

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Sources: Scanteam (2007); Brannelly et al. (2009); Greeley (2007); Echessa (2009).
Conclusion

The international development goals for education will not be achieved without scaled up aid efforts in conflict-affected states. These states account for a large share of the out-of-school population. The recovery of their education sectors is hampered by inadequate finance, weak technical capacity and chronic shortages of teachers. The difficulties in providing support to the people of these countries are well known. Yet opportunities to rebuild education are being lost as a result of overly rigid aid management practices and the failure to develop an effective multilateral vehicle to support conflict-affected countries.
Reforming the Fast Track Initiative

When the FTI was launched in 2002, Jim Wolfensohn, then president of the World Bank, hailed it as a ‘historic first step towards putting all developing countries on an education fast track that could transform their social and economic prospects’ (World Bank, 2002a). The FTI was widely seen as a catalyst for accelerated progress towards Education for All. While there have been some real accomplishments, the initiative manifestly has not put the poorest developing countries on ‘an education fast track’. The overall record is one of sustained underachievement – and reform is an urgent priority.

Disappointment in the FTI has been heightened by the gap between its ambitions and its achievements. At its inception, the initiative was seen as embodying a new type of global compact between developing countries and aid donors aimed at achieving international development goals. Developing countries were to put in place credible plans for accelerating progress in education, with donors backing strengthened national efforts through increased, more effective and more predictable aid. Seven years on, the credibility of the initiative is at an all-time low, reflecting its poor record on delivery.

The time is ripe for developing countries, donors and non-government organizations to reassess the FTI. An independent evaluation is scheduled to report on the FTI’s effectiveness and formulate proposals for reform. Several donors are pressing for more predictable arrangements for financial replenishment, including an initial US$1.2 billion commitment. Meanwhile, the new United States administration has signalled an intention to create a new global fund for education, though the details remain unclear. This backdrop creates an opportunity for far-reaching reform of the FTI.

Seizing that opportunity is critical for progress towards Education for All. The FTI is not working, but a dynamic multilateral aid initiative could create a powerful new momentum towards reaching the targets set in Dakar in 2000. It could play a vital role in supporting countries that are off track for achieving the EFA goals and in mobilizing resources for marginalized groups. Unlocking the potential will require strong political leadership and greater clarity, notably over the role of the FTI in mobilizing and delivering the additional finance needed to achieve the goals.

This section provides a critical assessment of the Fast Track Initiative. It sets out the problems in governance, finance and country coverage. The scale of these problems rules out business as usual. Bluntly stated, the FTI in its current form is indefensible. Abolishing the current framework and developing a new multilateral blueprint from scratch is not the answer, however. The world needs an ambitious multilateral framework to accelerate progress towards the 2015 goals, and a reformed FTI is the most viable option. The following are among the key messages of this section:

- **The FTI has failed to mobilize and deliver financing on the required scale.** The initiative has delivered too little aid with too many transaction costs. Initially it was envisaged that the FTI would galvanize resources indirectly through an ‘endorsement effect’, with its stamp of approval unlocking increased donor support. The Catalytic Fund was later introduced to provide direct support. There is no compelling evidence, however, that bilateral aid to FTI-endorsed countries has increased. Meanwhile, the Catalytic Fund has suffered from a weak and erratic donor support base and a large gap between commitments and disbursements.

- **The FTI has left intact a failed approach to the assessment of financing gaps.** Achieving the EFA goals will require a significant increase in aid financing. By this Report’s estimate, an additional US$16 billion is required annually to 2015. The FTI has not provided a vehicle for addressing this challenge. National plans still reflect donors’ assessments of what they can afford rather than what countries need, and fail to address the additional costs of reaching marginalized groups. Aid financing for education continues to be dominated by short-termism (with typical commitment periods of one to three years), poor predictability and limited support for teacher salaries.

- **The FTI has in some cases weakened efforts to improve aid effectiveness and implement the Paris agenda.** To be eligible for Catalytic Fund support, countries must meet the rules governing the release of funds from the World Bank’s International Development Association (IDA). National reporting and procurement
systems have often been deemed ineligible, even when bilateral donors use them in harmonized programmes. The result has been long-running tension between FTI practices and the principles underpinning the Paris agenda.

The FTI has the rhetoric of an aid partnership with the governance arrangements of a ‘donor club’. Developing countries are under-represented at all levels of the FTI partnership. Governance arrangements are particularly skewed at higher levels, where decisions about funding allocations are made. In addition, FTI decision-making processes are often arbitrary and opaque. New governance rules are needed to increase the voice of developing countries and the transparency of decision-making. The FTI should be reconstituted as an entity operating independently of the World Bank with a larger, more independent secretariat.

Conflict-affected countries have not been well served by the FTI. The initiative is potentially a viable option for supporting countries affected by conflict as it provides a multilateral framework that can help reduce risk and transaction costs. However, the FTI has not responded to the needs of conflict-affected countries. The framework is skewed towards rewarding governments able to meet a ‘gold standard’ level of planning, effectively excluding many conflict-affected countries. The failure of the donor community to develop a more flexible – and more relevant – model has seriously compromised the education prospects of some of the world’s most vulnerable children. Extending the FTI to conflict-affected countries is among the most urgent of all reform priorities.

Multilateral initiatives in public health provide lessons for FTI reform. Global health initiatives have played a vital role in mobilizing development finance. In stark contrast to the FTI, programmes such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the GAVI Alliance have also provided multilateral frameworks for channelling additional private financing towards shared international development goals and created democratic, transparent and accountable governance structures linking national planning processes to aid disbursements. While multilateral initiatives in health are not without problems and the education sector is different in some key respects, FTI reform should reflect lessons from global health initiatives.

Constructive debate on the FTI has been stymied by a protracted ‘blame game’. Donors have criticized one another for perceived failures in financing and delivery and the World Bank for wider governance problems. Unfortunately, the resulting dialogue has diverted attention from deeper structural problems. The FTI cannot be held responsible for donors’ failure to act on pledges made at Dakar or for developing countries’ failure to prioritize policies for overcoming marginalization. Weak political commitment to international aid for education and to national equity has far deeper roots. Similarly, the highly professional FTI Secretariat in the World Bank cannot be held responsible for governance rules created by the institution’s shareholders. While the governance architecture of the FTI is problematic and has weakened its impact, failures of governance are themselves a symptom of weak political leadership.

This section has five parts. Part 1 sets out the background to the FTI, explaining how it operates and documenting delivery to date. Part 2 focuses on financing and the slow pace of disbursement. Part 3 looks at the failure of the FTI to respond to the special needs of countries affected by conflict. Part 4 explores some of the major global initiatives in health, drawing lessons that may be relevant for FTI reform. The section concludes by setting out some of the key conditions for a global initiative in education that can deliver results.

The Fast Track Initiative framework

Launched in 2002, the Fast Track Initiative was presented as part of a wider global compact for achieving international development goals. At the International Conference on Financing for Development (Monterrey, 2002), developing countries committed to strengthen planning for poverty reduction, while rich countries pledged to mobilize more aid to support ‘country-owned’ plans.

The FTI became a prototype for the new model, seen as a vehicle for strengthening national planning through development of broad-based education strategies that would be a focal point for donor coordination and resource mobilization. The initiative was geared towards achieving universal primary completion by 2015, rather than the much broader set of EFA objectives set out in the Dakar Framework (Colclough and Fennel, 2004; Rose, 2005; World Bank, 2002b). In reality, it has had no significant impact even on this narrow goal.
Tackling gaps in planning and finance

The FTI’s core business plan, drawn up in 2002, involved tackling planning gaps in three key areas – policy development, data and capacity – and mobilizing additional aid to close financing gaps (World Bank, 2002b). Four key objectives were established (FTI Secretariat, 2004):

- increasing aid for basic education by providing sustained, predictable and flexible financial support to countries demonstrating a commitment and capacity to accelerate progress;
- improving aid efficiency and cutting transaction costs by coordinating and harmonizing donor support behind sector-wide education strategies;
- respecting country ownership by aligning aid with national priorities and policies;
- establishing clear benchmarks for the development of credible and sustainable education plans.

The establishment through the FTI of a unified process through which donors could harmonize activities behind country-owned plans linked the initiative to the broad goals set out in the 2005 Paris Declaration on Aid Effectiveness. In practice, however, implementation of FTI planning and financing processes has undermined donor coordination, raised transaction costs and weakened aid effectiveness in some countries.

A restricted approach to financing

The FTI gave donors an opportunity to develop an ambitious new approach to aid financing. With financing gaps identified as major obstacles to universal primary completion by 2015, national planning processes could have been used to develop credible, consistent estimates of the cost of removing those obstacles. Unfortunately, inconsistency and ambiguity have characterized the Fast Track approach to financing gaps.

One problem is the Indicative Framework, a series of benchmarks used to calculate the costs of national plans and associated financing gaps. The indicators included give prominence to overall spending on primary education, average class size, average teacher salaries, spending on inputs other than teacher salaries, and the rate of repetition. Benchmarks for each indicator were established, based on World Bank research that identified countries making good progress towards universal primary completion. The benchmarks were intended to be adapted to country circumstances (Bruns et al., 2003). Some commentators believe the Indicative Framework has created a consistent set of relevant and appropriate benchmarks that have been applied in a fashion consistent with the principles of country ownership (Bermingham, 2009a). Others, however, have questioned the weak participation of developing countries and donors in designing the framework, and whether the indicators and benchmarks are appropriate, notably in areas such as teacher remuneration (Carr-Hill, 2009; Rose, 2005). Some have argued that the Indicative Framework could be construed as a new form of policy conditionality (King and Rose, 2005).

National education plans submitted for Fast Track endorsement point to varied approaches towards costing measures to achieve the EFA goals in practice. There is little consistency in approach – and the links to international targets are often unclear. Some national plans are not geared towards achievement of universal primary completion by 2015. Moreover, the vast majority of plans lack credible estimates – in many cases, any estimates – of the cost of reaching marginalized groups (Bennell, 2009).

Factors unrelated to achievement of the 2015 goals appear to have weighed heavily in approaches to estimating financing gaps. The approaches seem to be influenced in part by recipient government expectations of the amount of funding they can hope to receive. Donor considerations of affordability for their own aid budgets also appear to outweigh structured assessment of the financing required to achieve specific targets. This has contributed to what one commentator calls a ‘systematic downward bias’ in local donor groups’ estimation of national financing gaps (Sperling, 2008, p. 4).

Assessments of countries’ ability to absorb more aid also play a key role in donor calculations (Dom, 2009; Rawle, 2009). The capacity of aid recipients to use development assistance effectively is an important concern. However, constraints in this area have to be examined in the light of the technical and financing requirements for increasing capacity over time. If inability to absorb aid is a problem, then the solution has to comes in part from directing aid towards building absorptive capacity.

The problem in current FTI approaches is that the criteria donors use to assess absorptive capacity...
The creation of the Catalytic Fund added to the confusion over the role of the FTI in financing. Potential aid recipients often saw the new fund as the real core of the initiative. As a recent evaluation of Kenya’s recourse to the FTI puts it: ‘A striking feature of the Kenya case is that FTI is seen by local stakeholders predominantly as a direct source of funding’ (Thomson et al., 2009, p. 83). That perspective is widely shared in developing countries. The role of the Catalytic Fund remains ambiguous, however, with some donors seeing it as a potentially important mechanism for mobilizing and delivering the resources needed to achieve EFA goals and others continuing to view it as a residual financing vehicle.

That ambiguity is apparent in the debate over Catalytic Fund replenishment. The FTI Secretariat estimated that US$1.2 billion is needed over the eighteen months to 2010 to meet expected demand (FTI Task Team on Replenishment of the EFA Fast Track Initiative, 2009). Yet it is not clear whether this estimate reflects an assessment of national financing gaps in relation to universal primary education and other goals, or an assessment of what donors might be willing to allocate. Recent donor discussions on proposals to create a ‘needs and performance framework’ for allocation of Catalytic Fund resources have added to the confusion. The aim of the framework is to set out a process and criteria for determining how to spread resources among endorsed countries (FTI Secretariat, 2009b). In effect, the framework is attempting to establish a basis for rationing without having first established the precise purpose of the Catalytic Fund or its role in global EFA financing.

More fundamentally, the FTI has failed to transform the financing environment for aid to basic education. Accelerated progress towards education for all clearly requires strengthened national planning. But it also requires a commitment by donors to provide predictable, long-term support – over five to ten years – including for teacher salaries. For aid recipients, what matters is timely delivery of donor finance during planning and budget cycles. At present, the FTI neither assures mobilization of additional resources by bilateral donors operating in-country nor offers a reliable source of direct finance through the Catalytic Fund. Practically speaking, it is all but irrelevant to donors’ commitment at Dakar to ensure that no country fails to achieve the 2015 goal of universal primary completion for want of additional finance.
Perhaps the most serious criticism of the EDPF is that it has not helped institutions such as education ministries to plan and monitor progress in education.

**Supporting national education planning and building capacity**

It is sometimes claimed that the real success of the Fast Track Initiative has been in national planning rather than financing. Such claims are difficult to evaluate. In some cases, FTI processes may have improved the quality of dialogue between donors and governments, and increased donor coordination. But it is not clear from the evidence available that the FTI has strengthened national planning processes overall, either in terms of costing education plans or by giving greater attention to strategies aimed at including marginalized groups, though it may have done so in individual cases (Woods, 2009a).

The Education Programme Development Fund (EPDF), the second multidonor trust fund of the FTI, was established in 2004 to provide technical support and capacity development to help countries meet FTI endorsement standards (FTI Secretariat, 2004). Modelled on a Norwegian trust fund, it has a mixed record. It has successfully supported preparation of technical data and background analysis for some countries (including Sierra Leone, as shown later in this chapter). However, critics question its responsiveness to potential beneficiaries’ needs (Box 4.12).

**From local to global: governance of the FTI partnership**

Governance of the Fast Track Initiative involves a large number of actors and complex processes. National planning, the foundation for entry into the ‘FTI partnership’, brings together governments and donors. At the global level, the FTI is rooted in wider EFA planning processes through a Board of Directors that includes developing countries and all major donors for education, including bilateral, multilateral and regional agencies, and civil society groups (FTI Secretariat, 2004, 2009d; Buse, 2005).

Reform of the governance system has been a perennial item on the FTI agenda. Debate on this point has focused on representation by developing countries and non-government organizations, the

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**Box 4.12: The Education Programme Development Fund**

The EPDF was designed to address the planning constraints facing many developing countries, with a view to improving prospects for FTI endorsement and additional aid. Funding commitments amount to US$14 million for 2005-2010. Norway contributes about 40% of the resources, with the Netherlands and the United Kingdom providing a further 20% between them.

The EPDF is widely acknowledged to have contributed to technical analysis, planning scenarios and regional meetings to promote cross-country learning. There has been criticism of several points, however, including the disparity between allocations and disbursements: at the end of 2008, less than half of the funds allocated since 2004 had been disbursed. Given that the EPDF was created to support capacity-building, the fact that capacity constraints have been cited as a reason for slow disbursement is troubling.

EPDF funds have not targeted countries where capacity is weakest. A 2007 assessment found that only around 40% of EPDF recipient countries were identified as fragile states (according to the OECD-DAC definition) and that these received just 28% of country-specific funding. In some countries, EPDF finance has been directed towards subsectors weakly linked to FTI goals, such as higher education. The fund has largely supported workshops, seminars and traditional types of external technical assistance.

Perhaps the most serious criticism of the EPDF is that it has not helped institutions such as education ministries to plan and monitor progress in education.

Some commentators argue that the EPDF has been weakened through its domination by the World Bank. A 2008 review found that the Bank executed 90% of EPDF activities. This is partly because the management structure delegates proposal development authority to World Bank regional sector managers. The Bank also holds the EPDF Committee chair, adding to potential conflicts of interest.

Several developing country FTI members have indicated that they do not understand the process of securing EPDF funds. This may partly account for the relatively slow pace of disbursement. With the current EPDF commitment period ending in 2010, just two-thirds of funds have been allocated and less than half this amount has been disbursed.

The EPDF remains an underutilized resource. As the single largest source of untied aid available to support capacity development in education, it could be used to address urgent priorities, such as improving the integration into planning processes of policies designed to reach marginalized groups.

Sources: Bermingham (2009a); FTI Secretariat (2008b, 2009a); Bellew and Moock (2008); Riddell (2009).
role of the secretariat and procedures for endorsing and financing national plans (Visser-Valfrey, 2009). While changes have been made, they have left the underlying institutional structures and power relationships largely intact.

The local education group. The FTI process is open to any developing country with an approved poverty reduction strategy and a ‘sound’ education plan endorsed by in-country donors. Reflecting the principle of country ownership, the in-country donor group plays a key role, interacting with governments on developing national plans for submission. It also has institutional responsibility for the endorsement of plans and the mobilization of additional financing. By the end of 2008, thirty-six countries had had their education plans endorsed (Figure 4.17). The FTI Secretariat predicts a further twenty-three countries may be added in 2009–2011 (FTI Secretariat, 2009b).

The World Bank and the FTI Secretariat. The World Bank hosts the FTI Secretariat and serves as trustee and supervising entity for the Catalytic Fund and the Education Programme Development Fund, exercising both fiduciary and decision-making responsibility on the release of finance from the funds. The FTI Secretariat, comprising World Bank staff as well as staff seconded from other FTI partners, provides support to the various FTI activities and committees (World Bank, 2009a).

The Board of Directors.31 This is the governing body of the FTI. It sets policies and strategies, monitors the use of the trust funds and is responsible for mobilizing resources and responding to country concerns. From 2009, the expectation is that the Board of Directors and the FTI partnership overall will be represented by an independent chairperson – a move aimed at bolstering high-level political and intellectual leadership, including in resource mobilization. The chair does not participate in decision-making at any FTI meetings. The board membership is heavily skewed towards donors, with four developing country representatives, two of them from Africa, each serving two years; six bilateral donors, also serving two years each; four multilateral agencies (the World Bank, UNESCO, UNICEF and the European Commission) with one standing representative each; and three civil society organizations (FTI Secretariat, 2009d). Not only are developing countries underrepresented, but the rotation of members limits the potential for continuity and sustained dialogue.

The global level. The Partnership Meeting, held every two years, is intended as a high-level forum ‘for mutual accountability, enabling a review of progress, challenges and bottlenecks’ (FTI Secretariat, 2009d, p. 7). The Board of Directors coordinates the meeting with support from the secretariat. Apart from its broad oversight role, the Partnership Meeting provides a platform for ‘advocacy in support of continued resource mobilization, improved aid effectiveness, and inclusion of new partners’ (FTI Secretariat, 2009d, p. 7). As the lead United Nations agency on education, UNESCO provides a link to wider EFA monitoring activities, notably via the High-Level Group created to monitor progress on the Dakar Framework for Action.

The governance structure of any organization has to be assessed in terms of transparency, accountability, effectiveness and perceived legitimacy – FTI governance would score low on each of these. Three distinctive sets of problems have contributed to wider failings:

- Donor dominance. The donor community in general and the World Bank in particular dominate FTI processes, from endorsement of national plans to allocations of finance. In effect, donors act as judge, jury and executing agency. There is no independent technical review procedure and no secretariat independent of contributing donors.

- Poorly ‘joined-up’ decision-making. One layer of Fast Track processes takes place at the national

31. The Board of Directors was established in July 2009 and has replaced the FTI Steering Committee.
level. Local donor groups, engaged in dialogue with governments over many years, identify FTI priorities in the context of support for sector plans. In many cases, donor groups have developed flexible and innovative strategies for building national capacity and working through national systems. The applications for FTI financing then go through another set of processes at the global level, with World Bank disbursement rules weighing heavily in financing decisions. In many cases, tensions between national donor practices and global FTI rules have stalled delivery.

**Weak global leadership.** The FTI has not galvanized high-level financial and political support, as its narrow donor base and limited success in mobilizing financial resources show. The steering committee has not set a strategic direction and has failed to act decisively in resolving problems over disbursement. A new governance structure has recently been adopted but it is not apparent that it will be able to rectify these problems. Beyond the FTI itself, the High-Level Group has proved ineffective in setting an agenda for change. It was mandated to ‘serve as a lever for political commitment and technical and financial resource mobilization’, but its annual meetings have become high-level talking shops characterized by long planning cycles, agendas lacking strategic objectives and wide-ranging, unfocused debate. Each meeting has culminated in the adoption of vague communiqués that are long on broad injunctions to governments and largely devoid of practical commitments. The EFA Global Monitoring Report 2003/4 issued a harsh verdict on the first two meetings: ‘Neither the communiqués nor the reports …’, it concluded, ‘have had any visible international impact, either in generating political commitment or in mobilizing the resources required to achieve EFA’ [UNESCO, 2003, p. 255]. That assessment could be extended to all eight High-Level Group meetings.

**Delivering finance: too little and too erratic**

Confusion has marked the debate over the role of the Fast Track Initiative in mobilizing additional financing. Some observers – including many donors – argue that FTI endorsement has played an important indirect role in generating increased aid through bilateral donors. Others focus on the direct financing provided through the Catalytic Fund. While indirect financing is difficult to measure, there is little evidence to support a strong ‘FTI effect’, and the Catalytic Fund has delivered small amounts of finance with high transaction costs.

**Financial leverage of FTI endorsement?**

Annual reports published by the FTI partnership claim that plan endorsement has helped leverage additional aid [Bermingham, 2009a; FTI Secretariat, 2008a]. That claim is usually supported by reference to studies looking at aid levels before and after FTI endorsement of national plans.

The problem is that these studies lend themselves to selective interpretation. Consider first the widely cited finding that ‘the early FTI countries seem to have experienced a greater increase in basic education commitments’ [FTI Secretariat, 2008a, p. 26]. This is based on the observation that countries with plans endorsed in 2002–2004 secured a doubling in aid commitments over 2000–2006, which is greater than the increase for non-endorsed countries. It is not clear why the comparison period begins in 2000 (two years before the creation of the FTI). Moreover, extending the period to 2007 eliminates the positive finding [Rawle, 2009].

The scope for selectivity can be illustrated by reference to another comparison. In the eleven countries endorsed in 2002 and 2003, the annual rate of increase in aid commitments to basic education to 2005 amounted to 4%. This was less than half the increase in commitments recorded for non-FTI low-income countries. Within the FTI group, the increase in commitments was unequally distributed, ranging from annual growth of over 80% in Mauritania and Yemen to 10% in Burkina Faso. Moreover, commitments actually fell in constant 2007 dollar terms in five FTI-endorsed countries. This evidence does not point to a negative FTI effect, but it hardly lends weight to the case for a positive effect.

Preliminary assessment of the FTI mid-term evaluation concludes that aid data ‘do not constitute strong evidence that FTI endorsement leads to a surge in aid for basic education’ [Cambridge Education et al., 2009, p. 34]. Indeed, it was the failure of bilateral donors to scale up support for education sufficiently in countries with endorsed education plans that prompted a broadening of the Catalytic Fund remit in 2007 beyond its initial focus on those lacking a critical base of donors.
The Catalytic Fund: slow disbursement undermines effectiveness

Expansion of the Catalytic Fund’s role opened the door for more countries to receive multilateral financing for longer periods (FTI Secretariat, 2007c, 2009b). It has also served to highlight problems of resource mobilization, disbursement and donor commitments.

Support channelled through the Catalytic Fund has grown steadily. Cumulative cash receipts from donors had reached US$1.2 billion by March 2009. However, overall disbursements amounted to only US$491 million. For 2004–2007, Catalytic Fund receipts averaged around 4% of total aid commitments for basic education (OECD-DAC, 2009d). As of the first quarter of 2009, twenty-three developing countries had received Catalytic Fund financing, but distribution was highly uneven, with Kenya, Madagascar and Rwanda accounting for half of all disbursements (FTI Secretariat, 2008e, 2009b).

The financing base for the Catalytic Fund has remained very narrow. The Fast Track Initiative was created to encourage and coordinate funding from bilateral donors, multilateral agencies and private philanthropy, but bilateral donors dominate Catalytic Fund receipts (Figure 4.18). Fourteen bilateral donors have provided support, with nearly three-quarters of the total over 2004–2008 coming from just three: the Netherlands, Spain and the United Kingdom. In marked contrast to global health financing initiatives, the FTI has not created a window for philanthropic finance.

Support to the Catalytic Fund represents a significant share of some donors’ overall aid commitments to education, accounting for an estimated 15% for the Netherlands and 9% for the United Kingdom, from 2004 to 2007. These figures suggest that the performance of the Catalytic Fund influences the programmes of these individual donors.

Poor disbursement rates under the Catalytic Fund have severely compromised the FTI and the wider aid effort. There is inevitably a lag between allocation and disbursement in any aid programme, but in this case the lag has been extremely protracted. Since 2007, some countries have had to wait up to two years after the decision to allocate aid before receiving their first tranche of finance (Figure 4.19). This compares unfavourably with an average gap between allocation and disbursement of nine months before 2007.

While there is some evidence of a slight increase in the rate of disbursement, as of April 2009 only 8% of grants allocated in 2007 had been delivered (Bermingham, 2009a).

Delayed disbursement has disrupted planning in many countries. An allocation to Senegal in 2007 was still not disbursed in March 2009. Countries including Cambodia, Mozambique and Sierra Leone have experienced delays of more than a year between allocation and grant agreement. Several countries whose FTI plans were endorsed in 2002–2004 have yet to receive their full allocation. After four years, Nicaragua and Yemen had received less than 60% of their Catalytic Fund allocations (Figure 4.20).

The marked deterioration in disbursement performance can be traced directly to a governance change. Before 2007, Fast Track funds were treated as supplements to IDA projects. In several countries, including Cameroon, Kenya and Rwanda, World Bank staff demonstrated considerable flexibility in adapting project rules to facilitate more rapid disbursement. The experience of Kenya shows what can be achieved through a flexible multilateral financing mechanism, although even in this case support has been short term (Box 4.13).

In marked contrast to global health financing initiatives, the FTI has not created a window for philanthropic finance.
Disbursement rates began to slow dramatically with a rule change in 2007. Presented with evidence of a proliferation of trust funds, World Bank directors determined that the institution faced serious financial risk and was failing in its fiduciary responsibilities. A directive required all trust funds – including the FTI Catalytic Fund – to be subject to the same safeguards and management procedures as IDA investment programmes. The change applied retroactively to aid allocated but not yet disbursed (Bermingham, 2009a).

Figure 4.19: There are long delays between allocation and disbursement from the Catalytic Fund

<table>
<thead>
<tr>
<th>Country</th>
<th>Delay between allocation and grant agreement, in months</th>
<th>Delay between grant agreement and first disbursement, in months</th>
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<td>Timor-Leste</td>
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<td>Gambia</td>
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<td>Sao Tome/Principe</td>
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<td>Mongolia*</td>
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<td>Mauritania</td>
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* Third-year grant.
Notes: A plus sign following the number of months means the process is not finished, i.e. the grant agreement has not yet been signed or the first disbursement made.
Some countries appear more than once because they have received more than one allocation since endorsement.


Little thought appears to have been given to how the change would affect the FTI. World Bank guidelines on application of the new rules to the Catalytic Fund became available in October 2008 – more than a year after the decision. Several bilateral donors have subsequently been critical of the World Bank for the delays caused in FTI disbursement as a result of the new rules, but this misses an important point: the executive directors who proposed and endorsed the change included representatives of countries contributing to the FTI. Concerned principally with fiduciary responsibility and financial risk, and answerable to finance...
ministries, they seem not to have considered the impact of the decision on aid to education – an extreme case of failure to ‘join up’ thinking on development policy.

The oversight proved very costly. Implementation of full IDA financial rules entails thirty-four separate procedures with an average completion time of around eighteen months (Bermingham, 2009a). The change was especially problematic for countries without a major World Bank presence, which had to carry out new appraisals before they could receive Catalytic Fund allocations, causing substantial delay and adding to transaction costs. In some cases, the requirement to follow IDA procedures damaged donor efforts to work through national systems – a central objective of the Paris agenda on aid effectiveness (Buse, 2007). The protracted delay in aid delivery to Mozambique illustrates the problem (Box 4.14).

Delays in disbursement deter aid recipients from adopting more ambitious reform agendas. They also weaken donor support of the FTI. In 2008, the Netherlands had to reprogramme US$135 million committed to the FTI because of internal rules linking transfers to disbursement. These resources were effectively lost to the education financing effort.

Efforts have been made to improve Catalytic Fund disbursement. In December 2008, the Catalytic Fund committee agreed for the first time to channel a grant through national budget support, using a World Bank mechanism to deliver US$102 million in FTI funds to Burkina Faso (FTI Secretariat, 2008d). This is expected to result in faster disbursement and allow the government to use its own financial management systems, reducing transaction costs.

A second innovation involves delegation of authority from the World Bank to an in-country donor. In Zambia, the local donor group determined that the Netherlands would be better placed to act as the supervising entity for Catalytic Fund aid. The use of an alternative supervising entity shows some flexibility – but does not address the systemic problem. In countries where the World Bank is the FTI supervising body, the theoretical choice for governments is whether to opt for Fast Track support provided on a project basis or to seek direct budget support. Lack of clarity in the criteria for budget support has prompted most countries to choose project support since the rule change.

Figure 4.20: Full disbursement of Catalytic Fund grants can take years
Share of country allocation from the Catalytic Fund disbursed as of the end of 2008

Box 4.13: Kenya – FTI support for school fee abolition

The experience of Kenya highlights the potential of the FTI to support national reform.

After the abolition of school fees in early 2003, primary school enrolment increased by around a million pupils in the following school year. Per capita grants to schools were designed to replace the lost fee revenue. Even so, classroom overcrowding and textbook shortages threatened to undermine the quality of education. Donors recognized the urgent need for additional resources, while at the same time expressing concern over corruption in procurement.

Under a new donor-supported programme, procurement rules were amended to deliver funds to school committees through the private banking system. These committees of parents and teachers were responsible for purchasing textbooks from an approved list. They also assumed responsibility for verifying and publicizing the receipt of school grants. Despite pervasive corruption in national procurement systems reported at the time, audits found the programme to be effective.

Quick decision-making and rapid disbursement characterized FTI support to Kenya during this critical period. Catalytic Fund grants to Kenya amounted to US$121 million from 2005 to 2008. Administered by the World Bank, these grants were combined with IDA financing and a grant from the United Kingdom Department for International Development to increase support to school committees for the country’s 18,000 primary schools. The challenge now is to sustain such support through follow-up Catalytic Fund financing or increased bilateral aid.

Sources: Bermingham (2009a); Thomson et al. (2009).
This would appear to be a departure from the principles of the Paris agenda.

Recent innovations underline the fact that reform is possible, but the systemic problems behind the poor disbursement record cannot be resolved case by case. Countries allocated grants in 2007 still have to meet the full rigour of World Bank rules. Several of these countries, including Mauritania and Sierra Leone, were still waiting to receive their first disbursements at the beginning of 2009. Countries with plans endorsed after 2007 also face uncertain prospects.

Signed pledges from donors amounted to US$389 million in 2008 but fell to US$26 million for 2011

Box 4.14: Mozambique – slow delivery under the Fast Track Initiative

Mozambique’s experience graphically illustrates the damaging consequences of the change in Catalytic Fund procedures introduced in 2007. Having built up an impressive track record on reform, the country found its efforts to secure funds, along with donor efforts to align support behind national planning, thwarted by inflexible enforcement of World Bank rules.

Mozambique, one of the first countries to submit an application to the expanded Catalytic Fund, was allocated US$79 million for 2008-2009. The government programmed this into its budget framework for 2008. With support from the local donor group, the government asked for the funds to be channelled through a pooled arrangement developed to support the country’s Education Sector Strategic Plan. This well-established sector fund channelled support from six major bilateral donors (Canada, Finland, Germany, Ireland, the Netherlands and the United Kingdom). Donor confidence in improved financial management systems had led to an agreement in which donors committed to using national systems for planning and financial management, including procurement.

Application of the new Catalytic Fund procedures led to problems from the outset. The World Bank did not accept the pooled fund arrangement that complied with IDA rules. It interpreted its fiduciary responsibility as requiring a full financial and management appraisal of systems used by the Ministry of Education and Culture. While the World Bank concluded that the financial management practices in Mozambique were reasonable, and better than average in the education sector, it found that a national law stipulating ‘domestic preference’ in procurement policy was inconsistent with IDA project rules.

Proposals from the World Bank made the release of finance conditional on either Catalytic Fund support being channelled through a separate project operating outside the pooled funding arrangement, or a change in the rules governing the pooled fund. The government and donors strongly resisted both options. Reversion to project-based aid was seen as a step back from the principles of sector-wide support that the FTI was created to encourage. And there was no support for changing pooled fund rules that had been painstakingly negotiated.

Months of acrimonious discussion followed. Donors asked the Catalytic Fund committee to transfer supervising authority for the Mozambique grant to a member of the local donor group. The committee agreed in principle, but said the decision had to be taken at a local level where negotiations were deadlocked. Under pressure from the World Bank, the Government of Mozambique eventually agreed to a technical annex amending the procurement section of the pooled fund agreement. It registered a strong protest, however, pointing out that the country had been forced to take several steps backwards on donor harmonization and coordination.

As of March 2009, two years after the initial Catalytic Fund allocation, Mozambique had received US$28 million of the US$79 million grant.

Sources: FTI Secretariat (2007b); Bermingham (2009a); Bartholomew et al. (2009).

Long-term predictable financing is still missing

The long-term planning financing horizons for education require long-term aid financing horizons, with donors making commitments over ten years. The Fast Track Initiative and the Catalytic Fund have failed to address this challenge.

The expanded Catalytic Fund arrangement held out the prospect of more countries getting assistance over longer periods through potentially renewable three year grants. While this time-frame remained too short, it was a step in the right direction. In the event, the fragility of the Catalytic Fund’s financing base has compromised even this limited move. Delivering more predictable support requires more
predictable donor commitments (FTI Secretariat, 2008c). The Catalytic Fund’s balance sheet tells its own story. Signed pledges from donors amounted to US$389 million in 2008 but fell to US$26 million for 2011 (FTI Secretariat, 2009b). This is not a secure basis for commitments over a typical three to five year medium-term expenditure cycle. As the number of countries with endorsed FTI plans rises, the Catalytic Fund faces the prospect of large financing deficits. Estimates by the FTI Secretariat put the projected deficit by the end of 2009 at US$324 million (FTI Secretariat, 2009b). With sixteen countries expected to have education plans endorsed in 2010 or 2011, the deficit is likely to grow.

If the FTI is to emerge as a viable multilateral mechanism, a new financing model is imperative. There is an urgent need for increased predictability and a firmer donor commitment over longer planning cycles of five to ten years. Recognition of the problem has prompted several donors to support calls for a replenishment mechanism that mobilizes around US$3 to 5 billion between 2009 and 2012, with an initial US$1.2 billion for eighteen months from 2009 (FTI Task Team on Replenishment of the EFA - Fast Track Initiative, 2009). Such longer-term arrangements are a characteristic of multilateral initiatives in health, discussed further in the final section. With pledges for 2009 amounting to US$228 million, this implies a rapid scaling up of donor support (FTI Secretariat, 2009b). Unfortunately, the FTI’s poor disbursement record deters donors from providing the rapid increase this mechanism would require.

**Countries affected by conflict**

Providing aid for basic education in countries affected by conflict is both an imperative and a challenge. These countries account for a large share of the world’s out-of-school population, suffer from acute shortages of teachers and often have severely degraded education infrastructure. Their ability to handle aid is typically weak, with basic finance and public management systems unlikely to meet donor reporting requirements (Berry, 2009). Conflict-affected countries should be at the centre of multilateral financing initiatives in education, enabling donors to pool risks and reduce transaction costs (Dom, 2009). Instead, they are on the periphery.

One of the most serious design flaws in the Fast Track Initiative is that its rules shut out many of the countries and children in the greatest need of support from aid donors. The basic requirements for joining the FTI – a poverty reduction strategy paper and a sound education plan – effectively exclude many countries that are in conflict, undergoing post-conflict reconstruction or suffer from extreme capacity limitations for other reasons.

Reform efforts have been piecemeal and largely unsuccessful. They concentrated initially on development of a ‘progressive framework’ for plan endorsement. Initially, the broad idea was to attribute ‘interim status’ to countries moving in the right direction but unable to meet the rigour of full FTI endorsement. Then, with donors unable to agree on how to proceed within the FTI framework, the focus shifted instead to creating a separate Education Transition Fund to provide large-scale support in crisis and post-conflict settings. However, negotiations stalled (see details below). The upshot is that conflict-affected countries still lack access to a multilateral financing mechanism in education.

**Difficult journeys through Fast Track Initiative processes**

Several conflict-affected countries have travelled through the FTI endorsement process. In 2007, Liberia and Sierra Leone were endorsed, followed a year later by the Central African Republic and Haiti. Southern Sudan is a prospective endorsement candidate in 2009. Unfortunately, plan endorsement has not always led to aid delivery.

In Sierra Leone, the government identified education system reconstruction as a priority after the 2002 peace agreement. Abolition of primary school fees resulted in enrolment doubling between 2001 and 2004, to 1.3 million. Many new entrants faced the prospect of dilapidated schools lacking books and trained teachers (UNICEF, 2009a; World Bank, 2007b). The FTI Education Programme Development Fund facilitated preparation of a draft education plan, developed with support from UNICEF and the World Bank. Three months after the FTI endorsed the plan, Sierra Leone was approved for US$13.9 million in Catalytic Fund support (FTI Secretariat, 2009b). Retroactive application of the IDA rules, however, severely delayed disbursement. As of March 2009, two years after the allocation decision, Sierra Leone was still awaiting its first disbursement.

The process effectively pushed Sierra Leone back into the status of a newly applying country and brought its education sector capacity problems to

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34. In March 2009, the FTI balance sheet showed an additional US$14.4 million in unsigned pledges.

35. Taking into account unsigned pledges would reduce this figure to US$179 million.
The expectation that Sierra Leone could meet the FTI gold standard was flawed from the outset. It was recognized that the government had neither met targets on poverty-related expenditure and domestic resources nor adequately addressed donor concerns about transparency and accountability (UNICEF, 2009a). The question was whether the FTI could become more flexible and accept countries like Sierra Leone into the club. The answer in practice was no.

Other conflict-affected countries with similar problems have experienced arbitrary treatment in FTI processes. In Liberia, as in Sierra Leone, the local donor group endorsed a post-conflict reconstruction plan in 2007. With support from some major donors and a government strongly committed to education, the country was well placed to accelerate progress. But the Catalytic Fund committee rejected Liberia’s request for financial support for its national education plan, so a pooled fund was set up under UNICEF auspices (Box 4.15).

The experience of the UNICEF-managed pooled fund in Liberia led to the development of a parallel track to provide large-scale support in crisis and post-conflict settings. This involved the proposal to create an Education Transition Fund that would operate under UNICEF auspices. The FTI Secretariat and UNICEF were charged with elaborating rules and procedures for allocation, and several donors – notably the Netherlands and the United Kingdom – signalled a commitment to contribute. But protracted negotiations over the proposed fund between 2008 and 2009 ultimately broke down over concerns about risk and accountability.

In addition, some countries have received mixed messages over where to apply for funding. In December 2008, the Catalytic Fund committee agreed to allocate funds to the Central African Republic. It called the decision ‘an exception’, on the grounds that ‘normally, funding for a country in this status would be through the Education Transition Fund’. It did not explain what it meant by ‘in this status’ or otherwise identify the grounds for the exception (FTI Secretariat, 2008d, p. 2). Nor did it define the conditions under which the allocation is to be disbursed. Moreover, questions remain over the consequences for the Central African Republic of the stalled negotiations on the Education Transition Fund.

For other countries, the FTI’s lack of clarity has generated large transaction costs and uncertainties. The local education group in Haiti endorsed the country’s education plan in mid-2008, and the government was encouraged to submit a funding request to the Catalytic Fund. By the end of the year, the Haitian Government was being advised to seek financing from the Transition Fund – which did not exist. After a year with an endorsed plan and

**Box 4.15: Liberia — an approved plan with no Catalytic Fund support**

Having recently emerged from a brutal conflict, Liberia faces major challenges in education. Just one-third of primary school age children are enrolled, and deep inequality is rife. The FTI could have played an important role by addressing chronic underfinancing in the education sector, but failed to do so.

Liberia’s experience underlines the wider limitations of the FTI for conflict-affected countries. Several aid donors worked closely with the government in preparing an education sector strategy, fully recognizing the need to rebuild an effective governance structure. Yet the Catalytic Fund committee rejected Liberia’s application, forcing government and donors to develop alternative mechanisms.

Under UNICEF auspices, with initial financial backing from the Netherlands, an Education Pooled Fund was rapidly established to help finance key investments. The fund soon demonstrated more success in disbursing money than the Catalytic Fund. An initial US$7 million grant was used to support the creation of rural teacher-training institutes and the first major postwar procurement of textbooks. Current pledges to the pooled fund amount to US$17 million: US$12 million from the Netherlands and US$5 million from the private philanthropic agency, Open Society Initiative. Nevertheless, a large gap remains, as financing needs over three years are estimated at US$70 million. With no other donors committing to the pooled fund, Liberia’s intentions of accelerating progress towards education for all could yet be thwarted.

Sources: UNICEF (2009a); Brannelly et al. (2009).
a prepared financing application, Haiti was still unable to submit a request. With some justification, the country’s education minister expressed ‘disappointment and bitterness’ at being locked into such a prolonged process (UNESCO, 2009a, p. 4). When it was finally apparent that the Transition Fund would not be established, Haiti was allocated resources through the Catalytic Fund in September 2009.

Efforts to establish an effective multilateral framework for dealing with the problems of conflict-affected states have not been successful. The issues at stake go far beyond the failure of the FTI. In 2006, Haiti had a net enrolment rate of 71%. Almost half the children from the poorest 20% of households are out of school. Chronic underinvestment by government has placed a large financial burden on parents. School fees average US$80 per child, or around one-sixth of average income in 2007. The teacher-training system produces around 500 graduates a year, but some 2,500 are needed (World Bank, 2008b). In all these areas, support from the Catalytic Fund could have made a difference.

Lessons from global health funds

The past decade has been marked by the rapid development of global initiatives in health financing. Unlike the FTI, these initiatives have accelerated progress towards international development goals, principally through official development assistance but also by creating multilateral channels for philanthropic financing. The increasing share of health in overall aid can be traced in large measure to the dynamism of such initiatives. About half of all international aid from private sources is now invested in health (Marten and Witte, 2008).

Much of the increase in international aid for health has been directed towards specific diseases or interventions. There are over ninety global health partnerships, and most are in this category (Sridhar and Tamashiro, 2009). Prominent examples include the Global Fund to Fight AIDS, Tuberculosis and Malaria (usually called simply the Global Fund) and the GAVI Alliance (Sridhar and Tamashiro, 2009). Far more than the FTI, these programmes have galvanized political support, keeping health at the centre of the international development agenda.

Do global partnerships in health provide lessons that could help reshape and revitalize the FTI?

Caution has to be exercised in drawing direct comparisons. Education is less amenable than health to ‘vertical’ interventions such as vaccination. Health interventions may also have greater traction in aid debates, especially when the issues at stake involve child survival and keeping people with HIV and AIDS alive.

Yet the differences between health and education can be overstated. Most of the major global partnerships in health have abandoned narrowly defined vertical funding approaches, recognizing that strengthening health systems is vital for effective disease-specific interventions. About a third of the Global Fund’s overall support is now geared towards building health systems (Global Fund, 2009d). Many principles and practices developed in governance models for global health partnerships are relevant to the FTI. These partnerships have succeeded in rapidly scaling up aid resources and sustaining high levels of disbursement. They have been far more successful than the FTI in mobilizing new sources of finance that can complement traditional aid, especially from philanthropic foundations.

Governance arrangements have been an important factor in the success of global health funds. These arrangements have avoided the dangers associated with a proliferation of reporting systems and the rules on endorsing plans and delivering finance are more transparent, more effective and more firmly rooted in nationally owned processes than under the FTI. Global health partnerships also provide a far stronger voice to developing countries and civil society. Donor influence is more circumscribed and the World Bank, while an important actor, does not dominate financing decisions. By comparison, the FTI’s donor-dominated governance structures appear anachronistic, ineffective and out of touch with political realities when compared with those of the Global Fund and the GAVI Alliance.

The Global Fund

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created to combat diseases claiming over 6 million lives a year. It was first discussed by the G8 in 2000; a year later a United Nations General Assembly Special Session concluded with a commitment to create a new fund and the 2001 G8 summit agreed to mobilize resources (Grubb, 2007). A permanent secretariat was established in January 2002 and the first round of grants for
thirty-six countries was approved three months later. The fund has supplied anti-retroviral drugs to about 2 million people and tuberculosis treatment to 4.6 million, provided 70 million insecticide-treated bed nets and saved around 3.5 million lives (Global Fund, 2008a).

By the end of 2008, it had disbursed US$7 billion (Global Fund, 2009a). The current target is to cut the average time between commitment and disbursement from between nine and eleven months – around half the post–2007 FTI disbursement period – to eight months (Sridhar and Tamashiro, 2009). In 2008, 96% of the funding planned in grants was disbursed, and only 16% of active grants had a disbursement rate of less than 75% (Global Fund, 2009a). One reason for such rapid disbursement is the development of rules aimed at strengthening and working through national procurement and reporting systems. Another is technical support to countries having trouble meeting disbursement conditions.

Effective and accountable governance has been central to sustained delivery. Detailed accounts of the management and administration system are available elsewhere (Global Fund, 2008a). For purposes of comparison with the FTI, several distinctive features can be identified:

- **Institutionalized independence.** The Global Fund is legally constituted as a Swiss foundation, rather than a multidonor trust fund, receiving administrative support from the World Health Organization (WHO) and fiduciary support from the World Bank. The Bank’s role is limited to disbursing funds on instruction from the Global Fund Secretariat. The secretariat is much larger than the FTI’s, with about 470 staff, and it answers to the board as a whole, creating a very different set of institutional incentives than those facing the FTI Secretariat.

- **Broad-based donor support.** To provide sustained and predictable support, the Global Fund works with a system based on replenishments over two year cycles. From 2010, the replenishment arrangement will move to a three year cycle. Total grants for 2008–2010 are expected to reach US$9.5 billion (Global Fund, 2009a). Many donors that have given limited backing to the FTI – including France, Germany, Japan and the United States – have actively supported the Global Fund. Notably, United States contributions represented one-quarter of the total (Figure 4.21).

- **Innovative financing.** From 2001 to 2009, contributions from private philanthropy and innovative financing arrangements amounted to US$642 million (Box 4.16). Along with the Bill and Melinda Gates Foundation, thirteen major companies have contributed directly or indirectly.

- **Long-term commitment.** The Global Fund operates on a five year grant cycle (compared with three years for the FTI). As part of the 2007–2010 strategy, a facility was introduced to provide support for high-performing programmes for up to six additional years. The new facility reflects a growing commitment to long-term predictable financing to maintain support following investments in the strengthening of health systems, particularly for recurrent expenditure such as salaries.

- **Broad-based global representation.** The board that oversees the Global Fund sets policy priorities and approves grants. It has twenty-four members, twenty of whom have votes: seven from developing countries, eight from donor countries, three from civil society, one from the private sector and one from the Gates Foundation (Global Health Watch, 2008). This structure gives a far stronger voice to developing countries than that of the FTI.

- **Strong country ownership.** Countries develop plans and submit proposals to the Global Fund through a Country Coordinating Mechanism, a country-level partnership that usually consists of governments and donors, along with representatives of non-government organizations, church groups, the private sector, academics and people affected by the diseases (Global Fund, 2008b). The mechanism appoints one or two organizations to act as Principal Recipients, or managers and administrators of Global Fund grants. About two-thirds of Principal Recipients are government agencies, though in some cases responsibility is split. The mechanism facilitates higher levels of engagement between a wider range of actors than is the case with FTI processes.

- **Transparency in decision-making.** Well-defined rules and processes govern endorsement and disbursement. A Technical Review Panel assesses proposals and makes recommendations to the board, setting out its arguments for approval or rejection (Global Fund, 2007). Rejected proposals can be amended and...
resubmitted, and if it is again rejected, the applicant country can appeal to an independent panel. Another institutional mechanism, the Global Implementation Support Team, has provided funds to build the technical capacity of Country Coordinating Mechanisms. These processes contrast with FTI arrangements in two key respects. First, at the national level the local donor group is just one of several actors deciding whether national plans should be submitted for funding. Second, once plans are submitted, donors have a limited voice in determining whether they are endorsed. In marked contrast, the Catalytic Fund committee can reject applications with no explanation and give applicants no recourse to appeal.

Working in fragile states and countries affected by conflict. From the outset the board of the Global Fund has recognized the need to develop ways of working in conflict-affected countries and fragile states, which receive about a third of total financing (Sridhar and Tamashiro, 2009). While the FTI’s Catalytic Fund committee rejected a financing request from Liberia and has failed to disburse funds to Sierra Leone, the Global Fund has delivered about US$54 million to Liberia and US$43 million to Sierra Leone since 2004 (Global Fund, 2009b, 2009e). Concerns over national capacity and reporting systems in

Box 4.16: Private sector initiatives

One feature of the Global Fund has been significant contributions from philanthropic organizations, along with a range of innovative financing strategies. Among the most important are:

- Private foundations. The Bill and Melinda Gates Foundation has committed over US$11 billion to global health programmes since it was set up in 1994. Since 2001, it has contributed US$550 million to the Global Fund.
- Debt2Health. Under a programme begun in 2007, national debt to foreign creditors is converted into a fund to support national health programmes. Germany and Indonesia took the first step, converting US$72 million in debt. Germany has agreed with the Global Fund to make a further US$290 million available by 2010.
- (Product) RED. Launched in 2006, (RED) is a brand leased to companies to promote sales in return for the transfer of a small share of the profit to the Global Fund. Partners include American Express, Apple, Dell and Motorola. The initiative has generated more than US$134 million for the Global Fund.
- UNITAID. Created in 2006 in a joint initiative by Brazil, Chile, France, Norway and the United Kingdom, this is an international drug purchase facility financed largely by air ticket levies. It has raised more than US$600 million, including around US$39 million directed through the Global Fund.

Sources: Global Fund (2008a, 2008c, 2009c); UNITAID (2008).

The Bill and Melinda Gates Foundation has committed over US$11 billion to global health programmes

39. Seven agencies – WHO, UNFPA, UNICEF, UNDP, UNAIDS, the Global Fund and the World Bank – formed the Global Implementation Support Team (GIST) in 2005 to address capacity constraints. Based at UNAIDS, it now includes Germany and the United States as well as other organizations. It has developed technical tools and a database to support capacity development.
Sierra Leone led to an innovative approach: with the Health Ministry as principle grant recipient, contracts were drawn up with around thirty-nine ‘sub-recipients’. Inevitably, there are problems with rapid disbursement in countries where governments lack implementation capacity and cannot meet donor reporting standards. However, reviews have pointed to levels of delivery comparable to those achieved for grants in other countries (Global Fund, 2005; Radelet and Siddiqi, 2007). While the risk of large amounts of vertical funding distorting health systems is ever greater in conflict-affected countries (Sridhar, 2009), it is difficult to escape the conclusion that the FTI’s record in such countries compares unfavourably with that of the Global Fund.

**The GAVI alliance**

Launched in 2000 at the World Economic Forum with a start-up grant from the Gates Foundation, the GAVI Alliance is a global health partnership geared towards developing, distributing and evaluating improved vaccines for children in low-income countries.

Like the Global Fund, the GAVI Alliance has scaled up support rapidly in a short time. Donor commitments since 2000 total US$3.8 billion, with annual disbursement projected to reach over US$1 billion in 2009 (GAVI Alliance, 2009a). The typical gap between grant application and disbursement is around six months (Sridhar and Tamashiro, 2009).

The WHO estimates that GAVI support for immunization programmes has averted 3.4 million deaths (GAVI Alliance, 2009a). Of the seventy-two GAVI-eligible low-income countries, half are in sub-Saharan Africa (Jamison et al., 2006). Special attention has been paid to strengthening health systems in fragile states and countries affected by conflict. Recipient countries include Afghanistan, the Democratic Republic of the Congo and Liberia.

While the GAVI Alliance differs from the Global Fund in scale and mission, there are important governance parallels. GAVI has developed a broad base of financial support, with both bilateral and private donors. Donors and developing country governments are equally represented on the twenty-eight member board, which is supported by a secretariat of about 120 people (Sridhar and Tamashiro, 2009). Grants are made on the basis of a transparent application process.

An independent review committee, composed of experts drawn predominantly from developing countries, examines country proposals and makes recommendations to the board. Around 90% of proposals are approved after their first or second submission (Sridhar and Tamashiro, 2009). All this contrasts markedly with the FTI.

As with the Global Fund, innovation is another area of contrast. The GAVI Alliance has developed two mechanisms supported through public-private partnerships. The Advance Market Commitment lets donors commit money to buy vaccines that are not yet available, creating incentives for research into vaccines for diseases such as pneumonia and rotavirus infection (Centers for Disease Control and Prevention, 2008; GAVI Alliance, 2009b).

The International Finance Facility for Immunisation issues bonds in international capital markets, creating a predictable stream of revenue for the GAVI Alliance, and repays bondholders with funds provided by donors (Lob-Leyt, 2009). The IFFIm has mobilized US$1.2 billion since 2000, with a significant injection of funds during 2007 and 2008 (Sridhar and Tamashiro, 2009). For example, in 2008, La Caixa, one of Spain’s leading savings banks, launched a fund-raising campaign among employees and corporate depositors that mobilized US$5 million (GAVI Alliance, 2009a).

**Some lessons for the Fast Track Initiative**

The Global Fund and the GAVI Alliance do not provide blueprints for FTI reform, but they do offer an approach to governance and resource mobilization that could help frame a global education initiative that delivers results.

There are four broad lessons for the FTI. The first is that developing countries have to be given a stronger voice at all levels, from the design of national plans to the framing of finance proposals and decision-making at the global level. The second concerns plan endorsement and the release of finance. FTI arrangements have suffered from opaque rules and arbitrary decision-making. An independent review panel empowered to make recommendations on financing to a more balanced executive board would go some way towards resolving the problem. At the same time, the global health funds have avoided long delays between commitment and disbursement partly because they are not governed by World Bank rules.

The third lesson concerns public-private partnerships. Many private foundations and...
companies support education, but they lack a multilateral framework for channelling their support towards meeting shared development goals, adding to transaction costs and reducing aid effectiveness. Unlike the Global Fund and the GAVI Alliance, the FTI has not facilitated private-sector engagement in global initiatives.

The final lesson relates to international advocacy. The FTI partnership has not met one of its central objectives: galvanizing political support for resource mobilization. Although the FTI has become a fixed feature on the agendas of the G8 and the annual IMF and World Bank meetings, little has been achieved. Once again, this is in stark contrast to the Global Fund and, to a lesser extent, the GAVI Alliance. To some degree, it is a chicken-and-egg problem: campaigners have trouble advocating successfully for an initiative that is not delivering.

Although health initiatives can offer lessons for education, they also face real challenges (Sidibe et al., 2006). Donor delivery on pledges made at Global Fund replenishment conferences has been erratic, leading to concern over a potential US$4 billion financing gap for 2008–2010 (Sridhar and Tamashiro, 2009). Moreover, evaluations have highlighted concerns over capacity problems, weak civil society involvement and under-representation of groups advocating for people living with disease (Global Fund, 2008d; Lawson, 2004).

In some countries, vertical initiatives in health – notably the Global Fund – have skewed financing towards the diseases donors have targeted, causing distortions in weak and underfunded health systems (Garrett, 2007; Sridhar and Batniji, 2008; Victora et al., 2004). The EU Court of Auditors has expressed concern over parallel distortions in aid priorities, warning that a bias towards specific diseases has diminished aid effectiveness and the strengthening of health systems (Kinst, 2009). The GAVI Alliance has been criticized for skewing health delivery towards immunization rather than wider development of primary health care (Ryman et al., 2008). Its programmes have also been criticized for generating perverse incentives. Recent evaluations have documented evidence of government agencies over-reporting numbers of children vaccinated to secure increased performance-based finance from the GAVI Alliance (Lim et al., 2008; Sternberg, 2008). Any scaled-up global plan for education would have to guard against such outcomes, principally by strengthening national delivery and reporting systems.

Towards a reformed global initiative for education

Not only has the Fast Track Initiative failed to produce results on the ground, it has also failed to act as a focal point for international efforts to mobilize more resources for education. Many commentators argue that it strains credulity to suppose that financial support for the FTI can be scaled up to meet the challenge of accelerating progress towards the 2015 goals.

Against this backdrop it is easy to see why there has been growing interest in alternatives to the FTI. Developments in the United States have attracted particular attention (Bermingham, 2009b). During his election campaign, President Barack Obama indicated a broad intent to support a US$2 billion Global Fund for Education (Obama, 2008). Secretary of State Hillary Clinton restated that commitment during her confirmation hearing. Other Obama administration figures have articulated a broad vision for a new global fund that would build on the FTI’s strengths while addressing its weaknesses (Sperling, 2008).

The prospect of the Obama administration playing a global leadership role in education is cause for optimism. The danger is that proposals for a new global fund will divert attention and political energy from the more immediate challenge of reforming the FTI (Box 4.17).

The FTI is at a watershed. Business as usual is no longer an option. However, a reformed initiative could give renewed impetus to progress towards the Dakar goals. It could also help facilitate the development and enhance the effectiveness of any global fund initiative to emerge from the United States, just as the Global Fund and the GAVI Alliance have facilitated American engagement in global health funds. There are seven key ingredients for successful reform:

- **Go back to first principles: identify and close financing gaps.** The FTI’s core principle is that there should be a unified process through which (i) low-income countries develop plans for achieving ambitious EFA goals, and (ii) donors back those plans through increased aid and coordinated support. Failure to deliver does not detract from the continued relevance of those objectives. Developing countries need to work out viable cost estimates for universal primary completion and wider education goals, taking
CHAPTER 4

Box 4.17: A new global fund for education?

The 2008 United States election brought to office an administration that has a strong commitment to development and has identified education as a priority area for a scaled-up aid programme. Before Hillary Clinton was appointed secretary of state, she was the principal sponsor in the Senate of a bill aimed at raising United States aid for basic education to US$3 billion from a 2007 level of US$700 million. Part of an increased aid effort could be channelled through a new global fund which under the right conditions could strengthen the multilateral aid architecture for education and enhance the effectiveness of a reformed Fast Track Initiative.

Details of the prospective initiative remain unclear. During his election campaign, President Obama said he would back a proposal to create a US$2 billion Global Education Fund.

Some commentators believe a global education fund should replace the FTI as the focal point for international action. While its positive elements should be retained, this argument runs, the FTI is too discredited to merit strong political support. Critics cite its difficulties securing financial replenishment in support of this conclusion. This assessment is premature and at least partially misplaced.

It is premature because details of the United States proposal remain sketchy. The economic crisis has raised questions over US funding increases for basic education. Moreover, it remains unclear whether the fund would be a bilateral programme (like the Millennium Challenge Account), a United States-led multilateral programme, or a bilateral programme that could be used to finance a global fund (along the lines of the President’s Emergency Plan for AIDS Relief, PEPFAR). Details may become clearer with the publication in 2009 of a new USAID education strategy.

Much will depend on governance design. An arrangement like the Millennium Challenge Account could raise problems; only countries meeting stipulated good governance and free market criteria are eligible for grants. Other options could offer greater flexibility. The legislation that authorized PEPFAR in 2003 allows for assistance to be channelled through global funds, provided it does not account for more than one-third of their total finance. In 2007, PEPFAR accounted for 27% of commitments to the Global Fund. However, bilateral PEPFAR support has different reporting requirements than the Global Fund, and much of the support is channelled through United States universities, faith-based organizations and commercial companies.

The new administration has signalled that it wants to strengthen coordination with other donors within a broad commitment to country ownership. However, the nature of United States reporting requirements could make this difficult. Equally difficult may be the use of host-country procurement and reporting systems. Currently only small amounts of United States aid are directed through national budgets, suggesting that much of the potential expenditure could go through American non-government organizations and separate projects.

Such practices cannot serve as the basis for an effective global fund in education. This position, however, does not preclude United States engagement and leadership in reconfiguring the multilateral aid architecture for education. Channelling part of the increase in basic education financing through a reformed FTI could help the United States broaden the geographical coverage of its support without large transaction costs. More active United States involvement in FTI governance would also help strengthen donor coordination.

Experience in the health sector demonstrates what is possible. Through PEPFAR, the United States has been a major contributor to the Global Fund without requiring separate reporting structures. Reforming the FTI along the lines advocated in this chapter would open the door to a similar process of engagement in education.

Sources: PEPFAR (2009); Ingram (2009).

The new administration has signalled that it wants to strengthen coordination with other donors within a broad commitment to country ownership.

into account the additional cost of reaching marginalized groups. Donors need to mobilize the additional resources needed – around US$16 billion annually in this Report’s estimate – over a five to ten year planning horizon. That is the meaning of the Dakar Framework pledge to ensure that no countries seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources.

- Establish the FTI as an independent foundation with a strong independent secretariat and reform governance arrangements to strengthen the voice of developing countries. Applying lessons from the models developed by global funds for health, the FTI should be legally reconstituted as an independent foundation, staffed by a strengthened independent secretariat and supported by technical review and capacity-
Building bodies. ‘Firewalling’ a reformed FTI within the World Bank is a distinctly second-best option because it would leave many governance problems intact, including donor dominance. Developing countries should have representation equal to that of donors at all levels and in all areas, from setting strategic priorities to decision-making over financing.

- Restructure planning and financing processes. National plans should be subject to independent review – as happens under the Global Fund – with recommendations acting as a trigger for the board to authorize funding or technical support.

- Establish a secure and predictable financing base and facilitate partnerships with the private sector to mobilize additional finance. Donors should make available the US$1.2 billion requested for the eighteen months to 2010, contingent on the development of a reform strategy aimed at transforming the FTI. Subsequent replenishments should reflect financing-gap estimates developed from national planning. A new FTI should support public-private initiatives and invite philanthropic foundations to support EFA goals.

- Address the needs of conflict-affected countries. FTI reform provides an opportunity to address needs specific to conflict-affected countries and other fragile states. The principle of a single unified process should apply to all, with assistance geared towards the real circumstances of individual countries. The creation of a US$1 billion Education Reconstruction Fund within a reformed FTI multilateral framework could help facilitate short-term recovery while donors and governments work towards long-term planning goals.

- Build capacity at the national level. The FTI needs to be far more responsive to the capacity-building needs of developing countries. A unified process for the Catalytic Fund and the EPDF should go together with an increased institutional and financial commitment to capacity-building.

- High level political leadership. Reform blueprints can help define possible routes to the creation of a Fast Track Initiative that is fit for the purpose of driving an ambitious Education for All agenda. But results ultimately depend on political leadership – an ingredient that has been lacking to date. The High-Level Group created to monitor progress on the Dakar Framework for Action has not provided effective leadership, and serious questions remain over its current practices and relevance to the challenges ahead. Successive G8 summits have reported on the FTI in a formulaic fashion, without substantively addressing the initiative’s weakness or the underlying reasons for weak donor support. Combined leadership from the United States and the European Union in the context of the 2010 Millennium Development Goal summit and the G20 summit could play a decisive role in charting a new course.

Conclusion

It is widely accepted that the Fast Track Initiative has not delivered on its promise, leaving a large gap in the multilateral aid architecture for education. The danger now is that donors and multilateral agencies will resort to another bout of piecemeal reforms aimed at patching up a mechanism that is not fulfilling its original objectives.

There is an alternative. The FTI could be reconfigured to meet its intended purpose of linking stronger national planning to increased and more predictable aid, with a focus on accelerated progress towards well-defined EFA goals. At present, the initiative is stuck in a vicious circle. Poor delivery has weakened donor commitment, which in turn has made it difficult to strengthen delivery.

Reforms outlined in this section could change that picture. Global health initiatives have demonstrated that multilateral arrangements that deliver results can create a virtuous circle, mobilizing resources and strengthening political commitment nationally and internationally.

FTI reform will require incremental and practical measures, backed by high-level political leadership and a new vision. Immediate reforms are needed to demonstrate that the FTI can deliver and to restore confidence in multilateral approaches to aid for education. The bigger challenge is for champions of education among developing country governments, donors and civil society to work together more effectively in articulating a credible and compelling agenda for change.