



**APPROPRIATE AND EFFECTIVE  
FINANCING MODALITIES AND CHANNELS FOR  
EDUCATION IN FRAGILE SITUATIONS**



Oxford  
Policy  
Management

**October 2009**

## Acknowledgments

This report was commissioned by the INEE Working Group on Education and Fragility and prepared by Anne Thompson and Naureen Karachiwalla, Oxford Policy Management, with guidance provided by Keith Hinchliffe. The Inter-Agency Network for Education in Emergencies (INEE) is an open global network of over 4,000 members working together within a humanitarian and development framework to ensure all persons the right to quality education and a safe learning environment in emergencies and post-crisis recovery. The INEE Working Group on Education and Fragility is as an inter-agency mechanism to coordinate diverse initiatives and catalyze collaborative action on education and fragility.

INEE would like to thank the World Bank for their financial contributions to the development of this report. Additionally, the following members of the Working Group provided substantive inputs, guidance and support to that process: Koli Banik and Alberto Begué (Fast Track Initiative), Peter Buckland (World Bank), Julia Dicum (Canadian International Development Agency), Sally Gear (UK Department for International Development), Susy Ndaruhutse (CfBT Education Trust), Omnia Nour (Reach Out to Asia Foundation), Emily Oldmeadow (European Commission), Mary Joy Pigozzi (Academy for Educational Development), Corien Sips and Joris van Bommel (Netherlands Ministry of Foreign Affairs), Ellen van Kalmthout (UNICEF) and Rebecca Winthrop (Brookings Institute).

*Any views and opinions expressed herein are those of the authors and do not necessarily reflect the positions of any of the organizations or individuals named above.*

For more information about the INEE Working Group on Education and Fragility please go to <http://www.ineesite.org/educationfragility>

## Table of contents

List of tables and figures	iv
Abbreviations	v
1 Introduction	1
2 Financing Modalities in Education	2
2.1 International Funding for Education	2
2.2 The International Aid Architecture	2
2.3 Financing Mechanisms	5
3 Particular Challenges of Financing Modalities in Fragile Situations	8
3.1 How to characterise “fragility”	8
3.2 Delivering aid in fragile situations	9
3.3 Country-level Stakeholders	11
3.4 Challenges specific to education	15
4 Strengths and Weaknesses of Specific Modalities	17
4.1 General Budget Support	17
4.2 Sector Budget Support	19
4.3 Pooled Support, SWApS and Programme support	19
4.4 Multi-Donor Trust Funds (MDTF)	20
4.5 Bilateral Project Support	22
4.6 Humanitarian Support	22
4.7 Project Funding through NGOs	23
4.8 Fast Track Initiative (FTI)	24
4.9 Debt relief and Debt Swaps	25
4.10 Public-Private Partnerships	10
5 Complementarities of Modalities, including Issues of Coordination	26
5.1 Complementarities of Modalities	26
5.2 Coordination	27
6 Summary	28
References/Bibliography	31
Annex A Country Case Studies	37
A.1 Afghanistan	37
A.2 Ethiopia	46
A.3 Nepal	55
A.4 Pakistan	64
A.5 Sierra Leone	72
A.6 Somalia	80

## List of tables and figures

Table A.1	Afghanistan Education Indicators	38
Table A.2	Donor Contributions to the ARTF USD millions	39
Table A.3	ARTF Disbursements by Project (USD millions)	40
Table A.4	Aid to Education from DAC countries (USD millions)	40
Table A.5	Table 1: Education Indicators	46
Table A.6	Education Indicators	56
Table A.7	Aid to Education from DAC donors, USD millions	58
Table A.8	Summary of Aid Modalities	62
Table A.9	Education Sector Indicators, Pakistan	65
Table A.10	Aid to Education from DAC donors, USD millions	66
Table A.11	Summary of Aid Modalities in Pakistan	71
Table A.12	Gross Enrolment Rates (GER)	73
Table A.13	Debt Service	75
Table A.14	Aid to the education sector (constant 2003 USD millions)	75
Table A.15	Education Sector Indicators, Somalia	81
Table A.16	Aid to Education from DAC countries (USD millions)	82
Table A.17	Summary of Aid Modalities in Somalia	86
Figure A.1	Aid to education and basic education 1991-2008 (million USD)	50
Box 3.1	Rapid emergence of fragility in Kenya	9
Box 3.2	Ta'leem Regional Education Initiative	13
Box 4.1	General Budget Support in Sierra Leone	18
Box 4.2	Sector Budget Support in Rwanda	19
Box 4.3	The Afghanistan Reconstruction Trust Fund	21
Box 4.4	WB Project Support in Balochistan	22
Box 4.5	NGOs and remittances in Somalia	23
Box 4.6	NGO Coordination in Afghanistan	24
Box 4.7	Ethiopia and the FTI	25
Box 4.8	Public-Private Partnerships in Pakistan	10
Box 5.1	Coordination in Afghanistan – a success for government?	27

## **Abbreviations**

AAA	Accra Agenda for Action
AKDN	Aga Khan Development Network
CAFS	Conflict affected states
CAP	Consolidated Appeals Process
CBE	Community-Based Education
CERF	Central Emergency Response Fund
CF	Catalytic Fund (of FTI)
DEC	Disaster Emergencies Committee
DP	Development Partner
EFA	Education for All
EPDF	Education Program Development Fund (of FTI)
FTI	Fast Track Initiative
GAVI	Global Alliance for Vaccines and Immunisation
GBS	General Budget Support
GEF	Global Environment Facility
IDP	Internally Displaced Person
INEE	Inter-Agency Network for Education in Emergencies
INGO	International Non-Government Organisation
LICUS	Low Income Country Under Stress
M&E	Monitoring and Evaluation
MDBS	Multi-donor budget support
MDTF	Multi-donor Trust Fund
NER	Net Enrolment Rate
NGO	Non-government Organisation
NSP	Non-state provider
OCHA	Office for Coordination of Humanitarian Affairs

## ***Financing Modalities in Fragile Situations***

ODA	Overseas Development Assistance
OECD/DAC	Organisation for Economic Cooperation and Development, Development Assistance Committee
PACE-A	Partnership for Advancing Community Education in Afghanistan
PAF	Poverty Alleviation Fund
PBS	Protection of Basic Services
PD	Paris Declaration
PRSC	Poverty Reduction Strategy Credit
SWAp	Sector Wide Approach
TA	Technical Assistance
UN	United Nations
WB	World Bank

# **1 Introduction**

This paper aims to provide an easily accessible introduction to the various types of funding modalities used in situations of fragility to resource education services. It has been prepared for the Inter-Agency Network for Education in Emergencies (INEE), Working Group on Education and Fragility. This is a network of practitioners and policy-makers working together to ensure all persons have the right to quality education and a safe learning environment in emergencies and post-emergency recovery. The paper will be the basis for a learning pack for dissemination to in-country stakeholders facing the challenges of funding and providing education services in fragile situations.

The paper is based on a desk study of existing literature. Case studies were prepared for six countries: Afghanistan, Ethiopia, Nepal, Pakistan, Sierra Leone and Somalia and form Annex A of this paper. The countries were chosen to represent different aspects of fragility, and different funding mechanisms. The paper examines how different financing modalities respond to different aspects of fragility, the objectives of different stakeholders, the preconditions which may be necessary to access different types of financing modality, and the implications for governments, development partners and service providers of the choices made.

## **2 Financing Modalities and Channels in Education**

### **2.1 International Funding for Education**

At the World Education Forum in Dakar in 2000, members of the Forum committed themselves in the Dakar Framework for Action to the achievement of Education for All, and within that commitment, of ensuring that all children, including girls, children in difficult circumstances and those from ethnic minorities have access to and complete compulsory and free primary education by 2015. In the same year, the United Nations agreed the Millennium Development Goals for 2015 which include ensuring that all boys and girls complete a full course of primary education.

Both these commitments carried with them implications for funding, both by the countries themselves and by the international community. The Dakar Framework included a commitment from the international community to increase the amount and predictability of external finance for education, in particular basic education.

The overall investment needed to meet the MDGs as a whole, in all countries, was estimated at \$94 billion in 2010, rising to \$124 billion in 2015 (Investing in Development, UN Millennium Project, 2005). Of this, \$19 billion was attributed to the education MDGs, rising to \$22 billion in 2015. The shortfall in estimated required support from ODA was \$41 billion, rising to \$54 billion. Total ODA disbursed increased over the period 2000 – 2005 by \$48 billion, though much of the increase resulted from increased debt relief. ODA net of debt relief rose by \$22 billion, and continued to increase only slowly over the next two years. (OECD/DAC, Development Cooperation Report, 2007).

Aid commitments to the education sector rose over the period 2000 – 2005, from \$6.6 billion to \$11 billion (Global Monitoring Report, 2009). Within that, aid committed to basic education is estimated to have risen from \$2.8 billion to \$5.2 billion. However after that there was a dip of over 25%, though rising again in 2007<sup>1</sup>. The share of ODA going to education has remained fairly constant over the period.

### **2.2 The International Aid Architecture**

Since 2000, there have been several significant developments in the international aid architecture which have had an impact on the overall flows of ODA to poor countries, the channels through which that assistance has flowed, and the context within which ODA is both offered and received.

OECD/DAC has spearheaded a dialogue around improving the effectiveness of aid flows, which has resulted in, first, the Paris Declaration (PD) in 2005, and then the Accra Agenda for Action (AAA) in 2008.

The Paris Declaration identified five principles which development partners and the recipient countries should strive to incorporate:

- Country Ownership
- Alignment

---

<sup>1</sup> These figures are for commitments, rather than disbursements. To the extent that some of these are multi-annual commitments, they may not reflect the trend of actual disbursements.

- Harmonisation
- Management for Results
- Mutual Accountability

Three years on, the Accra High Level Forum on Aid Effectiveness re-affirmed that Paris Declaration, but committed to deepen the engagement by aiming for

- Predictability
- Use of country systems
- Conditionality based only on country's development objectives
- Untying

The AAA also acknowledges the greater diversity of development partners which has developed and the need to work with them in closer partnership. The needs and limitations of the PD principles for countries in fragile situations is also addressed, drawing on the *2007 DAC principles for good engagement in fragile states*.

These principles are:

- Take context as the starting point
- Ensure that activities do no harm
- Focus on state building as the central objective
- Prioritise prevention
- Recognise the links between political, security and development objectives
- Promote non-discrimination as a basis for inclusive and stable societies
- Align with local priorities in different ways in different contexts
- Agree on practical coordination mechanisms between international actors
- Act fast... but stay engaged long enough to give success a chance
- Avoid pockets of exclusion

The main development partners can be divided into bilateral donors, both members of DAC and non-DAC, multilateral agencies, including the UN, the development banks, global funds and the private sector, often in the form of foundations. INGOs can be important agents in delivering aid, but the majority of their funding comes from one of the other groups of DPs.

23 bilateral donors are members of the DAC, and until recently the DAC represented the overwhelming majority of bilateral donors. However, more middle income countries, who are not members of the DAC, are developing their own development assistance programmes. Significant non-DAC donors include India, China, South Africa, Venezuela and Saudi Arabia. Some of these bilateral donors have had the experience of being recipients of ODA at earlier stages of their development, and can use that to better address the needs of their less well-off neighbours. Although they are not DAC members, some of these donors do address PD principles in their aid programmes, for example Hungary and Slovakia both agreed to be part of the PD monitoring process.

Multilateral agencies, such as the World Bank and members of the UN system, are another important source of development assistance. These often have considerable influence at both global and country level, both because of their membership, and because of their technical expertise. There are also a number of regional multilateral agencies such as the

regional development banks, including the Islamic Development Bank, and other regional bodies such as SADC and the Gulf Cooperation Council.

In recent years, several global funds, often referred to as vertical funds, have been established. These include the Global Fund for the Environment (GEF), the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM), and the Global Fund for Vaccines and Immunisation (GAVI). They focus on specific sectors and sub-sectors, and have become major channels for donor funding, including funding from private foundations.

The NGO sector is also an important channel for funding from both bilateral donors and private foundations. They tend to be preferred when there is a requirement for service delivery in addition to, or outside of, country government channels.

### ***Education***

The international architecture for education follows much of the pattern of that for ODA in general. The education sector is funded by bilateral and by multilateral donors, including UNESCO, UNICEF and the World Bank, as well as the regional development banks.

In 2002, as part of the international response to the Dakar commitments for EFA, the Fast Track Initiative (FTI) was established as a global partnership of developing and donor countries and agencies which focuses on accelerating progress towards Universal Primary Completion. One of its main objectives is to develop more efficient, increased and sustained financing for primary education. The FTI aimed to achieve its finance goals principally by using an endorsement process for education sector plans at country level, which involved government, donors, civil society and other partners working together, to *catalyse* additional domestic and external funds, and more aligned and harmonised aid modalities. It was also recognised that in some countries this was unlikely to be sufficient, and so in 2003 and 2004 it established two financial instruments (or trust funds) within the FTI: the catalytic fund (CF) and the education program development fund (EPDF). The CF was set up to provide grant financing over a two or three-year period to endorsed countries with a limited number of donors. The EPDF was set up to provide eligible countries with access to grant financing for capacity building, particularly analytic work for education planning and budgeting. Both trust funds are managed by the World Bank.

The FTI has also been considering a Transition Fund, to focus directly on countries in fragile situations that might have difficulty with the endorsement process. Plans have been developed for this, and it was anticipated that it would be managed by UNICEF. However, as this is being written, UNICEF has withdrawn from the management role due to concerns as to how it will manage the fiduciary risk, and as a result the proposed fund is in limbo.

Some of the private foundations have education programmes, or have funded other organisations specifically for education. In 2006, the NoVo Foundation donated \$15 million to IRC for their West African Education Programme, in particular in Liberia, Sierra Leone, Guinea and Côte d'Ivoire to address education in post-conflict situations. The Open Society Institution/Soros Foundation has also provided funds for education in Liberia, and has an Education Support Programme which operates in Eastern and Central Europe, the former Soviet Union and Mongolia. The Hewlett Foundation, in conjunction with the Gates Foundation also has a programme supporting Quality Education in Developing Countries, (this focuses on India and sub-Saharan Africa). The Dubai Cares Foundation has education in emergencies as one of its core funding priorities.

International NGOs also have an important role in the education sector, particularly for countries in situations of fragility. For instance, the Aga Khan Education Services, part of the Aga Khan Development Network (AKDN) provides funding for, and operates schools in, South Asia, East Africa and Tajikistan. As well as being a service provider, Save the Children has been leading a campaign since 2007 to raise awareness of the plight of children in conflict affected states (CAFS)<sup>2</sup>.

Some of these donors and agencies use several different aid modalities to address education finance, particularly in countries in a fragile situation. Others are limited by their mandate to using one or two.

## **2.3 Financing Modalities**

Over the last twenty years, the financing mechanisms used by donors to deliver assistance have become increasingly diversified, away from the dominance of project assistance to a greater proportion of aid coming through support to country-led programmes at either national or sectoral level.

This has in turn affected the modalities used in fragile situation. A useful typology is given in Ball (2007)

- General budget support
- Sectoral budget support
- Multi-Donor Trust Fund (MTDF) established with government
- MDTF established outside government
- National programme agreed with government
- National programmes not agreed with government
- Government-led projects
- Donor-led or NGO led projects
- Humanitarian aid
- Technical assistance fund (active government role)
- Technical assistance projects (passive government role)

This categorisation focuses on the level of control that government or donors have over the use of the funds, and the extent to which funds are supplemented with or restricted to technical assistance.

Depending on the particular context of an individual country, the modality used will respond to a greater or lesser degree to the principles of Good Engagement outlined above. There are simpler categorisations, which often do not emphasise the governance of the particular modality. However when governance and accountability are key concerns and when choice of financing mechanism is very much an individual choice of the donor (more so in fragile contexts than in other developing countries) it is useful to spell out the relevant characteristics of modalities in more detail in more detail. Table 2.1 presents some of the governance characteristics of possible aid modalities, in general.

---

<sup>2</sup> *Last in Line, Last in School*, J. Dolan, ISCA, 2007.

**Table 2.1 Aid Modalities in Fragile Situations**

Financing Mechanism	Long-term or short-term <sup>3</sup>	Multilateral or bilateral funding	Administration	Costs to donors	Support to state building
GBS	Usually 3-5 years, though there may be a longer commitment	Both, with joint management arrangements	Usually through some performance or policy matrix	In theory low transaction costs – in practice this can be higher than anticipated	High
SBS	3-5 years	Both, under a single government management structure	Performance against a sector plan	Often an annual joint review process	High, at least at sectoral level
MDTF established with government	Usually long-term	Both, with a single management structure	Usually a management agent, often WB or UN, and a steering group including government	Administrative costs of management but little technical input	Some
MDTF established outside of government	Usually long-term	Both, with a single management structure	Usually a management agent, often WB or UN, and a steering group not including government, but possibly civil society representation	Administrative costs of management but little technical input	Very limited, unless specifically addressed in support
Pooled or basket funding	3-5 years	Both, under a loose management structure	Against agreed work plans, but can use different modalities within a SWAp	Depends on individual donor modality but can include considerable engagement	Can support improved sector governance, but not necessarily at central level.

<sup>3</sup> Long-term is taken as five years or more.

Government-led projects	Short or long-term	More likely bilateral, but also multilateral. Unlikely to have both.	Depends on donor requirements. May be PIU within government	Depends on government capacity. If poor, then can be substantial	Limited
Donor/NGO led projects	Short or long-term	More likely bilateral, but also multilateral. Unlikely to have both.	For larger donor projects, may be stand alone PIU. For NGOs, likely to report only to donor.	Significant M&E requirements in both cases.	Unlikely. May undermine by poaching more skilled state employees
Humanitarian aid	In theory short-term, but can last for significant period.	Most likely bilateral donors contribute to multi-lateral (UN) led effort. Also NGO input	Usually UN coordination on the ground	Limited	Unlikely. May even undermine state capacity
Technical Assistance Fund	Should be at least medium term	Both contribute	Management structure, preferably with both donor and government representation	Some, but should not be a major burden	If works well, should improve government management skills
Technical Assistance project	In practice often short-term	Either	Project management	In difficult context can be significant	Only if TA is for state building objectives

### **3 Particular Challenges of Financing Modalities in Fragile Situations**

#### **3.1 How to characterise “fragility”**

There have been a number of approaches to categorising fragility. The OECD/DAC characterises fragile states as countries with poor governance as identified by a *lack of political commitment* and/or *weak capacity* to develop and implement *pro-poor policies*; fragile states also often experience *violent conflict*. When discussing service delivery, the DAC framework categorises fragile states as follows<sup>4</sup>:

- Deterioration (Conflict/risk of conflict; Declining capacity and/or will)
- Arrested development (Lack of will; Moderate or high capacity)
- Post-conflict transition (Risk of conflict; Low capacity; High or low will)
- Early recovery (May be post-conflict or not; High will but low capacity).

DFID also uses a typology based on different combinations of commitment and capacity. USAID distinguishes between vulnerable states and crisis states, where violent conflict is a reality or significant risk.

Rather than use an individual categorisation, we propose to define “fragility” as being characterised by some combination of the following conditions:

- Governments with contested legitimacy or constraints on the effective control of their territories.
- Severely depleted capacity within the government system (and probably in the private sector and civil society too).
- A high risk of collapse into conflict or extremely bad governance.
- Lack of political will to implement pro-poor policies.

Most attempts at categorisation seem to have implicit in them a perception that countries move at differing speeds along a spectrum that has conflict at one end and a stable government at the other. However this is inconsistent with the speed at which a situation can change, see Box 3.1 below.

---

<sup>4</sup> This differs a little from the categorisation used in their *Principles of Engagement in fragile states and situations*, which also uses four categories: Post-conflict/crisis or political transition; deteriorating governance environment; gradual improvement; and situations of prolonged crisis or impasse.

**Box 3.1     Rapid emergence of fragility in Kenya**

Kenya held multi-party elections in December 2007. Although there had been tension along party and ethnic lines in the run-up to the election, many were taken by surprise at the extent of violence that broke out after the election results were announced hurriedly shortly after the election, and President Kibaki was sworn in without the usual ceremony. In the aftermath, many were killed, and there was considerable damage to infrastructure, including schools, in the areas most affected. Teachers who were working out of their ethnic areas returned home, and many families ended up in IDP camps, where efforts had to be made to establish temporary schools. There was considerable disruption to the education system, and scarce resources had to be diverted to ensure that children affected by the violence could continue their schooling.

In addition, it should be noted that fragility may only be relevant to part of a country, rather than the country as a whole. In Uganda in the 1990s, and still to some extent today, Northern Uganda was torn by conflict as the government waged war with the Lord's Resistance Army, a guerrilla group, leading to significant disruption in service delivery and many of the population living in IDP camps. However, in the rest of the country free primary education was introduced, and overall NER rose.

**3.2     Delivering aid in fragile situations**

This paper is primarily about financing modalities in fragile situations. However the choice of financing modality may, in itself, have implications for the possible choice of service delivery mechanism, and other aspects of aid modality in general. For example, if a development partner chooses to provide sector budget support, this implies that funds will be supplied using government processes, and most probably, that the government will provide any services associated with the aid<sup>5</sup>. Similarly, if the funding partner decides that government capacity is inadequate to deliver services, this will usually imply that resources are provided either directly, or through some management agent (an MDTF, an INGO or a UN agency) to non-state providers (NSPs), to some extent bypassing government systems.

Most discussions of aid modalities in fragile situations analyse the modality in terms of its implications for providing services, and building state capacity, objectives which may pull government and development partners in different directions. For a service delivery sector, the funding agent may face a choice between a longer-term strategy of building capacity in the state sector, possibly at the short-term cost of potential service recipients while capacity is being built, and funding more immediately effective short-term NSPs who can deliver services immediately but with the possible cost of undermining the position of the government and leaving the underlying capacity issue unaddressed. A recent literature review<sup>6</sup> points out that if recovery projects, particularly those that provide services, are branded with the logos of donors or international agencies, then “the population will associate these services with international partners rather than building a sense of trust and connection with their own institution and leadership”.

Development partners also have to be accountable to their own stakeholders, whether citizens, or in the case of the private sector, shareholders, for the use of funds. This means that they will look for implementing agencies that can, at minimum, keep records and account for financial assistance, and may be amenable to hosting independent evaluators.

---

<sup>5</sup> This may not always be the case. In Pakistan, public-private partnerships may mean that the state funds private sector delivery.

<sup>6</sup> Cox and Hemon, 2009, quoting a UNDP/WB guidance note.

One reason why donors are attracted to MDTFs is the tight control of financial resources that they can offer.

### **3.2.1 Public-Private Partnerships**

In some countries, governments have addressed the issue of state legitimacy by formally entering into an agreement with the private sector, both commercial and non-profit.

In all countries, the private sector<sup>7</sup> is involved in delivering educational services, to a greater or lesser degree. There is considerable variation in the extent to which the private sector is consulted and involved in education planning, though inclusive governments see the benefits of planning for the sector as a whole. In some countries the government sees the private sector as a partner in providing education, and one that has capacity and skills that the government can call upon to improve its own service delivery. The precise form will vary according to circumstance, as can be seen from the case of Pakistan, Box 3.2 As this case shows, the extent to which PPPs can actually benefit the education sector depends on the extent to which they are seen as true partnerships, as opposed to ways of extracting value from the private sector while giving limited benefits in return.

#### **Box 3.2 Public-Private Partnerships in Pakistan**

Public-Private Partnerships were recognised in the Education Sector Reform programme of 2001 as an approach to addressing the enormous challenges facing government to reduce the disparities in education attainment on the basis of income, region and rural/urban divide. The MOE pledged to create an enabling environment for the growth of PPPs, in particular through NGOs and the private sector. No mention was made of madrasas, which were seen as needing reform, rather than as potential partners.

Different models were developed. *Adopt a School* is one model, started by the Sindh Education Foundation, whereby a non-state actor, usually an NGO or not-for profit, takes responsibility for a government school. This can focus on infrastructure, on improving teacher training, or even taking over the management of the school. The government ideally wanted the organisation adopting the school to take over the financial costs of the reform and become a resource provider. In some cases this has happened. Idara-Taleem-o-Aagahi (ITA), an NGO, has a Whole School Improvement programme, whereby it becomes involved for 2-3 years with a government school to address infrastructure and teacher training. This has required ITA to build relationships with government officials at the district level. ITA has taken care to engage formally with government and has developed Memoranda of Understanding with government (ESRC NGPA, 2008). ITA brings in funds from expatriate philanthropists, multinational companies and other donations, but also runs non-formal schools which are funded by donor agencies, implements projects for UN agencies and also delivers services for government under contract. It is difficult to assess how much additional funding the NGO brings into the education sector, but this particular NGO does appear to be able to tap into the increasing funding available from the corporate sector under their social responsibility programmes.

The PPP was adopted as a federal programme, and education foundations were designated at the provincial level as the main government agencies to implement this policy. The Punjab Education Foundation has focused on working with the private sector, whereas the Sindh Education Foundation has rather worked with NGOs.

Overall, the PPPs developed in Pakistan have shown limited possibilities for addressing the basic capacity limitations which led to government adopting the PPP programme in the first place. For example, the Sindh Education Foundation, one of the biggest players in this area, has only

<sup>7</sup> Depending on circumstances, private sector can also include the NGO sector, in other words, non-state providers

adopted 165 schools out of 28,854 primary schools in Sindh (Bano, 2008). NGOs depend mainly on donor funds, and this limits the number of schools and the sustainability of the programme. There are concerns that the schools being adopted or upgraded are the better schools, particularly where the private sector is the main implementer. Private schools have not, in general, addressed issues of equity, and have only limited impact on overall school quality.

The government saw PPPs as a way of increasing the resources going to the education sector, and did not set up processes whereby NGOs and private schools could become active partners in improving the quality of the education provided. This has reduced the incentives for these organisations to engage in PPPs. In addition, there appear to have been tensions between the public and private sector, with government officials regarding NGOs in particular with distrust. (The minister who introduced the 2001 policy was from an NGO background, but when she departed, the climate for partnership worsened.)

The three-level structure for managing education in Pakistan has meant that it is difficult to get a full picture of how much has been brought to the sector by PPPs. Most private partners either engage at the provincial level through the Education Foundations which are semi-autonomous bodies, or purely at the district level.

Source: see Pakistan case study

### **3.3 Country-level Stakeholders**

There are a number of stakeholders involved in provision of services, and in particular education services in fragile situations. This section attempts a rather broad-brush discussion of the potential role of these stakeholders, the objectives and motivations involved and the constraints the various actors face. It cannot be comprehensive, because much will depend on the specific context. However it does try to identify the appropriate questions for analysis, and give some indication of possible answers.

#### *National Authorities*

Governments, whether at central or provincial level, may have very varied roles and objectives regarding service delivery depending on where they sit on the capacity and political will matrix. It is generally assumed that governments prefer support to be aligned to any government processes and strategies<sup>8</sup>. With most bilateral and multilateral initiatives, government will be given a role in the governance of the project or programme, even if they are not a major implementer. For example, there is usually a representative of government on the steering committee of any MDTF.

Where projects and programmes are implemented using government systems, most concern is focused on ease of procurement processes (for example for TA) and on reporting mechanisms. It is still the case that in many countries ministries have to report to each donor separately using different formats, resulting in high transactions cost for a ministry with capacity issues. In principle a SWAp or sector support should reduce transactions costs for the recipient government, but that may depend on the complexity of the reporting system adopted, and the extent to which all donors respect this.

Where governments have low capacity, or where there are issues of security in parts of the country, the government may not have major problems with NSPs implementing projects and

---

<sup>8</sup> There are dangers in discussing governments as though they are homogeneous. The Ministry of Finance and the Ministry of Education may have very different perspectives on, for example, macroeconomic stability and the importance of containing external finance.

delivering services. Pakistan, for example, in 2001, decided that a major thrust of its education strategy would be to develop public-private partnerships for delivering education services, as a cost-effective way of improving service quality. However, both development partners and government have to balance this against the risk of undermining the legitimacy of the state if non-state actors are seen to be delivering services which the population feels should be a core state function. Often state provision of education and health services are seen as a key indicator of effective state recovery following a conflict or disaster.

In most countries, national governments are the prime providers of financial resources for education services, particularly for recurrent costs, such as teachers' salaries. ODA is often the primary source of funds for development or capital expenditure. However, in fragile states, it is often very difficult for governments to raise sufficient revenue to cover recurrent costs, which are usually the greater part of expenditure on education. For this reason, financing modalities which allow ODA to be used for recurrent costs are particularly valued in fragile situations. Budget support, both sector and general, can be used in this way, as can multi-donor trust funds.

### ***Bilateral donors***

Bilateral donors are funders, either directly or indirectly through funding management agents (see multilateral agencies, INGOs, etc. below). Other roles will depend on whether or not they have a country presence, and what form that takes.

Most bilateral donors will, during the immediate aftermath of an emergency, provide humanitarian assistance through some international mechanism, for example the Central Emergency Response Fund (CERF) of OCHA, a direct OCHA Consolidated Appeals Process (CAP) or an NGO appeal. In the UK, humanitarian aid agencies send out a united appeal through the Disasters Emergency Committee (DEC). Other countries have similar mechanisms. Often the UN system will coordinate responses in-country and appoint a UN Emergency Relief Coordinator (see below). In this context bilateral agencies are interested in disbursing funds quickly, but through trusted mechanisms, where there are tried reporting mechanisms, and good coordination. The bilaterals' country offices will have very limited influence on either levels or use of funding.

Outside of an emergency, a bilateral donor may have a more direct role in managing funds and, in some circumstances, providing technical assistance. For projects, if there is a country office, then there will most likely be a project manager allocated to an individual project who will have responsibility for ensuring reporting takes place as required by the project agreement, and may have a technical backstopping role, if s/he has the required skills. Otherwise this may be provided by head office. Where there is some joint assistance framework, such as a MDTF, SWAp or basket funding, a staff member from the country office is likely to sit on a management group or steering committee, as oversight. Management arrangements for sector support vary from country to country, but again are likely to involve country office representatives in some kind of oversight committee, and may also involve participation in joint monitoring exercises.

Where the bilateral agency funds NGOs directly, this may be managed either in country or from head office, depending on the size of the funding and the level of management deemed necessary.

The objectives of bilateral donors have a number of common elements, though the priority given to individual aspects may vary according to donor. Donors are interested in funding programmes and projects which deliver results according to the initial agreement. They are

also interested in interventions which deliver sustainable outcomes, and which make limited demands on often heavily stretched staff, particularly in a country office. For the most part bilateral donors are also interested in behaving as good donors, conforming to Paris Declaration principles where possible, and the principles of good international engagement in fragile situations. These mean that where possible donors would wish to support government and even use government processes and mechanisms, build capacity and focus on state-building where relevant, and act in coordination with other development partners.

Bilateral donors may be constrained as to what they can do at country level by the size and capacity of their country office. They may also face constraints arising from the policies adopted by their head office. Some bilateral donors give considerable devolved authority to country offices, while others still require most decisions to be approved at a central level. Some donors, such as USAID, do not, under most circumstances, allow funds to co-mingle in joint approaches, such as SWAPs, though they are happy to align as much as possible with government. Others, such as JICA, prefer to fund development projects, again, to the extent possible harmonising with other DPs.

#### *Multilateral agencies*

There are a number of agencies who can be described as multilateral, but those who play the most prominent role in fragile states are the development banks, including the World Bank. In many respects their roles and objectives are similar to those of bilateral agencies, funding projects, and providing funding through sector support and basket funding. Development Banks work in collaboration with governments, and therefore are only likely to fund NGOs and the private sector if this is via government. However, the WB in particular has taken a fairly substantive role in many fragile situations in the management of MDTFs. The World Bank's procedures, both for its own projects and also when managing MDTFs are based on its general lending operations. Many governments find these cumbersome and rather rigid. A Scanteam review of MDTFs concludes that the WB has good capacity to support government policy-making and system development, though it may have difficulty deploying experienced staff. The WB usually takes a fee for managing a TF, including a MDTF. This pays for WB staff time in providing administrative and technical support.

The WB also has a specific Trust Fund, the State and Peace Building Fund, which was approved in April 2008. It combines two previous funds, the Post-Conflict Fund and the LICUS Trust Fund, which are being wound down, and provides grant funding for projects, including in the education sector (see Box 3.3 below). This is a useful vehicle for assisting countries that have fallen into arrears in servicing WB loans, as a result of conflict and fragility.

### **Box 3.3 Ta'leem Regional Education Initiative**

The Ta'leem Regional Education Initiative provides access to quality education for displaced Iraqi children in Lebanon and Jordan. The project provides scholarships for 1,500 Iraqi children aged between 3 and 24 in Lebanon, supports kindergartens, training for teachers and assistance for parents to support children dealing with stress. It is hoped that the project will also reduce the burden on the recipient government and on the families themselves. Almost \$2.5 million is being provided through the World Bank's State and Peace Building Fund.

### *United Nations*

The UN has taken a variety of roles in fragile situations. It manages appeals in situations of crisis, and also manages a Trust Fund for Human Security, funded by the Government of Japan, and covering a range of projects for improving the security and options faced by people in vulnerable situations. These projects are implemented by UN agencies, and include improvements in educational opportunities, particularly for girls. One such project, implemented by UNICEF, is the Expanding Access to Quality Education, based in Kosovo.

At country level, the UN is headed by a Resident Coordinator, who is funded and managed by UNDP. Recent reforms within the UN system have focused on greater coordination between the different agencies at country level, including UNICEF, which is the UN agency most likely to be involved in implementing education projects in country.

The UN has also acted as administrator of MDTFs in fragile situations. The UN system has a wider mandate than the WB, and can cover the full spectrum of conflict situations, from conflict prevention through to peace-building and development. The UN has a much stronger political role than the WB, and is often seen as a peace-keeper. The UN is more likely to work with a range of national stakeholders, including civil society organisations since UNDP-administered MDTFs are provided off-budget and thus allow engagement with civil society. Managing a MDTF allows the UN to combine its peace-keeping and development roles. It is more likely than the WB to have a continuing presence in post-conflict situations. However, most MDTFs are managed by the WB, partly because of its reputation for strong financial management and risk.

### *International NGOs*

International NGOs can both instigate projects from their own sources of funding and also implement projects for development partners, both bilateral and multilateral. Some NGOs have also managed to access funding from private sector foundations, such as the Bill and Melinda Gates Foundation and the Hewlett Foundation.

Good INGOs will be concerned for their own reputation and will set up appropriate M&E systems as part of their projects. They will often work with local NGOs to implement/deliver services and may build capacity in the NGO sector as part of their mandate. They will report back to donors. However the relationship with government may be more problematic. INGOs do not usually sit on steering committees (where the UN delivers through both local NGOs and INGOs as part of an MDTF, NGOs may have a more formal role in governance) and even in non-fragile countries, the degree to which INGOs are involved in overall sector management and steering groups is very variable.

Although INGOs may have considerable capacity to deliver services and projects, they are often seen as undermining state-building. An evaluation of the WB's LICUS activities found that NSPs could deliver effectively on infrastructure, but not on empowering local communities or developing sustainable governance capacity. There can also be issues of fragmentation of service delivery, and of lack of accountability.

### *National NGOs*

National NGOs are often the front-line of service delivery, particularly in areas where there is little or no effective government control or capacity. This can make local NGOs an attractive partner for donor agencies. However, although many national NGOs are good partners, others see the lack of government capacity as an opportunity for profit, perhaps without the

capacity or commitment to implement effectively. It is important for donors and government to work with NSPs that have a local track record in the sector concerned.

One possibility which could address the accountability issue is to involve national government in contracting out to NSPs, and for government to take responsibility for monitoring performance.

Local NGOs have even less input into steering committees and other aspects of sector governance. Even where the possibility exists, unless a donor is prepared to fund the NGO to attend steering group meetings, the NGO often sees it as beyond their resources to participate in such activities.

#### *Private sector donors*

Private sector donors, whether they are international or local, will wish to fund activities which are seen to be consistent with their corporate ethos, and to get some public credit for these activities. This is more likely to be the case with local subsidiaries of large multinationals than some of the private foundations, which have a more global profile. Locally-based firms and individuals are more likely to be attracted to community-based projects which directly benefit sections of the population with whom they come into contact.

The global foundations tend to have a strongly results-based approach, and to fund projects which are short to medium-term, with a possible exit strategy, rather than lock themselves into longer-term capacity building projects, though this may be changing as the monitoring systems they employ become more sophisticated at identifying positive outcomes.

### **3.4 Challenges specific to education**

The education sector has a number of important roles it can play in situations of fragility, both positive and negative. Of the basic services provided by the state, education and justice are the most likely to be politicised in a fragile situation. It is acknowledged that establishing or re-establishing effective education delivery can assist in peace-building and promoting social cohesion. In post-conflict societies, unemployed youth and former combatants are often a source of social unrest, and potential renewed conflict. They may have had little or no education because of participating in the conflict, or because security considerations meant that education services were simply unavailable. Where it is possible to move quickly to reinstate schools, and to ensure that they are appropriate for the circumstances of the pupils, whether of school age or older, then there is a better chance of movement towards greater stability.

Although this means that an analysis of needs and resources should be of first priority, this does not necessarily have implications for the choice of financing mechanism. Choosing the channel for service delivery should be the first step: whether the government has capacity to deliver; whether there is need for revision of the education format and curriculum, which may even have played a role in fomenting conflict in the first place; and whether there are groups with particular needs such as girls, ex-combatants and unemployed youths, that require particular programmes. Once this analysis has been undertaken it may be clear that government structures are sufficient to implement an effective education programme, if the resources are provided, or it may be that a two-pronged approach, of using NSPs in the short-term while helping build government capacity to take over this role in the longer-term, will be required. Even here, there may be a number of ways of financing NSPs, with implications for their longer term integration into a state-run education system.

Where the objective is to provide education services in an area where government has lost control, then the choices of financing mechanism are very limited. The channel for service delivery will almost certainly have to be through an INGO, or a combination of national and international NGOs.

In fragile situations, it may be particularly difficult to recruit good teachers, or to ensure that funding reaches schools, and is not diverted to central administration, or worse. In these circumstances it will be important to ensure that regular funding is available for teachers' salaries, and that disbursement mechanisms ensure that resources go straight to the school. In the former case, it will be important that, if government resources are insufficient to pay teachers, external assistance is not allocated solely to development expenditures but can be used for recurrent expenditures, subject to adequate safeguards. In the latter case, there are examples where funds have been paid directly to schools. In Kenya, funding from the FTI Catalytic Fund is paid directly into school bank accounts. Once the banking system reports that this has been done, this is accepted as proof of disbursement and in theory this guarantees continuity of funding<sup>9</sup>. In Mozambique the Direct Support to Schools Programme, which is run by the Ministry of Education, provides grants to individual schools which have the most pressing needs. The grant is managed by the school council and has helped build capacity at both local and central levels in Mozambique<sup>10</sup>.

---

<sup>9</sup> In practice there have been occasions when funding has been disrupted, notably after the post-election violence of early 2008.

<sup>10</sup> Kulipossa and Manor, 2006, quoted in Rose and Greeley, 2006.

## **4 Strengths and Weaknesses of Specific Modalities and Financing Channels**

All of the financing modalities discussed in this paper have characteristics, either innately or in the particular way they tend to be implemented, which make them more or less suitable for particular situations. Some of them will require particular pre-conditions, specified in agreements or MoUs; others will be more appropriate where certain types of capacity exist in-country. Others will have much greater demands on donors, in-country which they may be unwilling or unable to bear.

In this section, the major modalities used are discussed on the basis of experience in different countries, including, but not restricted to the case study countries. Context is analysed in terms of the four characteristics identified in section 3:

- Governments with contested legitimacy or constraints on the effective control of their territories.
- Severely depleted capacity within the government system (and probably in the private sector and civil society too).
- A high risk of collapse into conflict or extremely bad governance.
- Lack of political will to implement pro-poor policies.

### **4.1 General Budget Support**

General Budget Support, where donors provide funding to a government for use as part of its overall expenditure programme, is unusual in vulnerable situations, reflecting both the lack of capacity of government and often lack of political will to implement pro-poor policies. However there are circumstances where lack of capacity can be overcome, particularly where there is perceived to be political will to implement a pro-poor agenda, and where opportunities are seen as using GBS as a way of supporting state-building. This may be the case for post-conflict countries, or countries seen to be moving away from fragility.

GBS should, in principle, reduce the transactions costs to donors of providing assistance to governments. They provide funding on a regular, usually quarterly, basis against a budget, usually to implement a PRSP or equivalent, and receive annual reports on progress against the PRSP. However, there are seen to be strong fiduciary risks associated with this. The government may not implement against budget, either because of unforeseen circumstances, or because they are not committed to the overall strategy. For this reason, donors usually follow the example of the WB, and disburse against some agreed performance matrix<sup>11</sup>. This requires negotiation with government as to the content of the PAF, and how performance will be measured. This, in itself, can be a lengthy process. Where there has been agreement amongst donors to harmonise their GBS in a MDBS arrangement, in keeping with PD principles, there has to be agreement amongst donors as well as with government, another potentially lengthy process (see Box 4.1 below).

From the government's perspective, GBS gives substantial discretion as to the use of funds. They can, for instance, be used for paying public sector staff, important particularly in immediately post-conflict situations where there may be both limited public revenue, and

---

<sup>11</sup> For many years the WB has attached Performance Agreement Matrices to their PRSC funding.

increased demands on it, not just for restoring services, but also in demobilizing troops, and compensating civilians for damage to property incurred during the conflict. The costs of monitoring and reporting on GBS should be lower than on project support, but it also can increase the risk, particularly with MDBS. Failure to reach performance targets can result in some or all of the budget support being cut off with disruption to budgetary processes resulting.

#### **Box 4.1      General Budget Support in Sierra Leone**

Donors have provided GBS to Sierra Leone for almost ten years now. The EC committed GBS in 1999, an unusual occurrence for a country still in conflict. DFID committed to GBS in 2001, and the WB/AfDB has also provided support under a PRSC. Until 2006, GBS was provided on a bilateral basis, but since then there has been multi-donor budget support with joint Performance Assessment Framework (PAF), negotiated between donors and government. GBS has consistently provided more than 26% of discretionary recurrent and domestic capital expenditure. This has been important in covering, for example, teachers' salaries. The lack of domestic revenue after the war, and the need to pay public sector workers so that they could start to deliver basic services was an important element in both DFID and EC deciding to provide GBS.

Although GBS is not earmarked for education, the 2007 PAF included seven agreed actions and indicators for the education sector, including indicators of examination passes, evidence of funds going to schools, and increases in availability of core textbooks. Reasonable performance on these indicators is necessary to release future tranches of funding. The PAF is strongly linked to the PRSP in Sierra Leone, which is seen as the basic policy framework around which GBS is provided.

There are risks to government if they fail to meet performance benchmarks. This happened in 2007, and disbursements were delayed. Government then has to delay other expenditures in order to meet public sector wages. This can also undermine the quality of service delivery.

Source: see case study, Annex A.

Another risk is that donors provide GBS to assist the poor, but finance gets stuck upstream and does not reach them. One way to try to avoid this is in donor choice of indicators for the PAF. Indicators of service delivery, particularly disaggregated geographically can show where the budget is being spent overall. It is dependent on the government's ability to develop good monitoring systems, and that may require additional TA in support of the GBS.

Another way that donors can try to influence the use of GBS is to earmark it for particular sectors. This is different from Sector Budget Support (see below) in that it is linked to a national strategy, rather than a sector strategy, but with funding earmarked for particular uses. Funding can also be ring-fenced for a set of sectors. This approach was followed in Uganda, when donors were concerned about resources going towards defence spending; a Poverty Alleviation Fund was created within the budget which covered the health, agriculture, water and sanitation and education sectors. A similar approach has been taken in Ethiopia, where a Protection of Basic Services grant was created in 2006, to support the same set of sectors. This occurred after the May 2005 elections, when there was donor disquiet about government action.

Ring-fencing does, up to a point, reduce the fungibility of funding through GBS, but it may well create distortions in non-ringfenced areas. The recent evaluation of the PEAP in Uganda felt that infrastructure has suffered as a result of being excluded from the Poverty Alleviation Fund, to the detriment of economic opportunities for the poor in rural areas. If there are concerns about government implementation, but a desire on donors' part to provide GBS, then appropriate choice of performance indicators may be the best way forward.

Development partners often see capacity building as an important way of achieving greater sustainability in the sector and also improving planning and service delivery. If support is given as general budget support (or as sector budget support, see below) there may be a tendency for government to put less emphasis on capacity building, particularly if there is no general policy on and commitment to this area.

## **4.2 Sector Budget Support**

Sector budget support has similarities to GBS, but it takes place at the sector level. It is funding against a sector strategy which has been developed by government and accepted as of an adequate standard by individual donors, or a group of donors.

Donors can provide SBS individually, but the greatest coherence comes when there is joint engagement between donors and government to coordinate support (see Box 4.2). This allows for joint planning, particularly forward financial planning, to assess the adequacy of commitments to a sector, such as education, over time.

### **Box 4.2 Sector Budget Support in Rwanda**

Sector Budget Support for education in Rwanda evolved from a SWAp, to a Joint Education Sector Support Programme (JESS) in 2006. JESS is for the period 2006-2010 and has multi-annual commitments from a number of donors, including DFID, Belgium, the AfDB and the Netherlands. FTI Catalytic Funding is channelled through the SBS mechanism for a period of three years. JESS is reviewed annually through the Joint Review of the Education Sector.

SBS helps fund the Education Sector Strategic Plan, and in particular is helping to fund teacher salaries, and capitation grants for basic education, construction and textbooks. There is a separate pooled fund for Education Sector Capacity Building which is funded by DFID and UNICEF. This is meant to be integrated into SBS after a three year period. The JESS has strengthened the donor position in Rwanda because of the inclusion of the FTI, which requires local donor endorsement of plans and reports as a condition for further disbursements. Focus has shifted from an emphasis on good plans to more emphasis on results and impact.

Based on Uttersprot, 2008.

In some cases, even though individual donors may not participate in the joint SBS, but continue to fund through different modalities, the structures set up for SBS enable a wider engagement of donors in joint review mechanisms. This can be extended to include NGOs and civil society to achieve wider buy-in to government plans.

Although SBS has many advantages for donors, it works best if there is in-country technical capacity in donor offices, otherwise review processes can lack technical competence. To reduce this as a possibility, donors may contract consultants to assist them in the process, thus increasing their own transactions costs. In Kenya, this has been a frequent occurrence, even where donor agencies, such as DFID, have education specialists in-country. From a government's perspective, the main issues arise when there is a combination of SBS and earmarked funding. Particular areas may be marginalised, such as capacity building or higher education, because donors wish to focus on improving the delivery of basic education. This can distort government spending priorities.

## **4.3 Pooled Support and Programme support**

Pooled support, Programme support are all forms of coordinated donor support, which fall short of full sector budget support. Programme support works within a government-led

framework or Sector Wide Approach (SWAp), and can include civil society actors. Programme support is often seen as a steps towards SBS, but which allows the participation of donors who cannot or are unwilling to give budget support, but do wish to support a given sector plan, through a SWAp, through some form of project support, or earmarked funding.

Pooled funding can be a much looser arrangement, and may be in support of a non-government led framework.

The Yemen Social Fund for Development was created in 1997 and is managed and led by donors. It targets the poor, and promotes innovative methods of delivering services, including education. It has succeeded in attracting funds from a number of donor and private sector sources, including debt swaps from Italy and from the Yemen Liquid Natural Gas Company, but the majority of its funds come from bilateral donors, both DAC and also from the Middle East. Although the Fund does not directly support government plans, it is now headed by the Prime Minister, and works in alignment with national government policy but as a parallel structure.

In Zimbabwe, in 2005, seven INGOs developed the NGO Joint Initiative, which is a multi-sector programme supported by pooled funding from donors. In contrast to the Yemen Fund, this is managed by INGOs, and is described as a coordinated humanitarian response to conditions faced by vulnerable groups in urban Zimbabwe.

These kinds of pooled agreements can be used where there is lack of trust in government, in particular as to its pro-poor credentials. When pooled funding is managed by an NGO or a body set up for that purpose, pooled funding can reduce administrative costs for donors, enhance operational coordination and improve harmonisation amongst donors.

A pooled fund can also be seen as a transition from humanitarian assistance to greater government control of resources for education. In Liberia, Unicef set up an Education Pooled Fund, in 2008, with the funds to be used for the implementation of the Liberia Primary Education Recovery Programme. The Unicef Director said:

“In the context of reduced humanitarian financing and the absence of regular development funding, our intention was to assist in moving the financing agenda forward by finding mechanisms that would build both the capacity of government to handle larger resources flows to the sector and the confidence of donors to contribute larger amounts to government”<sup>12</sup>.

### **4.4 Multi-Donor Trust Funds (MDTFs)**

MDTFs have been important instruments in post-crisis situations, where there is poor state capacity for managing large amounts of donor funds. They are usually run by the World Bank or the UN, and have allowed donors to feel sufficiently confident that the funds will be well managed. This has almost certainly increased resource mobilisation over any alternatives. MDTFs also reduce information coordination and administrative costs for donors. MDTFs tend to be in line with many of the principles of the PD. They rely very much on WB and UN experience in working in high-risk situations, but can be expensive to set up, and have high administrative costs. However, many bilateral donors have few staff with the required experience for these situations, and it allows them to operate more effectively in post-conflict situations.

---

<sup>12</sup> Quoted in Branelly et al., 2009, p. 197

The MDTF collects funds, and the channels used to disburse them can vary substantially from country to country. 0 discusses some of the varied ways the Afghanistan MDTF disburses its funds. The channels used can be aligned with government systems, and may even be disbursed as budget support, or they can be disbursed as project funding, depending on the capacity of government and the extent to which the managing agent has confidence in the various channels available. In many post-conflict countries the government has very poor revenue raising capacity, and a MDTF which provides budget support is a huge boost to a government trying to re-establish service delivery, by enabling more regular payments of public servants.

#### **Box 4.3 The Afghanistan Reconstruction Trust Fund**

The most prominent funding modality in Afghanistan is the Afghanistan Reconstruction Trust Fund (ARTF), which began in 2002 and is managed by the World Bank. It received 2.4 billion USD by March 2008 and is the main source of funding (one third) for the government's recurrent budget. The two main components are the recurrent window (for wages and operations and management) and the investment window (for government priority programs). A total of 27 donors contribute to the fund, however, five donors (USA, UK, EC, Netherlands and Canada) provide 80% of the funds. Most ARTF donors also provide considerable support through other channels, including bilateral support, sector budget support and support through NGOs (Foster, 2007). Earmarking of funds is not permitted in the ARTF but donors are allowed to express preferences of where they would like the funds allocated, up to 50% of the amount of their annual contribution. The recurrent window is used to finance the government's operating budget, particularly the salaries of teachers and health personnel. The Ministry of Education is the top line ministry receiving funds from the ARTF and approximately 30-40% of the recurrent budget has financed teacher salaries and other operating expenditures of the MoE annually. Working through the ARTF has increased the regularity of salary payment. The education funding in the investment window focuses on basic education, and specifically, on capital investments. However, the Education Quality Improvement Program (EQUIP) receives just 4% of the funds (Scanteam, 2008). ARTF funding used to be predominantly outside the budget using mainly donor procedures and it has now evolved into more budget support (Foster, 2007).

Funds reach the local level through various channels. The ARTF's National Solidarity Program (NSP) is one channel, which provides support and facilitation to introduce democratically elected Community Development Committees (CDCs). The CDCs are to develop a Community Development Plan (CDP) with activities selected for funding through block grants provided by the NSP. Activities and implementation are decided by the communities. 13.4% of the projects go towards education. The funds flow through the Ministry of Rural Rehabilitation and Development (MRRD).

Another avenue is the EQUIP program, which began in 2005. It is active in all 34 provinces and comprises three components: school grants for quality enhancements and infrastructure development (Scanteam, 2008). Finally, ARTF funding also flows through Provincial Reconstruction Teams (PRTs) which are essentially military teams. ARTF funding has more difficulty reaching areas where the Taliban are still in control and PRTs tend to be the only delivery mechanism that can be used here. PRTs do not cooperate as well with MoE as other delivery mechanisms, and there have cases of schools being built without provision for teachers to be recruited.

There appears to be an increasing trust gap between donors and government, as evidenced by increasing preferencing of aid. Under the medium-term fiscal framework it is intended that government revenues should cover the recurrent budget by 2013, which would go some way to restoring donor trust.

## **4.5 Bilateral Project Support**

Bilateral project support is still the most common form of support to developing countries, including in the education sector. This is particularly the case in countries where there is poor government capacity but where there is no risk of collapse into conflict, which could endanger the lives of donor contractors and donor staff.

Bilateral project support is often seen to allow the development partner to retain more control over the use of funds, an issue if there are fears of corruption and poor governance. Although the costs of project support to bilateral donors are often seen to be higher than more coordinated forms of support, in terms of staff time in terms of oversight, these can frequently be reduced to financial costs by contracting out project management, and by setting up project implementation units (PIUs). For many bilateral donors, the most binding constraints are staffing constraints, and PIUs, if run effectively, can reduce these considerably.

Project support can allow donors to circumvent many of the constraints faced when working through government systems. They do not need to, and in practice do not, abide by government salary structures, and this means that they can often access more reliable and skilled staff than government. They can fund areas which they deem to be priorities but which are not highlighted in government plans, and similarly they can direct resources at groups or geographical areas which are marginalised by government. In some cases, (see Box 4.4) past experience in working with government has led a donor to have concerns about government reliability while still wishing to support specific activities.

### **Box 4.4 WB Project Support in Balochistan**

One example of substantial project support is the Baluchistan Education Support Project, funded by the World Bank. This will provide \$22 million over the period of five years (2006-2011) to community schools, the private sector and capacity building with the Balochistan Education Foundation, an autonomous body tasked with strengthening private sector provision of education in the province. The WB decided not to work directly with the government of Balochistan after difficulties in previous projects due to governance and capacity constraints.

Source: see Pakistan case study in Annex A

From a government's perspective, project support may undermine its own programmes, and may be seen as a challenge to its own governance. This is less so if the project support has been negotiated with government, or if it comes within some kind of sector support framework. Projects, particularly TA projects, can in practice be embedded within government and help build capacity.

Project modality may also be a useful way of testing an innovative approach, with a view to incorporating it within a government programme if successful. Here it will be important to ensure that government is on board from the beginning, and is kept informed about the outcome. DFID has employed a project modality in piloting innovative approaches to education for girls in nomadic communities in Kenya, despite most of their support taking the form of SBS.

## **4.6 Humanitarian Support**

Humanitarian assistance is often the first and quickest response to a conflict or disaster. There are well-developed mechanisms for raising resources, putting teams in place, and

coordinating on the ground, and these are improving with every new experience. Humanitarian assistance is usually coordinated through the UN, from appeals made by OCHA, to the appointment of an Emergency Relief Coordinator.

There is a huge literature on managing humanitarian assistance, and the challenges associated with moving from relief to development. From the perspective of the education sector, one of the issues is that, although education is now regarded as a valid area to be included in humanitarian support, relatively few donors give assistance to education under a humanitarian umbrella. Many of the agencies who specialise in humanitarian assistance have particular experience and capacity in education. Humanitarian assistance is usually only donated for a limited period of time, and then assistance moves into the development phase. For effective use of humanitarian assistance to education, links need to be made at an early stage with the education authorities, if they exist in the area, and plans made to reintegrate any activities into the formal education sector. This will be easier to do if the emergency is only located in part of a country (though not if the government itself is the cause of the emergency).

## **4.7 Project Funding through NGOs**

Although there are examples of funding to NGOs in the education sector which are part of a coordinated approach (for example the Zimbabwean NGO Joint Initiative) most funding to NGOs takes the form of project funding. This can be particularly appropriate when trying to access groups which are marginalised by government, or areas where government has little effective control. Poor government capacity can also be a reason for funding NGO projects. NGOs can also access more diverse sources of funding than more formal project implementers, as experience in Somalia shows.

### **Box 4.5 NGOs and remittances in Somalia**

In Somalia, public finances are weak or non-existent. However, groups of Somali expatriates sending remittances back have partnered with local NGOs to build schools, support teacher salaries and rehabilitate schools. Some of these schools have been transferred to the MoE and are now managed by government.

When schools are supported by Somali diaspora giving donations in kind, the origin of support will determine what the students learn. For example, British Somali will send British textbooks. Also, unlike the experience in less conflicted areas, where support is often sent to rural areas, in Somalia transfers are often concentrated in urban centres and do not cater for the needs of the poor.

Source: see Somalia case study in Annex A

NGOs are the main beneficiary of increased funding from private foundations, such as the Bill and Melinda Gates Foundation and the Clinton Foundation. These foundations usually avoid working with governments but rather fund the activities of international NGOs or regional NGO organisations. Funding can be accessed through open calls for proposals.

NGO activity can be quite small scale, but it can also be well-coordinated and capable of working in areas which cannot be reached by other forms of assistance. In particular, NGOs have an advantage in working at community level, which can make their interventions acceptable under conditions when anything associated with government might arouse suspicion, or worse.

### **Box 4.6     NGO Coordination in Afghanistan**

NGOs have been the primary avenue for service delivery in low security areas in Afghanistan, but to varying degrees depending on their experience in the region and their internal rules governing security for their staff. Many NGOs hire members of the local communities as they are less visible and prone to attacks. In very low-security regions, this has proven to be an effective way of providing education service delivery, as evidenced by the Community-Based Education programs of the Partnership for Advancing Community Education in Afghanistan (PACE-A). However, when there is a very large NGO presence working on various aspects of education, coordination and harmonization can be an issue. The example of the consortium of NGOs that make up PACE-A is an example of successful coordination; however, there are countless NGOs that are not involved in such arrangements. The government of Afghanistan has recently set up a body to coordinate NGOs and their work in the education sector and now regulates them. NGOs have been instrumental in increasing enrolment (especially of girls) in remote provinces.

Source: See Afghanistan case study in Annex A

Governments are often concerned if there are high levels of donor funding of NGOs as they feel that this may undermine their own approach to education, and also that it signals a lack of trust in government capacity to deliver education services. If a government is trying to establish its own legitimacy then it may resist a strong NGO presence. Also in many countries NGOs are regarded as linked to criticism of government and therefore, rightly or wrongly, mistrusted. Where NGOs comply with government efforts to coordinate their activities this is less likely to be a problem.

## **4.8     The Fast Track Initiative (FTI)**

FTI has two funding windows, the Catalytic Fund (CF) and the Education Development Programme Fund (EDPF). To access the CF, countries must have a fully costed sector plan and/or strategy and an identified funding gap given existing donor commitments and government resources. The plan must be endorsed by the local donor education group.

There has been considerable discussion about setting up a Fund specifically for countries in situations of fragility. This would provide interim financing for countries currently unable to develop a fully comprehensive sector plan, and/ or has a “trust gap”. This interim financing would then lead on to a fully developed plan and access to the CF. However, these plans appear to have come to a halt due to problems identifying a mechanism, and an agency that is prepared to manage the Fund. It had been hoped that UNICEF would take on this role, as they currently are in charge of considerable funds from the Netherlands to address similar issues. At the time of writing, however, UNICEF appears to have declined this role, based on concerns about its capacity to manage fiduciary risk.

This means that countries with fragility will, at least in the short-run, continue to have to conform to general FTI requirements in order to access funding. Experience so far has been mixed as to how easy this is. If we take countries included in Save the Children Fund's Conflict-Affected and Fragile States (CAFS)<sup>13</sup> a quarter of all countries endorsed by FTI (9) are CAFS. However, only three of these have so far received disbursements from the CF. There is a variety of reasons for this. In some cases (Cambodia) there have been protracted discussions over the funding modality. In others (Liberia, Haiti), plans have been endorsed but countries have been encouraged to seek funding from the Netherlands/UNICEF

---

<sup>13</sup> Based on Dom (2009)

Transition Fund. In other cases, it appears that there have been concerns that the endorsement process may not have been sufficiently rigorous.

For many countries, the process of applying for FTI endorsement, plus the costs of managing and reporting on the funding has been very extensive, and the outcomes of the process have often been disappointing. Some countries (such as Rwanda) have gained considerable funding from the process, but others have been frustrated as existing disbursement mechanisms have been rejected, even where they have been set up by other major donors. In most countries the WB is the supervising agent for the FTI, and the standards required by them for reporting and auditing have added to recipient country difficulties. In addition, the FTI system does not appear to be able to adapt (or to have the necessary resources) to involve countries, like Pakistan and Nigeria, which have a federal system which delegates education to the provincial level.

FTI funding, both from the CF and from EPDF can be used through a number of modalities, including project funding, depending on the context, and the agreement between the supervisory agent and government.

#### **Box 4.7 Ethiopia and the FTI**

Ethiopia's experience with FTI indicates some of the problems that can arise. Ethiopia was endorsed in 2004 but did not get an allocation from the CF until 2007. Funding was only provided for half the funding gap identified, and by December 2008 there had been no disbursement. The main cause of the delay was discussions on the funding modality. It has now been decided that FTI funds will, along with funds from other donors, support the General Education Quality Improvement Programme which will disburse grants to local government.

Source: see Ethiopia case study

## **4.9 Debt relief and Debt Swaps**

External debt relief and debt SWaps can bring additional domestic resources into the education sector, with benefit to the country's foreign exchange position. The transactions costs to the donors are limited, as for most organised debt relief, for example under HIPC, the IMF and WB manage the process. (The income forgone to the lending agency depends on the expectation of the debt being repaid).

The HIPC initiative has been one of the most important debt relief initiatives, and it has been open to countries which qualify as WB IDA countries, and have debt indicators above a given level. 40 countries are eligible, and 35 have received some form of debt relief as a result of having a track record of macroeconomic stability, and an interim PRSP. A number of countries suffering from fragility have benefited from HIPC, including Afghanistan, Haiti and Burundi. Somalia, Sudan and Eritrea could be eligible for debt relief if they managed to meet the pre-conditions. Increased government expenditures following HIPC debt relief are meant to fund poverty reduction programmes. Resources arising from debt swaps and debt relief can flow through a number of modalities, including projects.

Debt swaps have become more common in the last ten years. In Pakistan both Germany and Canada have negotiated debt swaps, where debt is forgiven against some corresponding level of funding being allocated by government to education related programmes.

## **5 Complementarities of Modalities, including Issues of Coordination**

### **5.1 Complementarities of Modalities**

If one financing modality will not fit every situation, can we say that there is one modality which will be best in any given situation? And is this a relevant question, given that individual donors have their own preferences and restrictions whatever the context?

There are a number of reasons why it may always be best for donors to choose to support education in a fragile situation by using a variety of modalities. Firstly, it diversifies the donor's risk. Uncertainty is a dominant feature of fragility: uncertainty as to likelihood of a descent into conflict; uncertainty as to whether government really has political will; uncertainty as to the level of government capacity; and uncertainty as to the capacity of non-state providers. By using a variety of modalities, and implementing with a variety of agents, the donor reduces the risk of the overall education portfolio failing to achieve its objectives. In other words diversification of modality is a classic risk mitigation strategy. The downside is that it will increase the cost of intervention, because different modalities will have to be managed separately.

However there may be additional very specific reasons for mixing modalities in the context of fragility. In most fragile interventions, donors have two objectives; to deliver services to the poor and vulnerable, and to build state capacity. These objectives may, in many situations, work in different directions. If the need to deliver education services is deemed to be urgent, as in a post-conflict situation, then it may be appropriate to work with non-state providers in the short-term while building government capacity to take over service delivery in the medium-term. There will be transition issues which have to be addressed: how to manage the incorporation of non-state schools into the state system while keeping teachers and other service providers on board (there are frequently problems when teachers have to undergo a fall in employment conditions when they become state employees); how to ensure that the curriculum in the non-state provision is comparable to that under the state system; and how to keep school finances regular. For these reasons, a number of bilateral donors try to shadow align their support to NSPs, and to ensure that conditions and practices follow those of the state sector to the extent possible.

However, situations can be fragile in different ways in different parts of the country. In Afghanistan, the ARTF is the main source of funding for the government's recurrent budget, but it also provides funds to democratically elected Community Development Committees, through its National Solidarity Program, where activities and implementation are decided by the communities. Over 13% of the projects chosen cover education. Most donors also provide assistance outside of the ARTF, through bilateral projects, and through NGO funding.

In Pakistan, the WB has chosen slightly different modalities for their major education support programmes. In Balochistan (see Box 4.4) support is provided through an autonomous body, the Balochistan Education Foundation, in project mode, because of government capacity constraints, though the Provincial government is also party to the loan.

In NWFP, education interventions are supported through overall support to the NWFP support to the Reform programme, a significant part of which goes to education. When the loan was initially authorised there was no integrated education strategy but with GTZ

assistance the provincial MoE has drawn up a draft costed sector plan which it is hoped will be the basis for a SWAp. In Punjab, the WB gives programmatic sector support to the Punjab Education Sector Reform Programme. A similar approach has been adopted in Sindh, but there the WB is acting in co-operation with the EC and the programme works as a SWAp. The objectives of WB support are similar in all the provinces, but the precise modality corresponds to differing levels of government capacity, the development of state plans, and the degree of cooperation between key donors.

## **5.2 Coordination**

Coordination of donor assistance is important to achieve efficiency and effectiveness. Harmonisation is one of the key Paris principles. Particularly where government has capacity issues, and the need for support to the education sector is great, it is even more important that donor assistance is managed efficiently.

This paper has discussed a number of coordination mechanisms which are innate in specific financial modalities, such as MDTFs and SBS. The FTI requires local education groups to endorse country plans, and steer FTI engagement. Even where countries have limited engagement with FTI, there may be an EFA forum. This may include NSPs and CSOs. However, the more complex the aid architecture in-country, the more difficult it is for government, which should be at the apex of any coordination mechanisms, even to keep track of the totality of aid coming into the sector. Box 5.1 gives two versions of coordination in Afghanistan

### **Box 5.1 Coordination in Afghanistan – a success for government?**

Afghanistan has real capacity constraints in delivering services, but the government has gained praise for the way it has set the policy agenda, through developing a comprehensive document “Securing Afghanistan’s Future” and generating a set of policy instruments (Foster, 2007). It is argued that even with poor capacity, a government can develop strong policy leadership.

However, another commentator argues that because donors provide up to two-thirds of their funding outside of the ARTF and provide unreliable information on this, the Afghan government does not know how one-third of all aid provided since 2001 has been spent (Waldman, 2008).

To be effective governments must provide more than policy leadership, but must be involved in aid coordination at all levels, including monitoring.

Some coordination mechanisms exclude key actors, a particular issue with NSPs, including NGOs. Where coordination mechanisms focus only on donor engagement with government, large sections of the support to education in situations of fragility can be excluded, with resulting consequences for both overlap and the identification of gaps in service delivery.

## 6 Summary

As much of the literature indicates, no one modality is appropriate for every situation. Situations of fragility require a flexible, and a varied approach. However, there are advantages and disadvantages to every financial modality. In any particular context, there may be modalities which are going to be inappropriate regardless of donor inclinations. Budget support of any kind needs some kind of policy framework on which it can anchor. Where government has limited coordination capacity, it is even more important that donors coordinate the support they give. If there is a risk of conflict, or in an immediate post-conflict situation, it is likely that regardless of how they are funded, NGOs and the UN will be more effective in delivering services than bilateral donors and possibly government itself.

The following table attempts a summary of the strengths and weaknesses of the different financing modalities discussed in this paper, and the contexts where they are likely to be appropriate.

**Table 6.1 Summary of Financing Modalities**

<b>Financing Modality</b>	<b>Examples</b>	<b>Context</b>	<b>Strengths</b>	<b>Weaknesses</b>
General Budget Support	Ethiopia Sierra Leone	Government has political will, some capacity and a national poverty strategy	Can be used for recurrent costs, including staff Can build government legitimacy Should provide more regular finance	Fungible, so may not increase resources to education May not be as regular as hoped if performance targets not met If government not in control of whole country may leave out fragile areas
Ring-fenced cross-sector grant	Ethiopia (PBS) Uganda (PAF)	Donor concern about government priorities Government capacity	As with GBS	Partially restricts fungibility
Sector Budget Support	Pakistan Rwanda	An accepted education strategy, some government capacity concerns about national fiduciary risk	As with GBS, but restricted to the sector Improves donor dialogue over sector processes and results	May distort government priorities, both across sectors and within sectors May be orphan areas within sector
Programme support	Pakistan	Less formal than SBS, and where there may be a desire for greater earmarking	Allows greater harmonisation of donor support, but with a mix of modalities	May result in donors cherry-picking. Less likely to allow funding of recurrent costs such as salaries

<b>Financing Modality</b>	<b>Examples</b>	<b>Context</b>	<b>Strengths</b>	<b>Weaknesses</b>
Pooled Funding	Yemen Zimbabwe Rwanda	Appropriate where there are concerns about government's pro-poor commitment, or when donors wish to fund a non-priority area for government	Provides a framework for greater coordination both operationally and technically Reduces donor administrative costs	Often expensive start-up costs If the situation changes, can be a challenge to move to stronger alignment with government processes
MDTF	Afghanistan East Timor South Sudan	Popular in post-conflict situations. May or may not have government representation in the management process	Allows donors to give financial support with greater confidence Often can be used to pay government salaries.	Can have high transactions costs (though less than individual donor action) If too much earmarking can reduce flexibility Often limited support to build government capacity Often little inclusion, representation or opportunities for NSPs and civil society
Bilateral project aid	Afghanistan Ethiopia Nepal Pakistan Sierra Leone Somalia Kenya	Where there is no threat of imminent conflict, but government has poor capacity or weak support for poverty-oriented programmes	Can work around government constraints Useful for piloting innovative approaches Can address marginalised groups	Often outside of budget. May undermine government
Humanitarian Assistance		Immediate post-conflict and in sudden emergencies	Quick response and organised methods of fundraising Improved on the ground coordination	Often lack of attention to education Lack of attention to linkages with and reintegration of activities into formal education sector

## Financing Modalities in Fragile Situations

Financing Modality	Examples	Context	Strengths	Weaknesses
NGO funding	Afghanistan Nepal Sierra Leone Somalia	Limited government control over conflict regions No political will for poverty reduction, especially in marginalised communities	Prepared to access conflict areas Working with communities so greater acceptance	May be government distrust May have limited capacity Sometimes poor coordination
<b>Financing Channels</b>				
FTI	Ethiopia Pakistan Sierra Leone Rwanda	An education sector strategy, endorsed by the local education group and the FTI A fully costed plan and a financing gap	Has the potential for allocating considerable funds, usually over a three year period	Requires considerable input from the local education group A lengthy endorsement process (and no flexibility to deal with, for example, a federal system)
HIPC	Ethiopia Sierra Leone	Highly indebted IDA eligible countries who have shown stable macroeconomic management and a PRSP	Frees up domestic funding for service delivery Can encourage positive institutional changes	
Debt Swap	Pakistan	Individual donors prepared to negotiate debt swaps	Provides funding for earmarked programmes	

## References/Bibliography

- Ball, N. (2007). *Financing Mechanisms for Post-conflict Reconstruction*. Center for International Policy, for the Conflict Research Unit of the Clingendael Research Unit. Retrieved August 9 from: [http://www.clingendael.nl/publications/2007/20071000\\_cru\\_occ\\_ball.pdf](http://www.clingendael.nl/publications/2007/20071000_cru_occ_ball.pdf)
- Bano, M. (2007). *Pakistan Country Case Study*, Country Profile prepared for EFA GMR 2008.
- Bano, M. (2008). *Public Private Partnerships (PPPs) as 'anchor' of educational reforms: Lessons from Pakistan*. Background Paper prepared for EFA GMR 2009.
- Bano, M. Carr-Hill, R. and S. Lister (2009). *Pakistan Case Study: Country Visit Note, Mid-Term Evaluation of the EFA Fast Track Initiative*.
- Barnett, C. et al (2009). *Country Programme Evaluation Ethiopia*. Evaluation Report EV697. UK Department for International Development.
- Berry, C. (2009). *A Framework for Assessing the Effectiveness of the Delivery of Education Aid in Fragile States*. Journal of Education for International Development, 4:1.
- Berry, C. Duncan, D. and Armon, J., (2004). *Service delivery in difficult environments: the case of Nepal*. London: Department for International Development. Retrieved September 2009 from: <http://www.gsdrc.org/docs/open/eb96.pdf>
- Bladon, R. (2008). *Putting Aid On Budget. Ethiopia Case Study – Working Paper*. Mokoro Ltd.
- Brannelly et. al (2009). *Donors' Engagement: Supporting education in fragile and conflict-afflicted states*. UNESCO, International Institute for Educational Planning.
- Council on Foreign Relations (n.d.). *Options and Recommendations for Education Sector Budget Support in Pakistan*.
- Cox, M. and K. Hemon (2009). *Engagement in Fragile Situations: Preliminary Lessons from Donor Experience*. DFID Evaluation Report EV699, January 2009. London: Department for International Development.
- Cox, M. and N. Thornton (2009). *DFID Engagement in Countries in Fragile Situations: A Portfolio Review*. DFID Evaluation Report EV702, January 2009. London: Department for International Development.
- DAC/OECD (2001). *Aid Responses to Afghanistan: Lessons from Previous Evaluations*.
- DANIDA (2005). *Humanitarian and Reconstruction Assistance to Afghanistan 2001-05: A Joint Evaluation*. Ministry of Foreign Affairs, Denmark.
- DANIDA. (2004). *Nepal: Joint Government-Donor Evaluation of Basic and Primary Education Programme 11*. Ministry of Foreign Affairs. Retrieved September 2009 from: <http://www.um.dk/Publikationer/Danida/English/Evaluations/EvaluationNepal2004/Evaluation.pdf>

- DFID (2004). *Country Engagement Plan for Somalia*. Retrieved August, 2009 from: <https://www.dfid.gov.uk/Documents/publications/somaliaep04.pdf>.
- DFID (2006). *DFID Nepal: Interim Country Assistance Plan, November 2007 - April 2009*. London: Department for International Development.
- Dom, C. (2005). *Effective Aid and Decentralization in Ethiopia*. Discussion Paper, Mokoro Ltd.
- Dom, C. (2009). *Mid-term Evaluation of the EFA Fast Track Initiative: Country Desk Study Ethiopia*. Cambridge Education, Mokoro Ltd. and Oxford Policy Management.
- EC (2007). *Cooperation between the European Union and the Republic of Sierra Leone: Draft Joint Annual Report 2006*. Freetown.
- EC (2007) *Somalia Joint Strategy Paper for the period 2008-2013*. Prepared for the EC, EU and Norway. Retrieved August 2009 from: [http://ec.europa.eu/development/icenter/repository/scanned\\_so\\_csp10\\_en.pdf](http://ec.europa.eu/development/icenter/repository/scanned_so_csp10_en.pdf).
- EC Somalia Operations (2008). *Assistance Strategy and Policy Considerations for the Education and Training Sector*. The European Commission.
- UNESCO (2005). *EFA Global Monitoring Report 2006. Education for All: Literacy for Life*. Paris: UNESCO.
- EU (2004). *Cooperation between the European Union and the Federal Democratic Republic of Ethiopia: Joint Annual Report 2003*. The European Union.
- EU (2008). *Cooperation between the European Union and the Federal Democratic Republic of Ethiopia: Draft Joint Annual Report 2007*. The European Union.
- Eurodad (2008). *Old habits die hard: Aid and accountability in Sierra Leone*. European Network on Debt and Development.
- Fenton, W. (2007). *Treading a delicate path: NGOs in fragile states*. London: Save the Children UK.
- Foster, M. (2007). *Aid Instruments in Fragile and Post-Conflict States: A Desk Review for DFID Nepal*. Department for International Development.
- FTI Secretariat (2008). *The road to 2015: Reaching the education goals*. Annual report. Washington DC: FTI Secretariat.
- Government of Pakistan (2008). *Education for All, Mid-Term Review*. Islamabad.
- Government of Pakistan, Ministry of Education (2004). *Public Private Partnerships in the Education Sector*. Islamabad.
- Government of Sierra Leone Development Assistance Cooperation Office (2006). *Report on Development Assistance to Sierra Leone 2004 – 2005*. Retrieved September 2009 from: [http://www.daco-sl.org/reports/Dev\\_ass\\_rep04-05.pdf](http://www.daco-sl.org/reports/Dev_ass_rep04-05.pdf)
- Hare, H. (2007). *Survey of ICT and Education in Africa: Somalia Country Report*. infoDev.

- HIPC (2008). *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) - Status of Implementation*. International Development Association and International Monetary Fund.
- IDA (2007). *Operational Approaches and Financing in Fragile States*. Washington: IDA.
- IDA and IMF (2008). *Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) Status of Implementation*. Washington: International Development Association.
- Brannelly, L and Ndaruhutse, S. (2008). *INEE Framing Paper: Education Finance in States Affected by Fragility*. CfBT Education Trust.
- International Monetary Fund (2007). *Sierra Leone: enhanced heavily indebted poor countries initiative – completion point document and multilateral debt relief initiative*. IMF country report 2007.
- IRC (nd). *Programs in Sierra Leone*. Retrieved September 2009 from: [http://www.theirc.org/where/west\\_africa\\_sierra\\_leone\\_programs.html](http://www.theirc.org/where/west_africa_sierra_leone_programs.html)
- Kirk, J. and R. Winthrop (nd) *Home-Based Schools in Afghanistan*. International Rescue Committee, New York.
- Kirk, J. and Winthrop, R. (2007). *Promoting Quality Education in Refugee Contexts Supporting Teacher Development in Northern Ethiopia*. International Review of Education, 53:715–723.
- Lawson, A. (2007). *DFID Budget Support to Sierra Leone, 2004-2007: Achievements and lessons for the future*. Department for International Development.
- Leader, N. and P. Colenso (2005). *Aid Instruments in Fragile States, PRDE Working Paper 5*. UK Department For International Development. Retrieved August 2009 from: <http://www.globalpolicy.org/soecon/develop/oda/2005/03fragile.pdf>
- Lindley, A. (2006) 'The Influence of Migration, Remittances and Diaspora Donations on Education in Somali Society' in S. Maimbo (Ed.) *Remittances and Economic Development in Somalia: An Overview*. World Bank Social Development Papers / Conflict Prevention and Reconstruction, 38: 9-18.
- Lister, S. et al (2008). *Putting Aid on Budget*. Oxford: Mokoro Ltd.
- Maslak, M. (2002). *The "SWAP": One Financial Strategy for Educational Development in Nepal*. Current Issues in Comparative Education, 3:2.
- Ministry for Foreign Affairs, Sweden (2009). *Strategy for development cooperation with Sierra Leone*. Stockholm: Government Offices of Sweden.
- Niels Dabelstein (2001). *Aid Responses to Afghanistan: Lessons learned from previous evaluations*. Paris, DCD/DIR(2001)31.
- NORAD (2009). *Joint Evaluation of Nepal's Education for All 2004-2009 Sector Programme. Evaluation Report*. Network Organization for Research and Development.

- OECD (2007a) *Monitoring Resource flows to Fragile States*. Presented to the OECD Fragile States (FS) Group.
- OECD (2007b) *Principles for Good International Engagement in Fragile States and Situations*.
- OECD/DAC (2008a). Service Delivery in Fragile Situations: Key concepts, findings and lessons, *Journal on Development* 2008, Vo. 9 No. 3.
- OECD/DAC (2008b). *Resource Flows to Fragile and Conflict-affected States*, Annual Report 2008.
- Oxfam (2006). *Free, Quality Education for Every Afghan Child*. Oxfam Briefing Paper 93.
- Pavanello, S. and T. Othieno (2008). *Improving the provision of basic services for the poor in fragile environments: Education sector international literature review*. ODI Humanitarian Policy Group, prepared for the AusAID Office of Development Effectiveness, ODI: London.
- Pekuri, K. (2006). *Sierra Leone Multidonor Budget Support*. Presentation to the CG Meeting 30 November 2006.
- Ministry of Foreign Affairs. (2004). *Evaluation Nepal: Joint Government - Donor Evaluation of Basic and Primary Education Programme II*. Retrieved September 2009 from: <http://www.um.dk/publikationer/Danida/English/Evaluations/EvaluationNepal2004/index.asp>
- Rose, P. and Greeley, M, (2006). *Education in fragile states: capturing lessons and identifying good practice*. DAC Fragile States Group, Service Delivery Workstream.
- Save the Children (2009). *Modernizing Foreign Assistance Insights from the field: Ethiopia*. Save the Children Federation Incorporated.
- Scanteam/Norway (2007). *Review of Post-crisis Multi-Donor Trust Funds*, Final Report
- Scanteam/Norway (2008). *Afghanistan Reconstruction Trust Fund: External Evaluation*. Commissioned by the World Bank.
- Sen, B., Haywood, H., Callahan, C., (2002). *Somalia Country Programme Evaluation*. UNICEF. Retrieved September 2009 from: [http://www.unicef.org/evaldatabase/files/SOM\\_02-013\\_cpe.pdf](http://www.unicef.org/evaldatabase/files/SOM_02-013_cpe.pdf)
- Sigsgaard, M. (2009). *Education and fragility in Afghanistan: A situational analysis*. International Institute for Educational Planning.
- Smith et al. (2009). *Coordination of International Support to Somalia (CISS) Education Sector Committee Strategy*. Somali Support Secretariat.
- Tebbe, K. (2009). Global trends for education to support stability and resilience: research, programming and finance. *Journal of Education for International Development*, 4:1.
- Thomson, A., Woods, E., O'Brien, C. and E. Onsomu (2009). *Country Case Study: Kenya (draft)*, Prepared for the Mid-term FTI evaluation.

- UN (2008). *11th Draft Joint Programme Document Local Governance & Decentralized Service Delivery*. Retrieved September 2009 from:  
[http://www.unctf.org/english/local\\_development/uploads/project/SOM\\_LG-DSD\\_PRODOC\\_05\\_EN.pdf](http://www.unctf.org/english/local_development/uploads/project/SOM_LG-DSD_PRODOC_05_EN.pdf).
- UN (2009). *Somalia Consolidated Appeal 2009*. Retrieved September 2009 from:  
<http://ochaonline.un.org/humanitarianappeal/webpage.asp?MenuID=12899&Page=1766>.
- UNESCO (2006). *Nepal Early Childhood Care and Education (ECCE) programmes*. Geneva: UNESCO International Bureau of Education.
- UNESCO Institute of Statistics (2007). *UIS Statistics in Brief: Education in Somalia*. Retrieved September 2009 from:  
[http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=121&IF\\_Language=eng&BR\\_Country=7060](http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=121&IF_Language=eng&BR_Country=7060)
- UNICEF (2005). *Communities unite around education in Somalia*. UNICEF Press release. Retrieved August 2009 from: [http://www.unicef.org/infobycountry/somalia\\_25906.html](http://www.unicef.org/infobycountry/somalia_25906.html)
- University of Birmingham (2008). *Idara-Taleem-o-Aagahi's (ITA) partnerships with the MOE, Pakistan-Education Case Study*. ESRC NGPA Programme.
- Vaux, T., Smith, A. and Subba, S, (2006). *Education for all – Nepal: Review from a conflict perspective*. International Alert. Retrieved September 2009 from:  
<http://www.reliefweb.int/library/documents/2006/ia-nep-31mar.pdf>
- Waldman, Matt (2008). *Falling Short: Aid Effectiveness in Afghanistan*. ACBAR Advocacy Series, Kabul.
- Warriner, D. and C Loehr (2005.) *Synthesis Paper 7 Working Effectively in Fragile States: Current Thinking in the UK*. Retrieved October 2009 from:  
<http://www.odi.org.uk/resources/download/2841.pdf>
- World Bank (2007a). *Education in Sierra Leone: Present Challenges, Future Opportunities*. Africa Human Development Series. Washington: World Bank.
- World Bank (2007b). *Project Information Document (PID) Appraisal Stage: Education for All Additional Financing*. Report No. AB3433. Washington: World Bank.
- World Bank (2008a). *Independent Evaluation Group Nepal Country Assistance Evaluation Approach Paper*. Washington: World Bank.
- World Bank (2008b). *Project Appraisal Document*. Report 45140-ET. Washington: World Bank.
- World Bank (2008c). *The Republic of Sierra Leone Joint IDA-IMF Staff Advisory Note on the Poverty Reduction Strategy Paper Progress Report*. Report No. 44302-SL. Washington: World Bank.
- World Bank (2009a). *Project information document (PID) appraisal stage protection of basic services, Ethiopia*. Report No. AB4359. Washington: World Bank.

World Bank (2009b). *Afghanistan Reconstruction Trust Fund 1387 Annual Report*. Washington: World Bank.

World Bank (2009c). *Project Performance Assessment Report Nepal Basic and Primary Education II Project*. Report No. 49121. Washington: World Bank.

World Bank (2009d). *Implementation Completion and Results Report on a Credit in the amount of SDR 3.6 million to the Federal Democratic Republic of Nepal for a Community School Support Project*. Report No. ICR00001025. Washington: World Bank.

World Bank (2009e) *Pakistan, Economic Update*. Retrieved November 2009 from: <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/PakistanEconomicUpdateOctober2009.pdf>

## **Annex A Country Case Studies**

### **A.1 Afghanistan**

#### **A.1.1 Background**

Afghanistan has been afflicted by conflict since the 1970s, including civil war and the Soviet Invasion, and most recently, the US-led invasion that removed the Taliban government. As such, the government has had to be completely rebuilt. Persistent conflict has had a negative impact on relations between the Afghan state and Afghani citizens, has weakened traditional structures and civil society, and has militarized society. There has been significant destruction of infrastructure, the environment, and a great impact on the education system.

##### **A.1.1.1 Fragility in the Afghan context**

The election of Hamid Karzai as president in 2004 instituted a new government in Afghanistan, which has had to gain legitimacy. However, security is still a major concern. Kabul has generally been stabilized, but the situation is very different in more remote provinces where the Taliban maintains a stronghold. The security situation has been worsening and the Taliban control 72% of Afghanistan, up from 54% a year ago. The UN described the elections held in August 2009 as subject to widespread fraud, and a second round due to be held in November 2009 has been cancelled as the second candidate pulled out, claiming that the vote could not be free and fair.

The government is still quite weak; central authorities have weak capacity, and lower level administrators have very weak capacity. There is a perceived lack of political will to make difficult decisions, as well as increasing corruption (Scanteam, 2008). Currently, opium and misspent foreign aid are the main economic drivers of fragility. The opium economy is associated with much corruption, and foreign aid is primarily spent on military interventions rather than development. Regional disparities in access to resources are great (IIEP, 2009).

With respect to education, Taliban attacks on schools (particularly girls' schools) are a great source of fragility and insecurity. Education authorities try to negotiate but are rarely successful, especially in the case of girls' schools. Over 150,000 students are not able to go to school because the security situation prevents schools from being built in these Taliban controlled areas. Furthermore, the curriculum taught previously (which has not been changed yet) was divisive, pitting Sunni and Shi'a Muslims against one another (IIEP, 2009). This also enhances fragility.

##### **A.1.1.2 Education background**

During the period of Soviet occupation, Afghanistan had a relatively well functioning education system. During the Taliban regime education outside the Islamic schools of the Taliban was prohibited, and any education provided to girls was prohibited. An estimated 80% of school buildings were destroyed or damaged during the conflict. NGOs were providing much of education service delivery, often in a clandestine manner through Community Based Education (CBE).

Afghanistan has one of the lowest literacy rates in the world. In 2005, only 28.7% of the population over 15 could read and write (DANIDA, 2005). Although enrolment has increased significantly since 2001, this has created other issues. There is an extreme shortage of teachers, and existing teachers have very little education and training, and are predominantly male. Teachers are not paid frequently (although this is improving) and are paid a very small

salary with benefits withheld due to fiscal constraints. The Afghan educational system also presents other challenges, such as improving educational equipment, infrastructure, curriculum and textbook development, functioning education management and administration, private sector participation, monitoring and evaluation (DANIDA, 2005).

However, the government has placed much importance on the education sector. Local leaders also cite education as their second highest priority (after security). The government and the Ministry of Education (MoE) began to develop an education policy in 2002. There is now a National Education Strategic Plan (NESP) in place that is helping to garner resources for education. More accurate costing is still needed, but this is an indication of the level of commitment to education.

Since 2001, UNICEF's 'Back to School' campaign and other education interventions have been successful in increasing primary enrolment from 0.9 million in 2001 to over 6 million in 2008 (an increase of 570%). The proportion of girls in school has gone from practically zero to 35% (IIEP, 2009). However, it has been easier to get children into primary schools than into higher levels (Berry, 2009). There are also great geographical disparities with both overall enrolment and girls' enrolment much lower in more remote and security sensitive areas. The ARTF has been quite successful in enrolling children in school in Kabul where the funding can be secured and the government can take the lead in implementation. In the areas where security has been a concern, the UN and NGOs with significant staff numbers in the area have been more successful in getting children into school.

**Table A.1 Afghanistan Education Indicators**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Primary</b>										
Gross enrollment rate										
Total	31.8	28.5	21.6	21.5	71.2	96.6	108.4	101.4	105.4	<b>102.6</b>
Male	..	51.3	41.8	41.6	96.1	121.9	148.5	126.1	127.9	<b>125.1</b>
Female	..	4.0	..	..	44.6	69.6	65.4	75.0	81.3	<b>78.4</b>
Gender Gap	..	47.3	..	..	51.6	52.3	83.1	51.1	46.6	<b>46.7</b>
Primary completion rate										
Total	..	..	..	..	..	..	..	37.7	..	..
Male	..	..	..	..	..	..	..	53.5	..	..
Female	..	..	..	..	..	..	..	20.8	..	..
Gener Gap	..	..	..	..	..	..	..	32.7	..	..
<b>Secondary</b>										
Gross enrollment rate										
Total	..	..	..	12.6	..	13.0	18.1	19.0	28.1	<b>27.6</b>
Male	..	..	..	24.2	..	18.9	29.2	28.0	40.3	<b>39.3</b>
Female	..	..	..	..	..	6.6	6.1	9.2	14.8	<b>14.9</b>
Gender Gap	..	..	..	..	..	12.3	23.1	18.8	25.5	<b>24.4</b>
Net enrollment rate										
Total	..	..	..	..	..	..	..	..	..	<b>25.9</b>
Male	..	..	..	..	..	..	..	..	..	<b>36.9</b>
Female	..	..	..	..	..	..	..	..	..	<b>14.1</b>
Gender Gap	..	..	..	..	..	..	..	..	..	<b>22.8</b>

Ratio of Girls to Boys in primary/secondary education (%)	..	..	..	..	..	0.5	0.4	0.6	0.6	<b>0.6</b>
---	----	----	----	----	----	-----	-----	-----	-----	------------

Source: World Bank

## **A.1.2 Aid Delivery**

### **A.1.2.1 Different types of funding**

There is a variety of funding modalities for education present in Afghanistan. There is a multi-donor trust fund (MDTF), some bilateral support, sector budget support, and a significant NGO presence. Afghanistan is one of the top recipients of aid to fragile states. However, it is also one of the countries with the highest aid volatility (Levin and Dollar, 2005).

The most prominent funding modality is the Afghanistan Reconstruction Trust Fund (ARTF), which began in 2002 and is managed by the World Bank. It received 2.4 billion USD by March 2008 and is the main source of funding (one third) for the government's recurrent budget. The two main components are the recurrent window (for wages and operations and management) and the investment window (for government priority programs). A total of 27 donors contribute to the fund, however, five donors (USA, UK, EC, Netherlands and Canada) provide 80% of the funds. These are all Western DAC donors, and all of them also contribute military resources to Afghanistan. Of the rest of the donors, Western countries and India have provided consistent support, while the Islamic countries have provided intermittent support (Scanteam, 2008). Most ARTF donors also provide considerable support through other channels, including bilateral support, sector budget support and support through NGOs (Foster, 2007). Earmarking of funds is not permitted in the ARTF but donors are allowed to express preferences of where they would like the funds allocated, up to 50% of the amount of their annual contribution. The recurrent window is used to finance the government's operating budget, particularly the salaries of teachers and health personnel. The Ministry of Education is the top line ministry receiving funds from the ARTF and approximately 30-40% of the recurrent budget has been financing teacher salaries and other operating expenditures of the MoE annually. The education funding in the investment window focuses on basic education, and specifically, on capital investments. The Education Quality Improvement Program (EQUIP) receives only 4% of the funds, however (Scanteam, 2008). ARTF funding used to be predominantly outside the budget using mainly donor procedures and it has now evolved into more budget support (Foster, 2007).

**Table A.2 Donor Contributions to the ARTF USD millions**

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
184.8	286.5	380.5	404.1	453.9	695.3	2405.1

Source: ARTF Annual Report 2009

Funds reach the local level through various channels. The ARTF's National Solidarity Program (NSP) is one channel, which provides support and facilitation to introduce democratically elected Community Development Committees (CDCs). The CDCs are to develop a Community Development Plan (CDP) with activities selected for funding through block grants provided by the NSP. Activities and implementation are decided by the communities. 13.4% of the projects go towards education. The funds flow through the Ministry of Rural Rehabilitation and Development (MRRD).

Another avenue is the EQUIP program, which began in 2005. It is active in all 34 provinces and comprises three components: school grants for quality enhancements, institutional development of schools and infrastructure development (Scanteam, 2008). Finally, ARTF funding also flows through Provincial Reconstruction Teams (PRTs), discussed below. However, these teams receive funding from outside the ARTF. Table 3 documents the disbursements of ARTF funds to various investment projects. Note that only a small proportion of the NSP funding goes towards education, however.

**Table A.3 ARTF Disbursements by Project (USD millions)**

	2006-07	2007-08	2008-09	Total
EQUIP	0.49	6.51	29.55	36.55
Higher Education Support Project	-	-	1.0	1.0
NSP	-	136.33	162.39	298.72

Source: ARTF Annual Report 2009

Other examples of funding include Sweden, which supports education primarily by channelling funds to the UN and NGOs (Brannelley et al, 2009). UNICEF's 'Back to School' campaign has been the most significant UN intervention in education in Afghanistan. Denmark has supported the MoE and the MRDD through sector budget support (DANIDA, 2005). US military forces have also spent \$20 million annually on education (Oxfam, 2006). In 2005-06, the MoE received 47% of its resources from donors (17% to the core development budget, 30% through other channels). 45% of the budget was derived from government and the remaining 8% from the military. The largest donors have been USAID, the World Bank, and UNICEF (Oxfam, 2006).

**Table A.4 Aid to Education from DAC countries (USD millions)**

	1999	2000	2001	2002	2003	2004	2005	2006
All levels	6.2	6	9.6	50.3	34.3	173.9	253	143
Basic education	0.5	1.6	4.3	7	23.5	129.6	180	105

Source: EFA Global Monitoring Report, 2006 and 2008

Donor government interests and agendas have varied and this has influenced whether the bulk of their funding has gone through the ARTF, the UNHCR and other UN agencies, the military, or NGOs. Since Afghanistan was such a high profile case they also had to bear in mind foreign policy objectives and existing alliances. It has also affected the level and direction of 'preferencing' in the ARTF and in general in the types of projects that the various donors support.

There are many examples of NGO interventions. UNICEF and the IRC have helped to integrate the home-based schools that were established during the Taliban regime into the government system. Either the school is made a new government school or the children join an existing government school (Rose and Greeley, 2006). The Aga Khan Foundation's (AKF) interventions in education include the construction and rehabilitation of schools, the construction of facilities for two Government Teacher Training Colleges, adult literacy classes, in-service teacher training, the distribution of learning aids, as well as tutorial assistance and extra-curricular programs in English and Information Technology. The AKF has pledged USD 75 million for Afghanistan (OECD, 2007). NGO financing of education is extremely difficult to quantify. The Education for All – Fast track Initiative (EFA-FTI) also pledged 0.17 million USD in 2007.

### **A.1.2.2 Management and administration of the ARTF**

The World Bank is the administrator for the ARTF. It is responsible for monitoring and reporting on performance, and ensuring funds are disbursed in accordance with the agreed-upon fiduciary standards and performance measures. The ARTF is overseen by a Management Committee (MC) with representatives from the Asian Development Bank (ADB), the Islamic Development Bank (IDB), the UNDP and the World Bank. However, of the four, only the World Bank is a donor that contributes funds. The government, represented by the Ministry of Finance (MoF), is an observer. The MC reviews progress, and makes key management decisions including approving investment projects. It meets every month. The World Bank acts as the Secretariat to the MC. There is also a Steering Committee, which consists of MC members, donors that provide at least USD 5 million, and another two smaller donors on a rotational basis.

The government receives funds under the recurrent window as reimbursements of eligible expenditures already incurred. PWC Netherlands is the external monitoring agent (MA) that monitors, supports and reports on these claims against eligibility criteria and fiduciary standards. A Performance Assessment Matrix (PAM) measures the progress of a number of indicators in all sectors. (Scanteam, 2008)

Donors are not directly involved in the policy-making decisions of the ARTF. On the other hand, there seems to be an attitude of leaving it to the World Bank since it is the administrator. Some of the donors also have limited presence in Kabul. The World Bank both prepares documents for and reports on all ARTF activities. Most projects presented to the MC are additional funding for projects that already receive IDA funding (only for the investment window) (Scanteam, 2008).

### **A.1.2.3 Coordination and alignment**

In the education sector, the Ministry of Education, Ministry of Higher Education, Ministry of Labour and Social Affairs and the Ministry of Women's Affairs have a joint mandate to steer the government's Education and Vocational Training (EVT) program. An Education Consultative Group (E-CG), headed by the MoE, is assigned an important role in deciding and steering the EVT process. With a membership drawn from representatives of donors, UN agencies, INGOs and international organizations, the E-CG participates in policy decisions, budgetary planning, and the identification of implementation needs. In practice, however, the coordination E-CG mechanism has proved non-functioning, with lack of government leadership and infrequent meetings inhibiting coordination and policy planning. In addition, Technical Working Groups (TWGs) have been involved in the more detailed planning and preparation of the necessary implementation steps in the education sector. According to NGO sources, the TWGs have functioned far better than the E-CG, possibly because of the more practical orientation of its meetings and because there is greater range of actors involved (DANIDA, 2005).

Donors provide two-thirds of all their funding outside the ARTF and provide limited and unreliable information on it. Largely due to lack of coordination and communication, the Afghan government does not know how one-third of all aid since 2001 (amounting to 5 billion USD) has been spent (Waldman 2008). Most interaction between donors and government is through the MoF, but donors have expressed interest in meeting line ministries more often (Scanteam, 2008). The MoE is unable to adequately plan for recruiting new teachers because many actors construct or rehabilitate schools without co-ordination with the Ministry. The Ministry then faces a delay in equipping those schools with teachers because it has to get approval from the MoF for an increase in budgets and in the staff numbers.

NGOs have also developed their own modes of collaboration. The IRC, CARE, AKF and Catholic Relief Services all work in education. Each NGO works in specified provinces using a standardized approach and training modules. The central management unit holds regular meetings with education managers from all partners to coordinate and collaborate on issues that arise. The Partnership for Advancing Community Education in Afghanistan (PACE-A) of the IRC initiated a CBE forum as a coordination mechanism for CBE stakeholders. It includes the four NGOs, the UN and the MOE CBE adviser. It meets monthly to ensure that operations are aligned to MOE guidelines (Brannelley et al, 2009). It has been found that it is important to have defined outcomes in order to maintain coordination and support for this forum. The AKF has consciously planned on extended partnership through the transition to achieve coherence and re-establish capacity (Rose and Greeley, 2006).

In terms of alignment, funding that comes with 'preferences' is growing (Scanteam, 2008). The government prioritizes security as a pillar in the Afghanistan National Development Strategy (ANDS), but the ARTF is focussed on poverty reduction. However, Scanteam 2008 found that the projects funded by the ARTF so far have all been proposed by the government through the MoF and were in line with government priorities. Many NGOs are also working directly with the government and are now regulated by it.

### **A.1.3 Aid Modalities and Financing Channels – Relevance to Afghanistan**

#### **A.1.3.1 ARTF**

There is a high amount of political will in Afghanistan, especially as the education sector is a priority sector. However, government capacity cannot keep pace with the political will. There does seem to be some lack of political will in fighting corruption, especially in remote, security sensitive areas, as well as in raising revenues. However, this is mostly to do with internal concerns rather than external funding (Scanteam, 2008). The ARTF demonstrates that a trust fund can work well when the government has high will but low capacity and coordinates service delivery of external providers.

A trust fund should have a comparative advantage in reducing costs of high cost programs due to its size. Capacity development is a good example of such a program, however, the ARTF has not made use of its capabilities to the full extent. There seems to be hardly any synergy between the recurrent and investment windows when it comes to capacity development (Scanteam, 2008). There have been some positive steps however. The ARTF has funded capacity development with senior level managers on short- to medium-term contracts through the Civil Service Capacity Building program, which recruits qualified Afghans to take senior roles in the civil service. The MA has also strengthened capacity in terms of public financial management, especially through a system of verification for the payroll.

There seems to be a trust gap between donors and the government, as evidenced by increasing preferencing of aid (Scanteam, 2008). One avenue by which a government can gain the trust of donors is through a commitment to domestic financing. The Afghan economy is growing at 10% per year, but revenues are growing even faster. The government is committed to domestic resource mobilisation. The medium-term fiscal framework (MTFF) plans that the recurrent budget will be covered by own revenues by 2013 (Scanteam, 2008). It is expected that revenues will then make up 11% of GDP, which is lower than the average for low-income countries (12-13%), however this is self-financing of the operating budget in only ten years which is impressive for a post-conflict country. As of 2006, 17.3% of revenues were spent on education (Oxfam, 2006). This means that aid can be scaled down and potentially directed increasingly at direct budget support, which is a

transition that can be made relatively smoothly from a trust fund due to its volume and its links with the government.

Service delivery and state building are seen by some donors and by the government as going hand in hand. Afghanistan's education law integrates state building and education and sees education as a way of strengthening a national identity centred around the 'Islamic spirit' (IIEP, 2009). Getting funding down to the local level and ensuring service delivery will be an important contribution to 'nation building' as well as local willingness to promote local stability, reconciliation and peace (Scanteam, 2008). The ARTF's prioritising of recurrent salary expenditure (primarily of teachers) was crucial in rebuilding service delivery systems and was a key strength of the trust fund approach to supporting the new government (Berry, 2009). A trust fund is in a good position to support recurrent expenditures due to the volume of funds channelled through it and to its ability to direct funds to budget support.

Part of the reason Afghanistan is still so unstable is because of regional and ethnic divisions. A trust fund should, in theory, be able to respond to such causes of fragility by ensuring that access to resources and service delivery is made equal across various groups. However, due to the security situation in many provinces, the ARTF has not been able to pursue this end.

In areas where the Taliban is still in control, insurgency, drugs, corruption and crime weaken the ability of the government to impose the rule of law. In these areas, the ARTF has been much less active, as has the central government in Kabul. Funds flowing from the ARTF and the MoF generally do not reach low security areas. A trust fund is not sufficiently operational and flexible for this type of situation (Scanteam, 2008). However, PRTs have had some experience here.

#### **A.1.3.2 PRTs**

The main security-development link is the Provincial Reconstruction Teams (PRTs), which are military teams headed by various countries. The PRTs have funding for local development activities, and are very much involved in more conflict-afflicted areas where civil society or local administration is not able to work. However, the PRTs have been criticized for their lack of knowledge and experience when it comes to implementing development projects. Furthermore, the funding for PRTs varies based on who the country in charge is and on geography. More unstable places tend to get more funds, and this is a sensitive issue as certain areas are dominated by different ethnic groups, and this could actually be detrimental to state building and to the DAC principles of doing no harm.

Furthermore, the PRTs have been reluctant to sign a Memorandum of Understanding (MoU) with the Ministry of Education regarding the construction of schools, and this has resulted in extreme inefficiency. Preferring to directly co-ordinate with the government bodies at the provincial or district level has led to schools being built without provision for teachers to be recruited and no records in the central ministry of where these schools are located (Oxfam, 2006). The case of Afghanistan demonstrates that when a trust fund incorporates a military component, it is better for the military to focus on security and not on development.

#### **A.1.3.3 NGO Project Support**

The Afghan government is relatively new and must still build up the level of trust of its citizens. The most important way to do this is perceived to be by increasing security and enforcing the rule of law, particularly in areas still controlled by the Taliban. Once the funding actually reaches the local level, civil society can play a major role both in building legitimacy (state building) and in service delivery. A good example is the local CDCs

working with NGOs. NGOs thus also help to bridge the gap in access to resources and services. By working in conflict areas, they can help ensure more equity in terms of access.

NGOs have been the primary avenue for service delivery in low security areas, but to varying degrees depending on their experience in the region and their rules governing security for their staff. Many NGOs hire members of the local communities as they are less visible and prone to attacks. In very low-security regions, this has proven to be a more effective way of providing education service delivery, as evidenced by the CBE programs of PACE-A. However, when there is a very large NGO presence working on various aspects of education, coordination and harmonization can be an issue. The example of the consortium of NGOs that make up PACE-A is an example of successful coordination, however, there are countless NGOs that are not involved in such arrangements. The government of Afghanistan has recently set up a body to coordinate NGOs and their work in the education sector and now regulates them. The NGOs have been instrumental in increasing enrolment (especially of girls) in remote provinces.

#### **A.1.3.4 Bilateral Support outside the ARTF**

A trust fund is meant to pull together all sources of funding in order to increase coordination and thus efficiency through cost savings. However, there is an argument for, and evidence of, diversification of risk by not channelling all funds through the same mechanism. As stated above, many donors provide some of their support outside the ARTF (the US provides most of its funding outside the fund) through sector budget support and NGOs. This is partially a response to head quarters decisions, but it does impact the ability of the MoE to plan its activities and funding. In a situation such as Afghanistan, the benefits of a trust fund are more apparent in Kabul and relatively safe regions, whereas diversification has played an important role in continued conflict areas. Since the funds are not as predictable, aid volatility also increases with this modality of funding. Coordination and harmonization are also reduced as funds tend to be earmarked.

#### **A.1.3.5 UN Programmes**

The UN has also played a coordinating role in Afghanistan. Many donors channel funds through the various UN agencies, including UNICEF, the UNDP and the UNHCR. UNICEF has been the main channel for funding directed towards education and many donors (including the UK, Denmark, Ireland, the Netherlands and Sweden) have channeled funds through UNICEF. UNICEF has often worked in partnership with various NGOs as well and has channeled its funds to them for service delivery. The 'Back to School' campaign has been deemed successful by various donors in getting children into school (DANIDA, 2005). However, evaluations have also found the UN interventions to be particularly bureaucratic and inflexible, and its programs not to be very cost-effective.

#### **A.1.3.6 Foundation Funding**

Foundations such as the Bill and Melinda Gates Foundation have also been very much involved in the education sector in Afghanistan. Their support to NGOs for service delivery is a good example of how funds directed towards NGOs can be increased in fragile states.

#### **A.1.3.7 Aga Khan Foundation**

The Aga Khan Foundation (AKF) is heavily involved in Afghanistan, both in terms of providing resources but also in providing its own service delivery, as evidenced by the AKF's schools, in-service training programs, and construction of schools. However, such projects also tend to be very small in scale, and are often not coordinated or aligned to government plans.

#### A.1.4 Summary

**Table A.5 Summary of Aid Modalities and Financing Channels for Education in Afghanistan**

<b>Modality</b>	<b>Relevance to Afghanistan</b>	<b>Disadvantages</b>
ARTF	<ul style="list-style-type: none"> <li>• Pools funding, achieving cost effectiveness (especially for projects like capacity development)</li> <li>• Responds quickly to government requests and is well aligned to government priorities</li> <li>• Good for high will, low capacity</li> <li>• Ease of transition to budget support</li> <li>• Support of recurrent costs (teacher salaries) ensures both service delivery (in non-conflict areas) and is a route to nation building</li> </ul>	<ul style="list-style-type: none"> <li>• Not been effective in service delivery in conflict areas</li> <li>• Preferencing of aid is possible</li> <li>• Disbursements can sometimes be slow</li> <li>• Care is needed with military components</li> </ul>
NGO Project Support	<ul style="list-style-type: none"> <li>• Service delivery in conflict areas</li> <li>• Can nurture civil society by working with CBOs and build citizens' trust in the state</li> </ul>	<ul style="list-style-type: none"> <li>• Cost effectiveness</li> <li>• Coordination and harmonization are lower</li> </ul>
Bilateral support outside the ARTF	<ul style="list-style-type: none"> <li>• Diversification of risk, support to UN and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces harmonization and coordination since it is usually earmarked</li> <li>• Reduces predictability of aid</li> </ul>
UN Programmes	<ul style="list-style-type: none"> <li>• Support to NGOs in service delivery</li> <li>• Large national enrolment campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Inefficient bureaucratic procedures and cost inefficiency</li> </ul>
Foundation Funding	<ul style="list-style-type: none"> <li>• Support to NGOs in service delivery</li> <li>• Increased funding for education</li> </ul>	<ul style="list-style-type: none"> <li>• Projects very small in scale</li> <li>• Most often not coordinated or aligned</li> </ul>

## A.2 Ethiopia

### A.2.1 Background

Ethiopia experienced an extremely long civil war, which came to an end in 1991. The subsequent war with Eritrea from 1998-2000 was also devastating. In 1991 the government began its transition to democracy. Decentralization was a feature of the transition, with districts (*woredas*) given increased planning, budgeting and management responsibilities for service delivery in 2002/03. Federal and regional elections were held in May 2005, which were disputed as there was suspicion of vote-rigging. However, the Government of Ethiopia (GoE) maintains a high level of commitment to poverty reduction, has an extremely pro-poor budget, and is firmly in control of the policy agenda. It has made great progress towards achieving the Millennium Development Goals (MDGs).

#### A.2.1.1 Fragility in the Ethiopian context

The protracted civil war, war with Eritrea and a series of droughts have severely weakened the economy and led to food insecurity. The post-election disputes resulted in violence in 2005. In 2008 another drought and the global food and economic crises have put further strain on the economy. The main aspects of Ethiopia's fragility are: (i) instability in the region (primarily involvement with Somalia and Eritrea); (ii) ethnic tensions and rebellions; (iii) the risk of civic unrest, and; (iv) vulnerability to shocks. As a result, aid and thus service delivery can get interrupted due to sudden political disruptions. Both aid in general and in the education sector have developed as a response to these potential risks.

#### A.2.1.2 Education background

The GoE launched the current Education and Training Policy in 1994. This is a twenty-year plan consisting of five-year Education Sector Development Plans (ESDP). The main goal is to achieve the Education For All (EFA) goals. The 2002/03 decentralization policy gave *woredas* the responsibility of managing the provision of basic education.

The GoE has made great progress in the education sector. The country started with very low baseline figures (enrolment of only 30% in 1995/96) and has been steadily bringing them up ever since. School fees were abolished in 1995/96 (Dom, 2009). Due to the large increase in enrolment, quality indicators have deteriorated (PTRs, trained teachers and achievement primarily). There is also a large nomadic population and they have proven more difficult to enroll. The Ministry has developed alternative basic education (including mobile schools and different term times to conform to pastoralists' needs) to attempt to reach this segment of the population.

The government has consistently spent between 20 and 25% of its national budget on education. The *woredas* often allocate more than 50% of their un-earmarked budgets to education (Dom, 2009). However, Districts cannot finance much non-salary expenditure due to the expansion in the system. Donors and other non-state actors don't have much influence in policy making; the government has set the policy agenda and maintains control over it.

**Table A.6 Education Indicators**

Indicator by Year	1991	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gr 5 Primary Completion Rate (%)	26	...	36.5	42.0	46.8	51.3	57.4	62.7	66.6	69

Net Primary Enrolment Rate (%)	21.9	44.0	48.8	52.2	54.0	57.4	68.5	77.5	79.1	83.4
-----------------------------------	------	------	------	------	------	------	------	------	------	------

Source: Dom, 2009

## **A.2.2 Aid Delivery**

### **A.2.2.1 Aid modalities and financing channels**

Ethiopia is one of the top ten fragile states receiving aid, and is highly aid dependent. Aid as a percentage of GDP was 15% in 2006. The preferred modality for aid delivery has changed based on political developments. After the new government came to power in 1991, aid came mainly in the form of project support (dubbed Channel 3 funding) and sector support (Channel 2). Subsequently, a harmonization agenda was pursued and up to 2005, Direct Budget Support (DBS) was the predominant modality (Channel 1). After the 2005 elections, budget support was suspended and funding was redirected towards budget support at the district level through the Protection of Basic Services (PBS) Grant, which is now the predominant modality (and is also considered Channel 1). Ethiopia is also one of four countries receiving funds from the Catalytic Fund of the FTI, and is in the post-completion phase of the HIPC debt relief initiative. Aid delivery has been interrupted twice: in 1998-2000 due to the pursuit of the conflict with Eritrea and in 2005 following the government's violations of human rights (Dom, 2009).

#### *Channel 3*

Channel 3 funding consists of aid in-kind or managed by donor agencies or agents. After 1991, this was the primary aid modality for education. The USA has historically been the major source of Channel 3 funding and has been very reluctant to use government systems, especially through Channel 1 funding (Save the Children, 2009). NGOs have also been involved, most notably, the International Rescue Committee's (IRC) Healing Classrooms Initiative and Save the Children UK (Brannelly et al, 2009). However, the donor approach has since moved towards more harmonized approaches.

#### *Channel 2*

Sector support is deemed Channel 2 funding. Channel 2 has seen involvement from the European Commission (EC) and the Netherlands in the form of bilateral support. Bilateral support has been a source of unpredictability in Ethiopia. In 2005 bilateral donors disbursed just 67% of their commitments, against 85-95% in the previous two years (Dom, 2009). UNICEF's programmes are supported through bilateral donors.

#### *Channel 1*

Channel 1 funding is on budget, on plan, and on treasury. Budget support, pooled funds reflected in the government budget, and decentralized budget support all fall into this category.

The EC funds development assistance programmes in education in Ethiopia through pooled funding (Brannelly et al, 2009). In April 2002 the EC signed a Financing Agreement to support the Education Sector Development Plan (ESDP) through a €23 million project to improve the quality of and equitable access to primary and secondary education within the framework of decentralization. The approval of the agreement was late, however, and implementation was hampered by numerous delays in the operationalisation of programmes

as a consequence of capacity constraints and operational procedures. As a result, both parties agreed to instead channel the support through sector budget support (EU 2004). After de-committing €20 million, the remaining €3 million was kept aside to employ technical assistants to build the capacity of the Books Unit and ESDP Secretariat of the Ministry of Education. A Contribution Agreement for a €500,000 contribution to the Education Pooled Fund was signed by the EC Delegation and the UNDP in December 2007 (EU 2008).

The Teacher Development Programme (TDP), which began in 2003, is also a multi-donor programme which is an on-budget programme funded through the Education Pooled Fund (EPF) using government systems to support teacher training and development. The EPF is a pooled fund designed to respond quickly and flexibly to the capacity development, research and implementation needs relating to policy formation, monitoring and review. The TDP has enabled the education system to implement a programme of Ethiopian design, and has been primarily focused on increasing the quality and relevance of education (Barnett et al, 2009).

Direct budget support began in 2003 with the World Bank and the UK, and other donors soon followed suit. The government and donors organized a joint Direct Budget Support (DBS) process with all programmes aligned to a policy matrix derived from the government's Sustainable Development and Poverty Reduction Programme (SDPRP), with a common monitoring process. Until 2005, nine donors were providing USD 255-375 million per year (reaching about half of total aid expenditure). By 2004, DBS was a major channel for aid and was greatly facilitating the rapid expansion of basic services. This was un-earmarked aid, but was often linked to specific conditionalities. It has also been noted that there were some delays in disbursements (Brannelly et al, 2009).

The principal transfer mechanism between Federal Government and Regions is the General Purpose grant, or the Block Grant. Funds are allocated according to a transfer formula, which is designed to address efficiency and equity in the allocation (Bladon, 2008). After the May 2005 elections there were concerns about government actions so donors suspended all budget support. Concerns over service delivery then prompted donors to create the Protection of Basic Services (PBS) grant in 2006 to support education, health, agriculture and water and sanitation. This was meant to insulate aid from political issues. The funding supplemented the block transfers at the regional and woreda (district) levels, and was channeled to their budgets. Rigorous monitoring and evaluation tools were developed for this purpose. The block grants are unearmarked budget support covering recurrent and development costs, leaving districts autonomy in deciding how their budgets were spent. The donors included the World Bank, DFID, the EC, CIDA, AfDB and Irish Aid. (Brannelly et al, 2009). PBS is also considered Channel 1.

PBS I channelled USD 1.1 billion in the period covering 2005/06-2008/09 (Dom, 2009). It represents one third of the GoE budget that is transferred to woredas by block grants. (Barnett et al, 2009) PBS is the main channel for aid to education, and in particular, basic education: it provided 50% to 70% of the total aid to education in the 2006/08 period, and 40% - 65% of the total aid to basic education in the same years (Dom, 2009). The bulk of the funding is used for teacher salaries. However PBS is not seen by MoE as education aid as it is channelled straight to districts.

PBS also includes a component that is considered Channel 1b. These are Specific Purpose Grants (SPG) and are relatively new earmarked funds (although reflected in the government budget). The General Education Quality Improvement Program (GEQIP) is the education-related SPG that was developed for inclusion in PBS II in response to the concerns over

quality as a result of expansion in access. The TDP has been subsumed under GEQIP. Donor contributions to GEQIP began in 2008.

### *FTI*

Ethiopia is one of four countries receiving funds from the Catalytic Fund of the FTI in the form of pooled funding (Brannelly et al, 2009). In May 2007 Ethiopia joined the FTI Steering Committee and submitted a proposal for funding from the Catalytic Fund for co-funding from the General Education Quality Improvement Programme (GEQIP). In March 2008, USD 70 million was allocated and GEQIP was launched in March 2009. Ethiopia may also apply for further funding after meeting certain conditions.

### *HIPC*

Ethiopia had a high domestic debt ratio at the start of peace-time and so it used part of the aid received to reduce public debt levels. It also accumulated reserves in order to prevent appreciation (OECD, 2007).

Ethiopia qualified for debt relief under the International Monetary Fund (IMF)-World Bank Heavily Indebted Poor Countries (HIPC) initiative in November 2001. It is now a post-completion point country (completion point was reached in 2004). The government showed a strong commitment to poverty alleviation, macroeconomic management and structural and social reforms. Multilateral debt was written off under the Multilateral Debt Relief Initiative (MDRI) in December 2005. The country's stock of external debt dropped from USD 6,261 million in 2005 to USD 2,326 million in 2006. However, an IMF debt sustainability analysis in 2005 warned that Ethiopia's external debt and its debt service indicators remained particularly sensitive to the terms of new borrowing and negative export shocks due to agricultural price fluctuations (Barnett et al, 2009).

In 2007 Ethiopia also signed a debt relief agreement with China. Ethiopia was considered one of the highest debt burden countries before the HIPC initiative. In 2008 it was classified as having a 'moderate' level of debt distress (IDA and IMF, 2008).

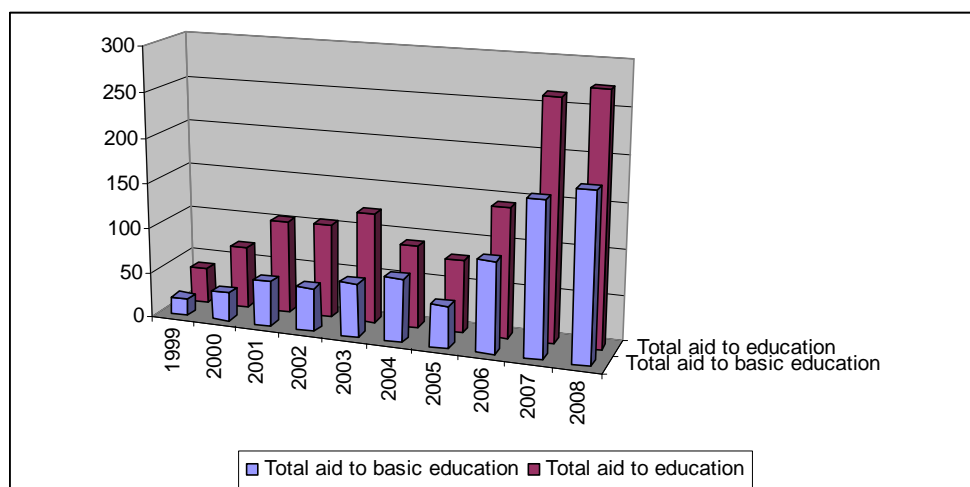
**Table 2. Debt Service of 33 Post-Decision-Point HIPCs, 2001-2012**  
(In millions of U.S. dollars, unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
							Prel.	Projections				
<b>Ethiopia</b>												
Paid	195.7	101.3	86.5	80.4	39.8	41.5	86.0	...	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	40.2	30.2	46.0	86.8	130.9
Due after MDRI	...	...	...	...	...	...	...	...	...	...	...	...
In percent of export	20.0	10.3	7.6	5.4	2.1	2.0	3.5	1.3	0.9	1.2	1.9	2.5
In percent of GDP	2.4	1.3	1.0	0.8	0.3	0.3	0.4	0.2	0.1	0.1	0.3	0.4

Source: IDA and IMF, 2008

Government revenue has been well below the average at 12.8% of GDP (OECD, 2007). However, even in times of political distress (for example, 2001 and 2005) the government maintained its commitment to basic services (including education) and made up for the gap when donors pulled out (Barnett et al, 2009). Figure 1 provides a picture of the aid that has gone towards education from 1991 to 2008.

**Figure A.1 Aid to education and basic education 1991-2008 (million USD)**



Source: Dom, 2009

#### **A.2.2.2 Management and administration of PBS**

A PBS Special Account was created as a holding account for all sources of funding. Once conditions are met, World Bank and African Development Bank (AfDB) resources flow into this account, and EC and DFID funding flows through a Multi-Donor Trust Fund (MDTF) managed by the World Bank and then into the PBS account. The Government of Ethiopia draws funds from the PBS account into a fungible Consolidated Fund Account, from which funds are transferred to the regional level based on a PBS formula for each region. They are then transferred to the woreda level (Brannelly et al, 2009). Disbursement of future tranches depends on successful reporting at the quarterly Joint Budget and Aid Review (JBAR).

Recurrent expenditure (salaries and operations and management) is funded through reimbursements from pooled PBS donor and government resources. The Bank plays a key role in overseeing the harmonized Monitoring and Evaluation framework for PBS, and also in facilitating the pooled funding approach used by most donors to support PBS (World Bank, 2009).

#### **A.2.2.3 Coordination and alignment**

Ethiopia was previously one of the largest recipients of programme-based aid, and this meant a large amount of fragmentation and low harmonization/alignment (Barnett et al, 2009). Channel 1 funding is generally well aligned as it has gone to support the government's ESDPs. PBS also aligns well with the decentralized system. The Specific Purpose Grants (Channel 1b) are less aligned than Channel 1 since they are earmarked, but they are better aligned than Channel 2. However, the SPGs often come with tight deadlines and disbursements may be low at times, and transactions costs are higher since it fragments resource management (Dom, 2009).

Coordination in the education sector has been limited. There is a High Level Forum (HLF) between the Development Assistance Group (DAG) and government. Although this structure for regular policy dialogue exists, it has not been effective in establishing a functioning partnership between the GoE and the 30 active members (including 17 UN organisations) represented in the DAG. Policy dialogue has not been particularly effective, and there has been limited follow-up on the implementation of agreed actions (Barnett et al, 2009). An FTI evaluation notes, "thus far GBS/PBS has failed to engage with education

sector stakeholders and conversely, education sector stakeholders have not seemed to be particularly interested in engaging" (Dom, 2009, p. 21). The GoE has shown little enthusiasm for the pursuit of the Paris Declaration agenda ever since 2005, instead showing a preference for engaging with donors in smaller groups or individually. The high number of members represented in the DAG has also greatly increased the challenge of achieving harmonisation (Barnett et al, 2009). Donors have also not been involved in the revisions of the regional formulae for allocating resources to the districts (Dom, 2009).

Finally, donors have not communicated their 'bottom lines' and what would happen in that situation, and that has made aid predictability poor (Dom, 2009).

#### **A.2.2.4 Donor agendas**

Due to the uncertainty of the political situation, and particularly the human rights violations that followed after the 2005 elections, donors could not be seen to be providing direct budget support to the government. This means that diplomatic relationships affect the way that aid is provided, and may make it quite unpredictable, as evidenced by the sudden withdrawal of all budget support in 2005. Furthermore, the donors often do not agree with the way in which the GoE pursues its poverty reduction programme. In the education sector for example, the government is putting a lot of emphasis on tertiary and TVET but donors think it should focus on the primary level as TVET tends to be quite expensive. Thus, because donors use a variety of funding modalities to reduce risk and because they disagree to an extent with the way the GoE prioritizes programmes, this can result in shifting priorities and aid to various sectors and sub-sectors increasing and decreasing in an unpredictable way (Barnett et al, 2009).

### **A.2.3 Aid Modalities and Financing Channels – Relevance to Ethiopia**

#### **A.2.3.1 Bilateral Project Support**

Bilateral support has been imperfectly aligned with GoE systems and hence, slowly implemented. There have also been problems with offsetting; government law requires that all regions be treated equally. If there is bilateral support going to a particular region, the amount is offset by a reduction in government funding (Bladon, 2008). Bilateral support is, however, a way to diversify funding when there is a great amount of risk present, and can be relevant for donors if they wish to support specific projects.

#### **A.2.3.2 Pooled Funding**

Pooled funding is designed to respond quickly and flexibly to the capacity development, research and implementation needs relating to policy formation, monitoring and review. This approach ensures a more strategically focused and coordinated approach to TA and capacity development support. It is also more predictable than project (Channel 2) funding. It is generally less well aligned than budget support, however.

#### **A.2.3.3 Direct Budget Support**

Ethiopia is the 9th poorest country in the world and needed a substantial injection of resources to reach the MDGs. Budget support was supposed to be a way of pooling resources to help achieve these goals (Barnett et al, 2009). Before it was suspended, DBS was going towards funding recurrent costs such as paying teacher salaries. This was extremely important in maintaining service delivery. Furthermore, the funds were well aligned, and almost fully absorbed, in contrast to project support funds (Dom, 2009). Budget support can be useful when the government is high will and has a pro-poor budget, and when it takes the lead in policy making, as in the case of Ethiopia. This way, using

government systems achieves the goals of both the principles of good engagement, and government's interests.

Capacity building also worked well under budget support. DFID worked with the World Bank and other donors in 2003 and 2004 to design the multi-donor Public Services Capacity (PSCAP) support programme. The programme was developed from the GoE's National Capacity Building Programme and was meant to support government's wish for greater donor harmonization around a sector-wide approach to capacity building (Barnett et al, 2009).

However, there are also disadvantages to budget support. There were reported delays in disbursements due to the very tight reporting timelines of the World Bank, which were potentially unrealistic (Dom, 2009). In addition, despite the fact that Ethiopia's Public Financial Management (PFM) systems are strong and transparent, corruption is relatively low, and fungibility is only a low risk, the government PFM systems were not used to the extent they could have been (Barnett et al, 2009). This demonstrates a trust gap between donors and the government. Furthermore, service delivery can be interrupted when budget support is withdrawn due to political reasons.

### **A.2.3.4 Ring-Fenced Grant (PBS)**

The PBS modality was quite an innovative one. It was very effective in a decentralized system to help avoid the political issues that surround direct budget support (Brannelly et al, 2009), and in that sense it has been extremely important in the diversification of risk. This diversification was good for donors because non-disbursement would mean their programme was not successful. Diversification was also beneficial for government, since if funding stopped through one Channel, it was still present in others (Bladon, 2008). It also uses the country's existing financial systems, which means that the regions and districts do not have to worry about fragmented resource management. As with DBS, decentralized budget support can be effective when there is a high will, pro-poor government in place. Increasing the woreda budgets has been key in the districts being able to pay their teachers so that service delivery does not get interrupted.

CSOs in Ethiopia have been accused of being linked to the opposition, so GoE repression of CSOs is common. Thus, donors have to be very careful in the way they support civil society (Barnett et al, 2009). PBS' Component 4 aims to enhance social accountability by supporting civil society and the public to get involved with budgeting processes and hold public bodies accountable for the delivery of services (Dom, 2009). Much of this support is to civil society organisations, and is characterised by disbursement through Channel 3 (Bladon, 2008).

However, an FTI study has noted that PBS makes the government vulnerable to any collective decision that donors might take (Dom, 2009). At this moment it does not extend to 2015 and thus leaves a large financing gap for the MDG goals. Under the decentralized system, capacity development is very difficult to keep up with. The sheer number of woredas (over 700) means that significant amounts of trained personnel are needed. Furthermore, there is high staff turnover. A mechanism that uses the decentralized system may not be able to keep up with the capacity development needs of all the districts.

Weak engagement of education stakeholders with DBS and PBS meant education donors didn't trust PBS to scale up aid to education (Dom, 2009). As a result, the Specific Purpose Grants were used as an alternative. SPGs are supposed to be insulated from political issues, but they may not be, as evidenced by the withdrawal of Sweden (Dom, 2009). SPGs also add to the fragmentation of resource management at the local level. They also go

against the objective of decentralization as woredas are then not deciding what their funding priorities are. This can also lead to long term undermining of capacity (Bladon, 2008).

#### **A.2.3.5 FTI**

The FTI evaluation found that thus far, the Catalytic Fund resources have had no impact. They have had no impact on service delivery, on aid effectiveness, and there was no catalytic injection of resources (Dom, 2009). It was never entirely clear what the FTI partnership was about. Funding was only provided for half of the funding gap that the government identified and there were misunderstandings and miscommunications over the country's eligibility and over the funding gap and this meant very high transactions costs (Dom, 2009). The inputs have mainly consisted of a small number of Education Programme Development Fund (EPDF) policy inputs and the funding was used for work that was not central to the government-donor dialogue. In the future, FTI funding will be used to support the General Education Quality Improvement Programme (GEQIP), which was due to begin in 2009. To the extent that GEQIP is aligned with the government's education sector plans, FTI funding may be of use in the future.

As the FTI CF is a global fund, the potential exists for it to be used as a way to channel funds for education to those fragile states who meet the FTI eligibility criteria of having a PRSP and a costed education sector plan in place. Ethiopia is still in the early stages, so it remains to be seen whether this will be an opportunity that is exploited here.

#### **A.2.3.6 Debt Relief**

Debt relief is meant to free up resources for poverty reducing expenditure such as education service delivery, especially for achieving the MDGs (IDA and IMF, 2008). The government of Ethiopia has noted that the debt relief enjoyed so far has indeed freed up resources for poverty reduction programmes. Furthermore, the relief of the debt burden has seen certain macro indicators improve, as the government no longer needs to accumulate reserves to prevent appreciation.

### **A.2.4 Summary**

**Table A.7 Summary of Aid Modalities in Ethiopia**

<b>Modality</b>	<b>Relevance to Ethiopia</b>	<b>Disadvantages</b>
<b>Bilateral project support</b>	<ul style="list-style-type: none"> <li>• Diversification of risk</li> <li>• Relevant for supporting specific projects that donors think are important</li> </ul>	<ul style="list-style-type: none"> <li>• Imperfectly aligned</li> <li>• Disbursements not predictable</li> <li>• Offsetting</li> </ul>
<b>Pooled funding</b>	<ul style="list-style-type: none"> <li>• Flexible and quick in responding to changing needs</li> <li>• More coordinated and predictable than project support</li> </ul>	<ul style="list-style-type: none"> <li>• Less well aligned than budget support</li> <li>• Implementation can be easily delayed</li> </ul>
<b>Direct budget support</b>	<ul style="list-style-type: none"> <li>• Good for funding recurrent costs and ensuring continued service delivery</li> <li>• Funds tend to be aligned and well absorbed</li> <li>• High amount of government will and pro-poor budget</li> <li>• Can support sector wide capacity building programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerable to political changes</li> <li>• Delays in disbursements due to unrealistic reporting timelines</li> <li>• May have to suddenly be withdrawn for political reasons</li> <li>• Works better when government PFM systems are used, but when there is a trust gap, they may not be used and this leads to fragmented</li> </ul>

		resource management
<b>Ring-fenced Grant (PBS)</b>	<ul style="list-style-type: none"> <li>• Avoids political issues surrounding budget support (diversification of risk)</li> <li>• Uses country financial systems</li> <li>• Has been key to service delivery</li> <li>• Un-earmarked, so well aligned</li> <li>• Can carefully help to support civil society</li> </ul>	<ul style="list-style-type: none"> <li>• Government may be vulnerable to collective donor decisions</li> <li>• SPGs are less well aligned and may undermine capacity in the long run</li> <li>• SPGs are not aligned with government's decentralization programme</li> <li>• Keeping up with capacity development is more difficult</li> </ul>
<b>FTI</b>	<ul style="list-style-type: none"> <li>• Future potential to channel funds to fragile states for education where they meet the criteria</li> <li>• Can be used to support programmes aligned with government programmes</li> </ul>	<ul style="list-style-type: none"> <li>• No impact</li> <li>• Miscommunications resulted in high transactions costs</li> </ul>
<b>HIPC</b>	<ul style="list-style-type: none"> <li>• Frees up resources for poverty reduction expenditure</li> <li>• Improves macro indicators</li> </ul>	

## **A.3 Nepal**

### **A.3.1 Background**

In February 1996 the Communist Party of Nepal (the Maoists) declared a 'People's War'. They demanded constitutional reform, empowerment and equal rights for all ethnic groups, land reform, decentralization and an end to corruption. They were secularist, anti-Indian and anti-American. 10,000 people including civilians died in the conflict and many were also displaced. There has been a very high rate of human rights abuses. Beginning in 2002 there was no elected government at the local level, and no parliament. Service delivery suffered as a result. Popular protests in April 2006 forced the King to restore parliament and a peace agreement was signed between the government's Seven Party Alliance and the Maoists in November 2006. Since then the country has returned to democratic rule, with the Maoists winning an election in 2008 and the country has been trying to adjust to the new leadership.

#### **A.3.1.1 Fragility in the context of Nepal**

During the conflict, the Maoists disrupted service delivery and the army was deployed across the country. It acted as the de facto power at the local level and as such there was a risk of militarism (Berry et al, 2004). Education was among the core grievances of the Maoists and thus 'getting it right' in the context of education was especially important. Before the new constitution was prepared in 2008 there was a risk of a return to conflict and of policy changes that were unpredictable (Foster, 2007). At the moment, Nepal is in a phase of political transition and the government is still adjusting and gaining legitimacy. Law and order has not yet been completely restored to all districts and this is another source of fragility.

#### **A.3.1.2 Education background**

Historically, education was extremely elitist and was not provided to all of the population. The way education was provided was also divisive and was instrumental in the exclusion of certain groups (Vaux et al, 2006). The terrain and the country's cultural norms impeded access to education for women, minority ethnic groups (Janjatis) and lower-caste Hindus (Dalits) (World Bank, 2009). During the conflict, Maoists often targeted schools to use them to transmit their ideologies and recruited teachers to help them, as well as recruiting child soldiers (Berry et al, 2004).

However, even during the conflict service delivery in education continued and the government made some positive steps. Maoists eventually realized that the schools were becoming more inclusive, and they also provided a source of income (the practice of 'taxing' teacher salaries was common). In 2001 the government began to transfer public schools over to community management (World Bank, 2007). All the education indicators show significant progress, even in the midst of the conflict. However, the progress has been skewed and some districts in particular are still behind. Furthermore, quality of education is still weak; in 2006 only 20% of students that sat the School Leaving Certificate (SLC) exam in grade 10 passed (Vaux et al, 2006).

**Table A.8 Education Indicators**

	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Primary</b>												
<b>Gross enrolment rate</b>												
MF	113.8	109.1	113.7	116.7	109.3	114.0	112.2	113.9	113.3	126.1	126.3	123.9
Gender Gap	54.8	34.8	29.5	27.1	19.1	16.9	14.2	14.5	10.4	6.0	1.5	-1.3
<b>Net enrolment rate</b>												
MF	..	..	64.7	70.5	..	..	78.1	79.2	..	..	76.1	79.6
Gender Gap	..	..	15.5	13.7	..	..	10.4	10.6	..	..	3.7	3.3
<b>Primary completion rate</b>												
MF	..	..	63.2	65.6	65.2	69.6	70.6	71.0	74.7	76.0	..	78.2
Gender Gap	..	..	16.7	17.1	12.7	13.2	11.5	11.6	10.1	7.3	..	1.3
<b>Secondary</b>												
<b>Gross enrolment rate</b>												
MF	33.1	39.7	34.0	35.3	38.3	42.0	42.8	..	45.7	43.2	42.6	48.3
Gender Gap	25.2	18.8	11.9	11.7	12.5	12.4	11.1	..	6.8	5.2	3.9	3.5
Gender gap prim/second	0.6	0.7	0.8	0.8	0.8	0.8	0.8	..	0.9	0.9	1.0	1.0
<b>Literacy</b>												
<b>Literacy Rate (% 15+)</b>												
MF	..	..	..	..	48.6	..	..	..	..	..	56.5	..
Gender Gap	..	..	..	..	27.8	..	..	..	..	..	26.7	..

Source: World Bank EdStats

## A.3.2 Aid Delivery

### A.3.2.1 Aid modalities and financing channels

The education sector has seen intensive involvement from donors for many years. Project support was the predominant modality up until 1999, with the World Bank, UNICEF, Asian Development Bank, JICA and Nordic countries providing support for various interventions. The Basic and Primary Education Project (BPEP) I was funded by the World Bank, DANIDA, UNICEF and JICA, and was managed under a Project Implementation Unit (PIU). From 1999 to 2004, BPEP II was being implemented and this was a sector development programme receiving funding through sector budget support (SBS) (also termed 'basket funding' or 'pooled funding' in Nepal) (Sharma et al, 2007). Donors included Denmark, the European Commission, Finland, Norway and the World Bank (World Bank, 2007). DANIDA pledged \$25.4 million, NORAD pledged \$23.5 million, the EC pledged \$20 million and FINNIDA pledged \$5 million, all over 5 years (Maslak, 2002). The primary aim of previous education projects was to expand access. The overall aim of BPEP II was to enhance the capacity to enrol primary school children, improve learning achievement and to build and strengthen institutional capacity at the national, district and community levels to plan, monitor and improve the performance of schools (Sharma et al, 2007). The PIU of BPEP I was transformed into the Department of Education (DoE) under the Ministry of Education, and it was the technical implementation body in the ministry.

The donors also tended to simultaneously support aspects of BPEP II through project support. Finland contributed bilaterally to curriculum development, JICA contributed to school construction, DANIDA to teacher training and UNICEF to ECD (Sharma et al, 2007). All contributors but UNICEF and JICA subsequently moved towards SBS for the Education For All (EFA) Programme.

In 2004 the government launched the EFA programme which was a Sector Wide Approach (SWAp) funded through SBS. The Nepal EFA Programme, which concluded in 2009, focused on pre-primary, primary education and adult literacy. Funding was pooled by several donors including Finland (FINIDA), Denmark (DANIDA), Norway (NORAD), DFID, ADB and the World Bank (Berry, 2009). Other funding stakeholders include JICA, WFP and UNICEF (Vaux et al, 2006). Approximately 25% of the education budget came from this fund, equivalent to about \$40 million US per year (Berry, 2009). Around 75% of the EFA Programme funds went towards teacher remuneration (government contribution) while the donor input funded more flexible elements (Vaux et al, 2006). 46% of the programme funds were block grants for schools to improve the quality of education (Vaux et al, 2006), consistent with the government's decentralization initiative.

The World Bank also provides project funding for the Secondary Education Support Programme (SESP) and Higher Education Support Program (HESP), as well as from 2003 to 2008 to the Community School Support Project (CSSP) that was part of the government's decentralization policy of devolving the management of schools to the community level. The objective was to develop the critical knowledge-base for the EFA Programme so that it would be well equipped to cater to the needs of community schools (World Bank, 2009b). The project included funding for school grants that were incentive grants, a scholarship component for poor households, a capacity building component to support communities through NGOs and provide training for teachers, SMC members and civil servants and a monitoring and evaluation component. CSSP was later integrated into the EFA Programme.

NGOs also work in education in Nepal. NGOs such as Save the Children Norway have been working with communities to establish education committees at the local level (10-30 households). The committees collected their own data and explored why children were not in school (Rose and Greeley, 2006). Save the Children USA's work with the Backward Societies Education (BASE) project focused on a Maoist controlled part of the country. They worked to get children displaced by the conflict back into school by paying their fees and giving them access to counselling. The project also hired teachers for state schools so that they could cope with the increase in enrolment (Berry et al, 2004). The biggest NGO contribution has been in Early Childhood Education (ECD). By 2005, Plan International had contributed \$1.03 million, Save the Children US had contributed \$179,000, Save the Children Norway had contributed \$95,000 (UNESCO, 2006).

The UN agencies such as UNICEF, WFP and UNESCO have also been involved, mainly through smaller scale projects. UNICEF has partnered with human rights agencies in an attempt to protect schools and children as 'zones of peace' (Rose and Greeley, 2006). They have also supported ECD (\$395,000 contributed by 2005), decentralization of planning, and the education of women in project funding under BPEP II (Sharma et al, 2007). UNICEF works a great deal with NGOs and INGOs as implementing partners and as collaborators on various interventions (for example, ECD).

**Table A.9 Aid Commitments to Education from DAC donors, USD millions**

	1999	2000	2001	2002	2003	2004	2005	2006
Aid to education (total)	86.5	17.1	12.8	31.7	59.4	169.5	19	56
Aid to basic education	78	8.7	8	1.1	9.2	158.8	10	27

Source: Education for All Global Monitoring Reports

### **A.3.2.2 Management and administration of BPEP II and the EFA Programme**

Pooled donor funding was channelled through government systems. For BPEP II a 'basket funding' approach was used but there were separate procedures for the World Bank and the bilateral partners (Danish funds for teacher training and Finnish funds for curriculum development, and JICA's infrastructure development) (Sharma et al, 2007). Contributions to the basket fund were announced annually. Funds were transferred from the basket to the Special Accounts in the National Bank, which could be locally drawn by the District Education Offices without further authorization from Kathmandu.

The CSSP was designed for implementation using government structures (in particular, the DoE in the Ministry of Education), but the project actually included several committees that were not part of the government bureaucracy. The District Education Offices implemented the project at the district level and were guided by a District Steering Committee. The activities were implemented by SMCs, CBOs and supported by NGOs (World Bank, 2009b).

Efforts were far more harmonized under the EFA Programme. Donors and the government signed a Joint Financing Agreement (JFA). The JFA is a detailed set of arrangements for coordination between government and the pooling partners covering reporting and auditing, common procedures for disbursement and procurement and arrangements for joint reviews. Financial Monitoring Reports were a requirement under the JFA and were produced three times a year to form the basis of disbursement of funding (NORAD, 2009). Funds were pooled and expenses made against a list of categories in the budget. The MEST prepares annual work plans and budgets, collects monitoring data and reports progress to donors twice a year (World Bank, 2009a). At the district and school levels, funding was based on the preparation of annual work programs and budgets. School management committees were to formulate school improvement plans and submit funding proposals for them, and also receive block grants on the basis of student enrolments (World Bank, 2009a).

### **A.3.2.3 Coordination and alignment**

Donor coordination was weak prior to BPEP II. Donor coordination improved in the early 2000s through stronger government leadership with a Foreign Aid Policy endorsed by the development partners. However, the democratic transition that began in 2006 initially led to much confusion and some disintegration of donor coordination (World Bank, 2008). One of the goals of BPEP II was to use a single set of monitoring, reporting, financial tracking instruments and procurement procedures that would be used by all donors to reduce the burden on the government (Maslak, 2002). A Local Donor Group was instituted with a rotating lead donor responsible for coordination of donors, having donor meetings monthly, and communicating with government (DANIDA, 2004). A Joint Donor Review Mission (JRM) took place annually. DANIDA completed a joint review of BPEP II upon its conclusion in 2004 (World Bank, 2009a).

The EFA Programme solidified donor coordination in the education sector. Donor meetings with government continued, as did joint annual reviews. The EFA programme was a good way to bring government and donors together, but more could have been done to encourage participation from other stakeholders such as civil society and to increase government

ownership of the process (Berry, 2009). Donors also established an independent monitoring process, the Technical Review of School Education (TRSE) for both the EFA and SESP programmes (Vaux et al, 2006). Various projects that were funded separately by donors have now been integrated into the EFA Programme plan. For example, salary grants provided through the PRSC and the support to community managed schools through the CSSP were mainstreamed into the EFA Programme (World Bank, 2007).

Support to the education sector has for a long time been aligned to government programmes. However, funds were previously earmarked to specific projects that were part of the government education programme. With the move to SBS, budget support was fully aligned to the BPEP II and EFA programmes, which were conceived by the government. However, ownership has been questioned as donors have had much influence in the preparation of the programmes.

NGOs have not always operated in a coordinated manner. However, in the sub-sector of ECD there has been coordination. For the NGOs working in ECD there is a National Early Childhood Development council formed in 2005 under the MoE with members from MoH, Local Development, Women and UN agencies and NGOs. This is the forum to harmonize ECD and ensure coordination. At the district level, District Child Development Boards (DCDB) have been constituted to coordinate local government bodies as well as NGOs (UNESCO, 2006). Many NGOs have also aligned their programmes to the government's ECD programmes.

#### **A.3.2.4 Donor agendas**

In a SWAp, donors contribute to developing the strategy and in advising on its implementation. Thus, there is a potential for them to pursue their own agendas (possibly conflicting with government or other donors). This concern has been raised in Nepal by the government (see below). Furthermore, some schools have been able to directly receive assistance from donors and NGOs. The quality and efficiency is often higher but donors and NGOs tend to choose their areas of operation according to their own priorities rather than democratic influence and this may have caused grievances and reduced the accountability of the government (Vaux et al, 2006).

### **A.3.3 Aid Modalities and Financing Channels– Relevance to Nepal**

#### **A.3.3.1 Sector Budget Support (BPEP II and the EFA Programme)**

SBS was a good compromise between project support and general budget support. It allowed the donors to continue supporting the education sector even when they couldn't necessarily support the government (for example, when the King took on executive power in 2005). This option is attractive to donors in fragile states since it can be used even when overall policy, budgetary and institutional frameworks are weak. In Nepal the sector programmes were developed and implemented even during a time of serious armed conflict. When the EFA Programme was agreed upon in 2004, only between 10 and 20% of the country was within government control (Berry, 2009). The pooled funding mechanism proved functional and flexible for the donors and for the government (World Bank, 2009a).

Supporting the government by using their systems has been important for the country to be able to build up the credibility of the budget. Donors such as DFID have noted that they plan to increase the proportion of aid flowing through government systems in order to strengthen them (DFID, 2006). BPEP II's core investment programme funding was captured on the government budget (DANIDA, 2004) and the vast majority of the EFA Programme's funding was also captured on the budget. There only remain a few projects that are funded outside

of it. Using government systems has helped to reduce transactions costs, especially with the move to the EFA Programme. With semi-annual and joint reviews of EFA, the government and donors as well as other bodies have a much reduced load of meetings compared to when BPEP I and II ran alongside other projects (NORAD, 2009).

SBS has also been key for service delivery. It enabled the ministry to maintain teacher salaries while also investing in non-recurrent expenditure such as support for school management committees. However, deploying teachers to conflict areas was difficult and teacher unions resisted schools employing facilitators locally (Berry, 2009). It also helped to get resources to the school and local level (which was important as this was a key driver of the conflict) (Berry, 2009). Once the conflict ended, service delivery was arguably even more important. DFID's interim country strategy stated that one of its goals was to support "the delivery of a 'peace dividend' to the people, with a strong focus on health and education" and noted that addressing social exclusion was critical to ensuring sustainable peace and to meeting the MDGs (DFID, 2006, p. 2). The country strategy notes that education is second on people's list of priorities for the government. The government consistently meets its commitment for co-financing the EFA Programme and absorption capacity of the EFA Programme has been high, using at least 95% of allocated funds annually (World Bank, 2007). This was especially the case once the peace process was in place and the country was then post-conflict (after 2006).

Capacity development has demonstrated mixed results under SBS. Although efforts were increasingly harmonized, the impact does not seem to have been very high. During the implementation of BPEP II it was noted in the World Bank's Project Appraisal Document that poorer communities may not be able to manage schools or raise the funds as expected for school improvement plans, but no remedies were proposed (World Bank, 2009a). Many capacity development programmes under BPEP II (mostly training for decentralization and school management) were deemed inadequate. Participants did not get much out of them and follow up on activities such as monitoring afterwards were inadequate (World Bank, 2009a). The lack of effective TA coordination had occasional negative impacts on BPEP II, including duplication of efforts in areas such as the development of teacher training curriculum. TA provided outside the Core Investment Programme is sometimes suspected by donors interviewed to represent the pursuit of a special interest by a particular donor (DANIDA, 2004). Training during the conflict was often uneven as well. One of the Maoists' grievances was the amount of aid spent on training, capacity building and consultancy fees in Kathmandu while people in rural villages did not have access to basic services (Berry et al, 2004). The EFA Programme also placed high importance on capacity development, but in practice capacity building was mostly short-term training, seminars and workshops rather than a more comprehensive approach involving institutional and systemic change (NORAD, 2007). Training for teachers has not been continuous, it has been irregular. The government is currently working towards harmonizing existing TA under pooled arrangements (Cox and Thornton, 2009).

During the time of BPEP II there was not much collaboration between government and NGOs/civil society. However, there was some collaboration and coordination in the ECD sub-sector. When the EFA Programme was being introduced, NGO and civil society stakeholders were much more involved in planning and coordination of implementation (DANIDA, 2004).

SBS has also experienced some problems, however. The BPEP II project was ambitious and the government staff described the financial reporting system as very burdensome and there was a concern that Bank procurement rules centralized rather than decentralized procedures (World Bank, 2009a). Officials of the Ministry of Education also felt that the

basket funding allowed donors to assume a dominant role in BPEP II because of decreased transparency (Sharma et al, 2007). Similar sentiments were held about the EFA Programme. Donors were seen as very influential in the programme and see it as being their own. As a result, the government could portray the programme as belonging to them and escape accountability (Vaux et al, 2006). Furthermore, some aspects of the EFA programme proved difficult to implement because of lack of political will during the conflict. An important part of the EFA Programme was decentralization, especially by making planning local. However, the central government was reluctant to cede control in certain areas during the conflict as the opposition could then gain control (Rose and Greeley, 2006). There were also issues with staff turnover that were not addressed adequately. DFID experienced high staff turnover for staff appointed in country. There was a nearly 40% reduction in staff between 2004 and 2006, and there were four office heads in five years. This made leadership quite unstable (Cox and Thornton, 2009). Furthermore, the MoE has a policy of rotating civil servants every two years. Transfers and rotations in the MoE and DoE have led to situations where staff members improved their skills and abilities in areas related to their positions, only to then be transferred to other positions where those skills might not be applicable. In turn, new staff members were transferred into the newly vacant positions, often creating the need for the same capacity building interventions (DANIDA, 2004). The EFA Programme documents consulted did not mention any steps to address this problem.

#### **A.3.3.2 Bilateral Project Support**

The rationale behind project funding was the need for flexible funding for piloting mutually approved activities (Sharma et al, 2007). DFID is an example of a donor that has diversified well; it provides support to capacity development through grants, sector support and support for non-state providers. This enables DFID to redistribute its portfolio without the negative impacts of suddenly cutting off aid (Brannelly et al, 2009).

Project funding has also been successful in service delivery. The target and progress rate of the construction works funded by JICA were found to be much more effective than those supported by the basket funds (Sharma et al, 2007). Furthermore, CSSP salary grants were used for hiring community teachers when the government put a hiring freeze on teachers and this greatly improved service delivery (World Bank, 2009b).

However, project funding also experienced limitations. Service delivery outside the government framework can undermine the authority of the government. For example, JICA supports an infrastructure programme tied into the EFA Programme and follows the direction of local government structures. However, during the conflict, government officers focused on schools in government-controlled areas so infrastructure development did not necessarily reflect need (Vaux et al, 2006). SMCs were not involved with school construction, it was carried out by the DEOs and the SMCs did not know the amount of funding used for school construction. Many suspected that the cost was much higher than that prevailing on the market (Sharma et al, 2007). In addition, most direct funding for projects and technical assistance (with the exception of JICA and ADB) were not recorded in the government budget and thus could not be monitored by the government. This type of funding is perceived to have led to a lack of transparency and accountability and to duplication of activities within the sector (Sharma et al, 2007). Absorption of project funding was also a concern. To use the CSSP as an example, only 14% of TA funds were used and 19% of M&E funds were used (World Bank, 2009a).

#### **A.3.3.3 NGO Project Support**

In conflict environments, it is important to know what is happening on the ground and to be able to respond quickly to it. Thus, keeping service delivery local is a good idea (Berry et al,

2004). Save the Children Norway worked with communities and Maoist rebels to support education committees at the local level (10-30 households). They helped to form the education committees and the District Education Offices then showed greater commitment to these schools. The Maoists were told that they could not ask for shelter and food from these communities unless they supported the schools. The District offices ended up providing the funding and the Maoists were responsible for auditing the use of the funds so they became involved. In these areas, enrolment was over 90% in 2006 (Rose and Greeley, 2006).

The government forms partnerships with NGOs and INGOs in highly impacted areas to ensure that schools are able to utilize their block grants from the EFA Programme effectively. NGOs and local donors tend to supplement schools' funds and resources by providing help with textbooks, rehabilitation etc. (NORAD, 2009). They also contributed much to the EFA programme in terms of ECD and non-formal education, when the government would have liked to fund these interventions more, but could not due to resource constraints.

However, many NGOs are working outside government regulation (Rose and Greeley, 2006). NGOs often provide training to district level stakeholders in education, particularly on gender and ECD. However, the scale is not nearly large enough to meet demand (NORAD, 2009). The work of Save the Children USA with the BASE project is primarily with non-state actors. The project tries to strengthen civil society and was viewed with suspicion by the Maoists (particularly since they were funded by an American organization). BASE was successful in engaging with civil society in remote areas, but these NSAs are also prone to attacks from both Maoists and the state and resources may be captured by local elites (Berry et al, 2004).

#### **A.3.3.4 FTI**

Nepal was endorsed by the FTI in September 2009, and was the first South Asian country to have FTI endorsement. It is understood that Nepal will shortly submit a proposal to the Catalytic Fund for \$120 million for three years.

#### **A.3.4 Summary**

**Table A.10 Summary of Aid Modalities and Financing Channels**

<b>Modality</b>	<b>Relevance to Nepal</b>	<b>Disadvantages</b>
<b>SBS</b>	<ul style="list-style-type: none"> <li>• Can be used in sensitive political situations (for example, unpopular governments)</li> <li>• Allows for diversification of risk and flexibility</li> <li>• Can be used even when overall systems and capacity are weak, and even during conflict</li> <li>• Reduces transactions costs by improving coordination</li> <li>• On budget, which builds credibility and allows for more accurate planning</li> <li>• Greatly facilitates service delivery both during and after conflict</li> <li>• Potential for harmonizing large scale interventions such as capacity development</li> <li>• Absorption generally high</li> </ul>	<ul style="list-style-type: none"> <li>• Potential that SBS has for capacity development not fully realized in Nepal</li> <li>• Donors may end up dominating the policy space</li> <li>• Staff turnover not dealt with adequately</li> <li>• Reporting and financial procedures can be burdensome if not fully integrated into the government systems</li> <li>• Interventions such as decentralization can be difficult with low political will</li> </ul>
<b>Bilateral</b>	<ul style="list-style-type: none"> <li>• Allows for a great deal of diversification</li> </ul>	<ul style="list-style-type: none"> <li>• Service delivery outside the government</li> </ul>

<b>Project Support</b>	<p>of risk and flexibility</p> <ul style="list-style-type: none"> <li>• Project implementation can be more effective and efficient</li> </ul>	<p>framework can undermine government authority and accountability</p> <ul style="list-style-type: none"> <li>• May not always be cost-effective</li> <li>• Not always on budget</li> <li>• Duplication of activities</li> <li>• Absorption can be low</li> </ul>
<b>NGO Project Support</b>	<ul style="list-style-type: none"> <li>• Tend to have a good understanding of local context</li> <li>• Local service delivery important during conflict</li> <li>• Can supplement government programmes that are under-funded (like ECD)</li> <li>• Can coordinate effectively for sub-sector projects (ECD)</li> </ul>	<ul style="list-style-type: none"> <li>• Not captured on the government budget, making planning difficult</li> <li>• Tend to be small in scale</li> <li>• Often work outside government regulation</li> <li>• Organizations can be prone to attack if the NGOs work with civil society during conflict</li> </ul>

## **A.4 Pakistan**

### **A.4.1 Background**

Pakistan's economic performance showed relatively low growth rates and poor performance on poverty and welfare indicators in the 1990s. This has been turned around, particularly for growth, as a result of far-reaching public reform programmes, since 2000, but overall poverty levels remain high for the level of income of the country. Poverty rates have fallen during the period, but are extremely susceptible to both climate related shocks and changes in the global economy<sup>14</sup>. Remittances are an important source of income in the country, and although these have held up remarkably well during 2008/9, concerns have been expressed that these are unsustainable (World Bank, 2009e).

The country has a federal structure, and the provincial governments have responsibility for a number of important areas of service delivery, including education. A third tier of government has been introduced at district level since 2000, and the actual implementation for service delivery effectively rests there. Capacity and results vary considerably from province to province, as does the effect of terrorism on the population. Currently over 2 million people have been displaced by fighting in the Federally Administered Tribal Areas (FATA) and the North West Frontier Province.

Pakistan suffered a major earthquake in 2005, which affected North West Province and Pakistan-administered Azad Jammu and Kashmir.

#### **A.4.1.1 Fragility in the context of Pakistan**

According to the CIFP, Pakistan ranks as the third most fragile state in Asia<sup>15</sup>. It scores particularly poorly on Security and Crime and Human Development, and less so on Governance.

Security is particularly affected by terrorist incidents and low political stability, particularly in areas near the Afghan border. The government has difficulty establishing authority and control in many outlying and border areas. In addition to internally displaced persons, Pakistan continues to host significant numbers of Afghan refugees, though a voluntary repatriation programme started in 2002 has reduced the numbers considerably. In addition, recent conflict in the Swat Valley has forced over 2 million people to leave their homes.

Governance remains a major issue. Pakistan saw a transition to democratic civilian government in 2008, after the military regime of General Musharraf, but the process remains unstable and subject to severe challenges. Corruption is a major issue.

Gender inequality is seen throughout Pakistan, regardless of socio-economic class or region. There are high instances of honour crimes and forced marriages, and literacy rates are very low amongst women.

#### **A.4.1.2 Education status**

Although education indicators for Pakistan have improved over the last decade (Table 1 below), the education system in Pakistan still faces serious challenges in ensuring the delivery of good quality education. Adult literacy rates are very low (only 35% for adult

---

<sup>14</sup> Pakistan Millennium Development Goals Report 2006, Planning Commission, Center for Research on Poverty Reduction and Income Distribution, Islamabad, 2007.

<sup>15</sup> CIFP Fragile States Country Report No. 12 Pakistan, Sep-06-07.

females). Gender inequality is indicated by differential GERs, NERs and PCRs at primary level. Most assessments show that Pakistan is unlikely to meet the MDG targets for education by 2015. This varies by province but NWFP figures indicate only 63 girls are enrolled in primary school for every 100 boys.

Public expenditure on education in Pakistan has increased over the last eight years, at an average of 18% per annum. However, overall, it still remains low, with estimates varying from 1.9% (WB) to 2.9% (UNESCO). UNESCO estimates that Pakistan will have the largest number of out of school children (3.7 million) in the region by 2015.<sup>16</sup>

The responsibility for education policy and planning is distributed across the different tiers of government. The National Education Policy 1998-2010 is the overall reference point, but there are a number of related policy documents which have been developed since, including a White Paper on Education which was released in December 2007, but has not been adopted into legislation.

Overall education policy and strategy, curriculum development and establishing a regulatory framework are the responsibility of the federal government. The provincial government is responsible for textbook development, teacher training and issuance of policy guidelines to the district government. Since 2001 the district government has been responsible for service delivery, through planning the human resources and financial resources necessary.

In response to lack of capacity in the public sector in education, the private sector has grown in importance, and it has now reached the stage where over a quarter of primary school pupils are taught in private schools. From 2001 onwards, public private partnerships, involving both the private sector and NGOs have been regarded as the 'anchor' of the government's education strategy to address issues of equity and access<sup>17</sup>.

**Table A.11 Education Sector Indicators, Pakistan**

Year	2000	2001	2002	2003	2004	2005	2006
<b>GER total primary</b>	69	70	72	75	81	86	84
<b>GER Primary Female</b>	56	57	58	63	68	74	73
<b>GER Primary Male</b>	82	83	85	87	93	98	94
<b>NER total primary</b>		57		58	64	67	66
<b>NER primary, female</b>		46		49	54	58	57
<b>NER primary male</b>		68		68	74	76	73
<b>PCR total</b>						61	62
<b>PCR female</b>						51	53
<b>PCR male</b>						71	70
<b>Adult literacy</b>						50	54

<sup>16</sup> UNESCO, Regional Overview, South and West Asia

<http://unesdoc.unesco.org/images/0017/001784/178427e.pdf>

<sup>17</sup> Bano, 2008.

<b>total</b>							
<b>Adult literacy rate female</b>						35	40
<b>Adult literacy rate male</b>						64	68
<b>Children out of school (F)</b>		5.29 mill		5.01 mill	4.50 mill	4.10 mill	4.12 mill
<b>Children out of school (M)</b>		3.32 mill		3.35 mill	2.65 mill	2.45 mill	2.70 mill
<b>% primary private school enrolment</b>					36	36	34

Source: World Development Indicators

## **A.4.2 Aid Delivery**

### **A.4.2.1 Aid Modalities and Financing Channels**

Pakistan devotes a relatively small proportion of GDP to the education sector, between 1.8% and 2.2% over the period 1999-2005. The government has committed to increasing this until it is more in line with the figures for the region, but until that happens, the education sector is starved of funds for development. Over the period 2004-5 over 80% of the total budget went on recurrent expenditures, mainly salaries. Education policy documents and plans are not used to guide domestic and external resource allocation to the education sector (FTI, 2009)

The situation is further aggravated by the weak absorptive capacity of government; only 50% of the funds allocated to development expenditure were actually utilised in 2007 (Bano, 2007). Donor agencies contributed almost 30% of the development budget in education in 2006/7. Both donors and government recognise the weak capacity in the education sector, and this has led to a variety of aid and financing modalities to address the situation.

**Table A.12 Aid to Education from DAC donors, USD millions**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Aid to education (total)	12.1	51.9	22.4	112.7	211.7	249.1	287	276
Aid to basic education	1.1	12.0	7.1	88.8	188.8	139.6	195	185

Source: Education for All Global Monitoring Reports

By far the greatest amount of donor assistance to education in Pakistan comes in the form of project aid. This combines technical assistance and financial assistance. Some donors, notably Canada and Germany have given debt swaps earmarked for education. Canada has given debt relief at federal level, for teacher training and Germany has given this to Punjab and NWFP, dependent on expenditure levels on approved projects. Belgium and Norway also granted debt swaps to Pakistan for funds for the Pakistan Earthquake Fund, part of which went to rebuild schools and health facilities. Germany also offered a debt swap for reconstruction of schools.

The World Bank has supported the education sector in all four provinces of Pakistan. In Sindh in 2009, the WB has approved a sector investment credit of \$300 million in support of the Sindh Education Reform Programme. The EC also supports the the Sindh Education Reform Programme. In the Punjab, there have been four Punjab Education Sector Development Policy Credits, and in 2009, the WB approved a \$350 million sector investment credit in support of the Punjab Education Sector reform programme. DFID is providing parallel funding of \$67 million and it is expected that other DPs will also support the programme. In Baluchistan WB financing has taken the form of project funding through the

Baluchistan Education Forum, bypassing government systems to fund community schools and private schools directly, in response to the perceived low government capacity.

Since 2001, the Pakistan government has introduced monetary incentives to encourage the expansion of the private sector. Public-private partnerships have been seen as one solution to the poor capacity of government to improve access to quality education for the large number of out-of-school children, and also as a way of increasing resources for education from less traditional sources, including organisations who do not wish to, or are precluded from funding government directly. It is difficult to assess how much funding has gone into the private sector, either from government or from non-traditional sources. However, it is estimated that over one-third of children are educated in the private sector (see Table A.11 above). Although some of these schools are run by NGOs on concessionary terms, the vast majority are private fee-paying schools.

Pakistan is included within the scope of the FTI. However, up until this time, there has been no satisfactory way developed for addressing the endorsement process within a federal context. Pakistan has therefore not succeeded in accessing the Catalytic Fund of the FTI, but has received significant funding under the FTI's Education Program Development Fund (EPDF), slightly over \$1 million over the period 2005-7.

#### **A.4.2.2 Management Coordination and Alignment**

There have been increased efforts to coordinate donor support around EFA, in particular resource mobilisation. EFA partners have set up the EFA International Development Partners Forum (INDPF) which includes both multilateral and bilateral development partners. NGOs are also collaborating in many of the reform committees. There is, in addition, a Donor Education Group (DEG) which meets quarterly on technical matters. There are also EFA forums at national, provincial, district and local levels, comprising government, civil society and private schools.

The two WB education loans approved in 2009 identify a higher level of DP alignment around either provincial education sector reform programmes, or, in the case of Sindh, around the Sindh Education Reform Programme, with joint review missions with government, in line with Paris Declaration principles.

#### **A.4.2.3 Donor Agenda**

Pakistan is seen as a high priority aid recipient, both because of its political importance in the war against terror, but also because of its key role in achieving, or not achieving the MDGs in education at a global level. Improving gender equity is also seen as important by many donors.

However, the country is also seen as high risk, because of poor capacity and weak financial management in some provinces. There has been poor harmonisation at federal level, particularly around direct budget support, and monitoring systems are seen as inadequate to measure progress towards agreed targets effectively. Considerable donor effort is put towards managing risk and, in some cases avoiding the use of government systems.

### **A.4.3 Aid Modalities and Financing Channels—Relevance to Pakistan**

#### **A.4.3.1 Bilateral Project support**

By far the greatest portion of donor support to Pakistan still comes in the form of bilateral projects, though this has changed slowly over the last decade. Although project support is seen to reduce risk to donors, it has heavy transactions costs, and can result in gaps in

coverage of the education sector. Many donors channel their funds through NGOs, which further fragments the coordination of funding. Some districts benefit from considerable donor-funded projects, while neighbouring districts can receive nothing.

One example of substantial project support is the Baluchistan Education Support Project, funded by the World Bank. This will provide \$22 million over the period of five years (2006-2011) to community schools, the private sector and capacity building with the Balochistan Education Foundation, an autonomous body tasked with strengthening private sector provision of education in the province. The WB decided not to work with the government of Balochistan after difficulties in previous projects due to governance and capacity constraints.

There has been little support to institutional capacity building, an area where there are severe weaknesses in Pakistan. The Ministry of Education has become used to working on a project approach rather than taking a policy or programme planning perspective.

Projects are generally focused at the provincial level, and on improving service delivery. Some donors have supported teacher training at the national level, and donors have engaged with government on the development of the 2007 White Paper. However there is not strong leadership from government at the federal level, and the education group has not been a strong force for promoting Paris Declaration principles.

### **A.4.3.2 Programme Support**

Major bilateral donors are working towards supporting a SWAp in NWFP, under the coordination of GTZ. This involves developing a provincial level capacity development programme. This is still at an early stage, but is more in keeping with Paris principles. It has encouraged donor coordination around the NWFP reform programme, and should allow for more effective aid, in terms of predictability of funding, more efficient allocation and greater alignment of donor support with provincial government plans.

Under GTZ support, a costed draft sector plan has been drawn up by the Department of Elementary and Secondary Education which aims to increase access to education while reducing the gender gap. The World Bank supports the NWFP through a development policy credit, a significant proportion of which goes to the education sector. Tranches of the programme are disbursed initially on completion of a number of prior actions agreed with government, and subsequently by a number of agreed triggers. In education the triggers include the development of an institutional framework for teachers, and the establishment of stipends for girls enrolled in poorly performing districts.

The World Bank gives programmatic sector support in Punjab, in the form of a sector investment credit totalling \$350 million over three years. The funding is in support of the Punjab Education Sector Reform Programme (PESRP), will be disbursed against eligible education budget lines up to given amounts if pre-specified disbursement-linked indicators (DLIs) are met. Specifically the funding can be used for, among other areas, paying salaries of teachers and education sector staff, girls' stipends and the school council recurrent budget. The programme document identifies 10 DLIs, with annual targets, and eight of these must be met to qualify for the next year's disbursement. As the programme was only approved in June this year (2009) there is as yet no information as to how well the reporting processes are working.

### **A.4.3.3 Sector Budget Support**

In Sindh province, the EC and the WB have worked together with the government of Sindh to develop support to the Sindh Education Reform Programme (SERP). There are many

similarities to the Punjab sector investment credit, in that there is a matrix of ten DLIs which will be the trigger for disbursement by both EC and WB. There will be at least two joint review missions a year, and disbursement will be proportionate to the number of DLIs achieved. One DLI, relating to the implementation of merit-based recruitment of public school teachers, is sufficiently important that it is a pre-condition for any disbursement, a global pre-condition. In the absence of this DLI being achieved, there will be no disbursement from either organisation.

#### **A.4.3.4 Debt Swaps**

Debt swaps have benefited Pakistan at a federal level, in that they reduce the cost of servicing debt which is an ongoing burden on the federal budget. However, depending on the exact form of the debt swap agreement, there may be a commitment to match part or all of the debt swap with earmarked funding at the provincial level, which is responsible for service delivery. The German debt swap agreement requires that half the total amount of the debt swap is spent in Punjab and the NWFP on projects for elementary education approved by the German authorities. A later debt swap agreement focused on reconstruction in the NWFP after the earthquake, for reconstruction of schools and other infrastructure. A debt swap secretariat has been set up in the Ministry of Finance to ensure that the appropriate budget appropriations are made centrally and passed on to the provincial finance departments.

#### **A.4.3.5 Public Private Partnership**

Although Government partnerships with the private sector are not, strictly speaking either an aid modality or a financing mechanism, they are included in this section because they were seen as an important way of improving service delivery and bringing in additional finances.

The Education Sector Reform programme of 2001 identified the enormous challenges facing government to reduce the disparities in education attainment on the basis of income, region and rural/urban divide. The programme, in addition to the standard measures of increasing resources, both human and financial, sees investing in public-private partnerships as a primary strategy to be adopted to address challenges of access quality and equity (Bano, 2008). The MOE pledged to create an enabling environment for the growth of PPPs, in particular with NGOs and the private sector. No mention was made of madrasas, which were seen as needing reform, rather than potential partners.

A number of different models were developed within Pakistan. *Adopt a School* is one model, started by the Sindh Education Foundation, whereby a non-state actor, usually an NGO or not-for profit organisation takes responsibility for a government school. This can focus on infrastructure, on improving teacher training, or even taking over the management of the school. The government ideally wanted the organisation adopting the school to take over the financial costs of the reform and become a resource provider. In some cases this has happened. Idara-Taleem-o-Aagahi (ITA), an NGO, has a Whole School Improvement programme, whereby it becomes involved for 2-3 years with a government school to address infrastructure and teacher training. This has required ITA to build relationships with government officials at the district level. ITA has taken care to engage formally with government and has developed Memoranda of Understanding with government (ESRC NGPA, 2008). ITA brings in funds from expatriate philanthropists, multinational companies and other donations, but also runs non-formal schools which are funded by donor agencies, implements projects for UN agencies and also delivers services for government under contract. It is difficult to assess how much additional funding the NGO brings into the education sector, but this particular NGO does appear to be able to tap into the increasing funding available from the corporate sector under their social responsibility programmes.

The Sindh Education Foundation itself has 150 schools in its portfolio (Bano, 2008) and helps philanthropists and small NGOs adopt schools. USAID has supported a national level NGO, the Pakistan Centre for Philanthropy to administer a programme which puts together businesses, who provide funding and NGOs who implement the programme at individual school level.

There are other forms of PPP in Pakistan. An upgrading of schools through community participation project allows the private sector or NGOs to commit to upgrading a government school and in turn use the premises for running an afternoon school as a second shift, or an advanced school session. In theory this would save the government the costs of upgrading. However it has failed to attract many partners and where this has happened there have been disputes over cost-sharing.

The PPP was adopted as a federal programme, and education foundations were designated at the provincial level as the main government agencies to implement this policy. The Punjab Education Foundation has focused on working with the private sector, whereas the Sindh Education Foundation has rather worked with NGOs.

Overall, the PPPs developed in Pakistan have shown limited possibilities for addressing the basic capacity limitations which led to government adopting the PPP programme in the first place. For example, the Sindh Education Foundation, one of the biggest players in this area, only has 165 schools adopted out of 28,854 primary schools in Sindh (Bano, 2008). NGOs depend mainly on donor funds, and this limits the number of schools and the sustainability of the programme. There are concerns that the schools being adopted or upgraded are the better schools, particularly where the private sector is the main implementer. Private schools have not, in general, addressed issues of equity, and have only limited impact on overall school quality.

The government saw PPPs as a way of increasing the resources going to the education sector, and did not set up processes whereby NGOs and private schools could become active partners in improving the quality of the education provided. This has reduced the incentives for these organisations to engage in PPPs. In addition, there appear to have been tensions between the public and private sector, with government officials regarding NGOs in particular with distrust. (The minister who introduced the 2001 policy was from an NGO background, but when she departed, the climate for partnership worsened.)

The three-level structure for managing education in Pakistan has meant that it is difficult to get a full picture of how much has been brought to the sector by PPPs. Most private partners either engage at the provincial level through the Education Foundations which are semi-autonomous bodies, or purely at the district level.

### **A.4.3.6 FTI**

Pakistan was one of a number of countries with large out-of-school populations invited to participate in the FTI to receive analytical and technical support to enable them to potentially qualify for FTI financing. However, when the government explored the possibilities more actively in 2004, the nature of financing in Pakistan, where the responsibility does not lie with the Federal government, but rather with the provincial government meant that the country model being used by FTI was inappropriate. To access funds under the Catalytic Fund, Pakistan would have to have a national education sector plan endorsed by its local development partners.

Pakistan has received funds under the Education Program Development Fund. This has been tailored at the provincial level and has covered technical support to school councils, to

the Sindh Reform Programme, to various surveys and to an impact evaluation of the public private partnership in Sindh, which started in 2009.

#### A.4.4 Summary

**Table A.13 Summary of Aid Modalities and Financing Channels**

<b>Modality</b>	<b>Relevance to Pakistan</b>	<b>Disadvantages</b>
<b>Bilateral Project Support</b>	<ul style="list-style-type: none"> <li>• An important source of ODA particularly at provincial level and has been seen by donors as a lower risk option in the absence of a strong central policy framework</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of coordination</li> <li>• Uneven spread of projects geographically</li> </ul>
<b>Programme Support</b>	<ul style="list-style-type: none"> <li>• Introduced where donors have some experience of working with provincial governments and where there is a sector reform programme</li> <li>• Potentially quick-disbursing if satisfactory monitoring and audit is achieved</li> </ul>	<ul style="list-style-type: none"> <li>• For the provincial government disbursement is dependent on achieving the DLIs. Also a satisfactory annual audit is required</li> <li>• WB procurement processes are often time consuming</li> <li>• Where more than one donor gives programmatic support, there may be multiple reporting formats and requirements</li> </ul>
<b>Sector Budget Support</b>	<ul style="list-style-type: none"> <li>• Support to a well-developed provincial education plan</li> <li>• Should reduce transactions cost to the provincial government, by establishing joint monitoring and reporting mechanisms</li> <li>• Has potential for other development partners to join</li> </ul>	<ul style="list-style-type: none"> <li>• High levels of financing dependent on achievement of a small number of DLIs</li> </ul>
<b>Debt Swap</b>	<ul style="list-style-type: none"> <li>• Reduces debt burden</li> <li>• Can be a quick way for donors to allocate funds e.g. for reconstruction, particularly if there is a precedent</li> </ul>	<ul style="list-style-type: none"> <li>• As opposed to debt relief, the federal government has to allocate matching funds to the provincial level and put in place some form of monitoring to comply with the debt swap agreement</li> </ul>
<b>FTI</b>	<ul style="list-style-type: none"> <li>• Has provided funds for specific capacity building projects</li> </ul>	<ul style="list-style-type: none"> <li>• FTI secretariat has not managed to adapt endorsement process to the federal system</li> <li>• Process is very dependent on local donor commitment</li> </ul>

## **A.5 Sierra Leone**

### **A.5.1 Background**

Two decades of government corruption, including the mismanagement of diamond resources, coupled with the Liberian conflict spilling over into Sierra Leone, led to civil war in Sierra Leone in 1991. The civil war was brutal and between 1991 and 2002 when the conflict ended, 50,000 people died and 2 million were displaced. The root of the unrest was the absence of accountability of the highly centralized government, rampant corruption and a marginalized and alienated citizenship, particularly young people. The country saw most of its social, economic and physical infrastructure destroyed. In 2006 Sierra Leone was ranked 176 of 177 countries in the UN Human Development Index (HDI) (EC, 2007).

#### **A.5.1.1 Fragility in the context of Sierra Leone**

The main source of recent fragility has been the concern that many of the underlying causes of the 1991 conflict (particularly an alienated citizenry) still remain (EC, 2007). There is still a significant divide between Freetown and the rest of the country. There are also large numbers of internally displaced people, as well as illiterate and unskilled youths, and a very high unemployment rate, which was considered one impetus for the 1991 civil war. Furthermore, instability in the region (especially in Liberia and in Guinea) means that there is a risk of these conflicts once again spilling over into Sierra Leone. In the context of education, women and children were greatly marginalized by the conflict and it is still very risky for girls to enrol in school and even to attend school as they are regularly victimized by male teachers and classmates.

#### **A.5.1.2 Education background**

During the civil war, much of the country's school infrastructure was destroyed, many teachers were displaced and delays occurred in paying salaries, there were frequent disruptions in schooling, and there has been much psychological trauma among students. Educational attainment is very low. The average years of education completed for males aged 15 years or older is 4 years and that for females is less than two years (World Bank, 2007). Since the end of the civil war, however, much progress has been made in restoring service delivery and enrolments have expanded rapidly, to over 100% as older children have returned to school to take advantage of the government's free primary education policy. This has led to increased demand for higher levels of education.

The primary gross completion rate almost doubled between 2001/02 and 2004/05 from 33% to 65%. The survival rate is only 50% (those completing the sixth year without repetition), 70% of primary completers move to Junior Secondary School (JSS) and only half of JSS completers enter Senior Secondary School (SSS). Approximately 25% of primary school students are enrolled in government schools, 70% are enrolled in government assisted schools primarily administered by religious bodies, and the remaining 5% are enrolled in private schools (World Bank, 2007). The Complementary Rapid Education for Primary Schools (CREPS) and the Rapid Response Education Program (RREP) were developed by the Ministry of Education, Science and Technology (MEST) in 2000/01 to enable individuals whose education had been disrupted to resume schooling. The programme includes 3 years of primary education, and entry into JSS upon passing an entrance exam. CREPS is being phased out as students are absorbed into the formal educational system.

**Table A.14 Gross Enrolment Rates (GER)**

Year	Based on MEST data				Based on surveys and population census			
	Primary	JSS	SSS	Tertiary	Primary <sup>a</sup>	JSS	SSS	Source
2001/02	89	23	7	2	—	—	—	
2002/03	131	38	12	3	—	—	—	
2003/04	146	39	12	4	123	50	32	SLIHS
2004/05	162	44	14	4	104	41	22	Population Census

Source: World Bank, 2007

The large values of the GER are due to many older children re-joining the education system; the NERs are much lower. The Poverty Reduction Strategy Paper (PRSP) prepared in 2005 emphasizes human resource development (it is the third pillar of the strategy). The EFA and MDG objectives are emphasized in the education sector and the government allocates a large portion of public expenditure (almost 20% annually) to education (World Bank, 2007).

## A.5.2 Aid Delivery

### A.5.2.1 Aid modalities and financing channels

Sierra Leone is an aid darling; it receives a disproportionately high amount of aid than poverty and governance levels would predict. Aid levels have also been increasing since 2003. However it is also a country with very volatile aid. Fluctuations in aid have been equivalent to 9% of GDP (OECD, 2007). Approximately 40% of the government's overall budget comes from external support (World Bank, 2007). This includes HIPC funds, project support and budget support, and more recently, funds from the Education for All - Fast Track Initiative (EFA-FTI) Catalytic Fund (CF).

The largest proportion of total support to Sierra Leone is project support given through Ministries and Departments (MDAs). For example, in 2006 it comprised 36% of total support, followed by aid provided through NGOs and INGOs (26%) and then budget support (16%) (DACO, 2006). Much of this aid in the education sector is provided for school construction and rehabilitation. However, the breakdown by sector for aid provided through MDAs and NGOs is very difficult to tease out from the data. Sweden supports the education sector specifically. Funds were previously channelled through the UNDP with mixed results (Ministry for Foreign Affairs Sweden, 2009). The Dutch government contributes to the United Nations Consolidated Appeals Process (CAP) and this has assisted in developing conflict policy framework (Brannelly et al, 2009).

The largest multilateral donors to education are the World Bank (through the IDA), the African Development Fund, and the EC. The largest bilateral donors are the UK (through budget support), Germany and Norway (World Bank, 2007). The majority of donor funding for education is aimed at basic education (over 90% in 2002 and 2003 and 75% of 2004 commitments).

General Budget Support (GBS) began in 1999 from the EC, which committed 34.7 million Euros over five years. This included fixed and variable payments to the education sector. There were initial delays in disbursements, but in 2003 a 'Matrix of Corrective Measures' was agreed upon to improve Public Financial Management (PFM) and avoid such delays. DFID provided 30 million pounds in general budget support from 2001-04, followed by the signing

of a ten year Memorandum of Understanding (MOU) in 2002 in which another 10 million pounds was committed annually, plus 5 million pounds of performance based annual tranches was committed. The World Bank also provided budget support under a Poverty Reduction Strategy Credit (PRSC), co-financed by the African Development Bank (AfDB) (IIEP, 2008).

GBS plays a significant role; it has been consistently above 26% of discretionary recurrent and domestic capital expenditure. It has permitted substantial increases in public spending (Lawson, 2007).

Sierra Leone also receives pooled funding from the EFA-FTI CF (Brannelly et al, 2009). Sierra Leone was endorsed in 2007, and a disbursement of US \$0.06 million was made that same year (OECD, 2007). A commitment of US \$13.9 million was made by the CF in 2008 but as of September 2008, no disbursement had yet taken place (FTI Secretariat, 2008).

There is also a significant NGO presence. The IRC has worked to make sure that teachers trained while they were refugees are recognized for this on repatriation. Sierra Leone is also part of the Healing Classrooms Initiative which seeks to support teachers in creating supportive learning environments for children to help them cope with the experiences of conflict (Brannelly et al, 2009). Private foundations such as the NoVo Foundation contribute to the education sector through INGOs. The NoVo Foundation awarded US \$15 million over six years to support the IRC's work with children and youth in West Africa (Sierra Leone being one of four countries) to provide teacher training, school construction and vocational training (Brannelly et al, 2009).

Save the Children UK began working in Sierra Leone during the emergency period in 1999 as civil war was coming to an end. In response to requests from communities to support schools, an education assessment was carried out in 2005. Conducting a needs assessment is part of DAC principle 1 (take context as the starting point). A planning process was carried out, resulting in one integrated programme. The programme receives joint funding from DANIDA (290,000 pounds) via Save the Children Denmark, a private British donor (206,000 pounds) a Danish TV collection (100,000 pounds) and Novo Nordisk (22,000 pounds). The objective is to improve the quality and safety of schools and build capacity of the MoE (Brannelly et al, 2009). Access to Save the Children funds begins with a country requesting assistance. Save the Children UK will first check that it has the capacity to take on the initiative and if not it will partner with other Alliance members (as it did with Save the Children Denmark in Sierra Leone) (Brannelly et al, 2009).

Sierra Leone is also a HIPC completion point country. The Fund has applied its exceptional circumstances limit for Sierra Leone to align the provision of HIPC interim assistance with the profile of their debt service to the fund. The government began to receive HIPC debt relief in 2002. The World Bank, the AfDB, the UK, the EC, the Islamic Development Bank and others agreed to fund programmes in support of strategic sectors, including education (World Bank, 2007). The country has received more than 75% of the expected debt relief from non-Paris club creditors (HIPC, 2008). Debt relief amounts to approximately \$40 million US per year (World Bank, 2008).

Table A.15 Debt Service

**Table 2 (continued). Debt Service of 33 Post-Decision-Point HIPC, 2001-2012**  
(In millions of U.S. dollars, unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
							Prel.	Projections				
Sierra Leone												
Paid	94.2	14.3	14.3	24.5	25.9	18.6	15.0	---	---	---	---	---
Due after enhanced HIPC Initiative relief 1/	---	---	---	---	---	---	---	41.1	45.5	52.6	52.7	41.3
Due after MDRI	---	---	---	---	---	---	---	11.9	12.5	13.4	13.3	15.3
In percent of export	73.0	8.7	6.2	9.9	8.9	5.2	4.3	9.2	7.6	5.8	5.4	5.2
In percent of GDP	11.7	1.5	1.4	2.3	2.1	1.3	0.9	1.5	1.3	1.4	1.2	1.3

Source: HIPC

A Debt Sustainability Assessment conducted in June 2008 characterized the country's risk of debt distress as 'moderate' (HIPC, 2008). As mentioned earlier, there is also a PRGF supported program, for which a second review was completed in July 2008. Sierra Leone also received full cancellation of debt outstanding to IDA under the Multilateral Debt Relief Initiative (MDRI) (IDA, 2007). However, government revenue is very low, only 10.8% of GDP (OECD, 2007). Table 3 outlines donor provision of aid to the education sector (this excludes NGOs).

Table A.16 Aid to the education sector (constant 2003 USD millions)

	2000	2001	2002	2003	2004
Total education commitments	26.2	26.2	27.7	69	16.2
Multilateral commitments	0.2	0.3	24.3	55.9	0.4
Bilateral commitments	1.5	7	3.5	3.8	7.7

Source: World Bank, 2007

Note: Total commitments includes multilateral and bilateral commitments, plus 17% of general budget support dedicated to education (which is the figure for 2004 and has remained quite constant).

### A.5.2.2 Management and administration of GBS

When GBS began, both the EC and DFID had separate agreements with the government. For example, DFID signed a 10-year Memorandum of Understanding with the government in order to deliver its budget support. As the other two donors to budget support (the World Bank and the AfDB) joined in, there was a move towards joint management. In 2006 a first joint annual review of budget support was held and later in the year, the four donors signed a joint MoU and prepared a shared Performance Assessment Framework (PAF) (Lawson, 2007). The PAF is a matrix of targets and triggers and this is what is monitored and future disbursements are based on. The targets are simply goals that the government and donors would like to meet. The triggers carry financial consequences. The performance based tranches are conditional on meeting these triggers. However, the role of DFID's MoU is now a source of confusion (Lawson, 2007).

### A.5.2.3 Coordination and alignment

There is increasing harmonization among the four budget support donors around PFM but there is less progress in other sectors and several donors prefer to provide stand-alone assistance (EC, 2007). As mentioned previously, the first joint review of budget support was held in 2006. The highest level forum for aid negotiations is the Consultative Group (CG) meeting, and this is supposed to be a venue for negotiations between partners. However, it has often been noted as being one sided. Rather, the Development Partners Committee

(DEPAC) meetings have been more fruitful sources of dialogue (Eurodad, 2008). There are also pillar working groups for each of the pillars of the PRSP, the relevant one for education being pillar 3, human development. Civil society is quite fragmented; umbrella groups and communication networks between organizations are also quite weak (Eurodad, 2008).

Alignment is reasonably high in this context, as the government displays a high amount of political will for development and has set out national and sector plans. Budget support is directly aligned to the PRSP. The PAF is based on the PRSP, but it has been noted that many of the PRSP targets came directly from previous aid agreements with donors (Eurodad, 2008). Thus, the extent of ownership may be questioned. In terms of project support, Sweden's overall goal for support to Sierra Leone is 'poverty reduced to the level of 1990' which is directly from the PRSP (Ministry for Foreign Affairs, Sweden). Sweden also claims to support the education sector strategy. Finally, Save the Children's education plan was aligned to the national EFA plan (IIEP, 2008).

### **A.5.2.4 Donor agendas**

There are a lot of conditionalities, particularly with regards to budget support, with a total of over 100 targets to be achieved in the PRSP results framework (32 of which are included in the PAF). Donors seem to refuse to let go of their priority areas, but this is improving as donors move towards a more streamlined framework (Eurodad, 2008). Due to perceived fiduciary risks, the EC and DFID tried to put in a maximum amount of safeguards - the performance based tranches being an example. This way, there was regular political input from London into the budget support process. This resulted in reduced predictability of disbursements (Lawson, 2007).

## **A.5.3 Aid Modalities and Financing Channels– Relevance to Sierra Leone**

### **A.5.3.1 Direct Budget Support**

Lawson (2007) found that budget support had a positive impact on institutions and had been key to restoring credibility to the national budget. There was a shift from off budget to on budget decision making, with increased policy focus on strategic issues rather than at the project level (IIEP, 2008). Budget support results in lower transactions costs for donors and government, as there is one coherent set of targets to achieve and monitor (Pekuri, 2006). Furthermore, it uses national budget processes and this is key to restoring faith in the national budget and in increasing accountability. The Development Assistance Coordination Office (DACO) of the government reports that it finds DBS the most useful tool for the implementation of the PRSP since it supports the annual budget and allows improved allocation of resources across sectors, and prioritization of expenditures in the budget (DACO, 2006). Using government systems can also strengthen PFM systems and increase democratic accountability (if the government then responds to citizens' demands). In Sierra Leone, some improvements have been made in PFM, but not as many as donors hoped. Corruption is still very prevalent.

Budget support can assist in resuming service delivery after a conflict through increased public spending (especially payment of salaries). The EC and DFID both note having decided on budget support due to the lack of domestic revenue after the war and the urgent need to pay public sector workers so that they could start to deliver basic services (EC, 2007). This assumption was substantiated as the amount of recurrent spending on education increased substantially once budget support began and this was combined with substantial increases in enrolment over the same period (Lawson, 2007). However, delays in disbursements can interrupt service delivery. There was some non-disbursement in 2003 from the EC and AfDB (only 62% of commitments were disbursed) (Lawson, 2007) and

disbursements were also delayed in the same year. The cost of unpredictable disbursements is the crowding out of productive public expenditures and undermining of the quality of service delivery due to domestic debt servicing.

Budget support can also help to improve coordination and can make aid more predictable. It also has a scope for longer-term engagement, and the 10-year MoU between DFID and the new government helped to boost confidence in the government (Lawson, 2007). However, timing is important and did not always match the needs of the government. None of DFID's commitments were for the first quarter, but it is essential for the government so that no shortfall is experienced and so that the government can plan for the rest of the year (Lawson, 2007).

There are also fiduciary risks; there is still a great deal of corruption. The late disbursements may be evidence of distrust, since the government continues to miss performance tranche benchmarks and as a result, either fixed tranche conditions are being increased or donors are becoming more bureaucratic in their interpretation (Lawson, 2007). However, steps have also been taken to reduce corruption and increase the accountability of the government. The MDBS MoU resulted in the government creating a joint GoSL/Civil Society talk force to lead the Service Delivery Perception Survey, which was conducted in 2006/07 (Lawson, 2007). Public Expenditure Tracking Surveys (PETS) have also been carried out.

#### **A.5.3.2 Bilateral Project Support**

Project support aid commitments can be difficult to capture and tend to be much more volatile (in 2006 less than 40% of project aid committed was actually disbursed) (DACO, 2006). Furthermore, most of these funds are not reflected in the government budget. Alignment is also difficult but it is possible, as the case of Sweden demonstrates. The case of Sweden also demonstrates the difficulties in coordination. There is no Swedish office in the country and staff from Sida must make regular visits to Sierra Leone instead (Ministry for Foreign Affairs Sweden, 2009). Thus, they may not be present for all stakeholder meetings.

Project support is largely the result of mistrust of government procedures. Because of corruption, patronage politics and weak government institutions, many donors were very distrustful of the government and thus preferred to manage a large number of projects themselves, with limited interaction with government institutions. Instead, project implementation units (PIUs) are set up. This often neglects the power structures in the communities (Eurodad, 2008). The Swedish country strategy paper notes that flexibility is key and if necessary funding modalities should be easily switched (Ministry for Foreign Affairs Sweden, 2009).

Engagement with civil society can potentially be promoted through project support. Civil society and citizens are being encouraged to participate in decentralization through projects such as DFID's support to Enhancing Interaction and Interface between Civil Society and the State (ENCISS) and the EC's Accountability Mechanism Project (EC, 2007). DFID funds ENCISS and CARE manages it, but it has had limited relevance (Eurodad, 2008). The EC and DFID are also trying to support decentralization, in order to restore legitimacy to the government, but progress has been hampered partly by limited capacity at the council level (EC, 2007).

#### **A.5.3.3 FTI**

\$3 million were disbursed from the FTI CF in August 2009. Consequently, any impact cannot yet be ascertained. A positive step has been that a sector programme was prepared

which allowed Sierra Leone to be endorsed. However, the time between grant allocation and the signing of the grant agreement has been excessive: 541 days (FTI Secretariat, 2008).

#### **A.5.3.4 NGO Project Support**

Government capacity, accountability and ability to exert its authority is very limited outside of Freetown. Access to services, and particularly education, is seen by the government as an important means to ensure that citizens do not feel alienated as they did before the civil war. NGOs have been essential for service delivery in such areas (DACO, 2006). However, this form of aid is not on the government budget sheets, so at times it makes it difficult for the government to plan so as not to duplicate work. For certain types of interventions (for example, teacher training) the scope of individual NGOs is small so a nation-wide strategy is not feasible. For example, the IRC is supporting 125 teachers to obtain teaching certificates via distance learning (IRC, nd). This is quite a small proportion of the untrained teachers in the country.

NGOs in Sierra Leone have also demonstrated that they can play an important part in coordination, can contribute to capacity building, and can engage effectively with the government. Save the Children UK's programme includes a capacity building component at the national and district levels and the MEST has been involved in all local level training. Support has also been provided for institutional and functional capacity (such as the provision of motorbikes) that the ministry needs in order to carry out its work. Save the Children UK also sits on many high-level committees at the national level to assist with coordination. It reports activities to the MEST every quarter at the national level and every month at the district level. Plan, Concern and the IRC are other NGOs that also sit on similar committees in Freetown (Brannelly et al, 2009).

The IRC also supports capacity building; it is supporting rural Junior Secondary Schools in Sierra Leone through the capacity building of local education authorities, school institutions and teachers. To foster the improvement of education quality, the IRC supports MEST officials in the monitoring and supervising schools and supports teacher training. The IRC also facilitates teacher training in participatory methodologies, curriculum development, school and classroom management, health education, and financial management, and in providing appropriate educational and psychosocial support to children and youth (IRC, nd).

The relationship between CSOs and the state is characterized by a lack of trust. However, NGOs often work closely with them and many of them are funded by NGOs (Eurodad, 2008). Thus, NGOs can support civil society when there is a poor relationship between civil society and the state.

#### **A.5.3.5 HIPC**

According to the government Debt Management Office, HIPC funds spent between 2002 and 2005 contributed significantly to service delivery in education, particularly girls' education, school fee subsidies to primary schools, an increase in scholarships to universities, and an increase in the teachers on the payroll from 17,000 to 31,000 (Eurodad, 2008). HIPC targets helped to ensure that priority spending was protected. Even though there were shortfalls in resources in 2005, the education spending target was met by reducing non-priority spending (IMF, 2007). This demonstrates government commitment. The MDRI will create room to absorb additional donor assistance in the form of concessional loans without undermining debt sustainability (EC, 2007).

Access to HIPC debt relief has also resulted in some positive institutional reforms. The government has undertaken PETS studies in the education (and health) sector, it has

encouraged devolution of functions in education to support the process of decentralization, and it has introduced anti-corruption committees (including in education) (IMF, 2007).

#### A.5.4 Summary

**Table A.17 Summary of Aid Modalities and Financing Channels in Sierra Leone**

<b>Modality</b>	<b>Relevance to Sierra Leone</b>	<b>Disadvantages</b>
<b>DBS</b>	<ul style="list-style-type: none"> <li>• Can help to restore credibility to the national budget</li> <li>• Lower transactions costs to donors and government</li> <li>• Allows for improved allocation and prioritization across sectors</li> <li>• Can assist in resuming service delivery after a conflict (particularly, by contributing to salaries)</li> <li>• Potential for long-term engagement</li> <li>• Distrust of the government can be reduced by tying budget support to institutional reforms</li> </ul>	<ul style="list-style-type: none"> <li>• Delays in disbursements can hinder service delivery</li> <li>• Unpredictable disbursements can lead to domestic debt financing and thus crowding out of productive expenditure</li> <li>• Timing of disbursements must be aligned to the needs of the government</li> <li>• Impact on improvement of PFM systems has been slow</li> </ul>
<b>Project Support</b>	<ul style="list-style-type: none"> <li>• Alignment is possible</li> <li>• Relationship between the state and civil society can be strengthened with targeted projects, as can decentralization (potentially)</li> </ul>	<ul style="list-style-type: none"> <li>• Tend to be volatile; disbursements are low</li> <li>• Not always captured on the government budget, making planning difficult</li> <li>• Coordination with other donors can be difficult if there is no country office</li> </ul>
<b>FTI</b>	<ul style="list-style-type: none"> <li>• Sector programmes are prepared for endorsement, this can help planning in the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Slow bureaucratic practices</li> </ul>
<b>NGO Project Support</b>	<ul style="list-style-type: none"> <li>• Essential for service delivery in areas where government capacity and authority is weak</li> <li>• Can support capacity development</li> <li>• Can contribute to coordination by sitting on high level committees</li> <li>• Can also contribute to capacity building (albeit on a small scale)</li> <li>• Can work with civil society, for example, by funding it</li> </ul>	<ul style="list-style-type: none"> <li>• Not captured on the government budget, making planning difficult</li> <li>• Tend to be small in scale</li> </ul>
<b>HIPC</b>	<ul style="list-style-type: none"> <li>• Frees up funds for service delivery</li> <li>• Can create room for the country to absorb additional donor assistance</li> <li>• Can encourage positive institutional changes</li> </ul>	

## **A.6 Somalia**

### **A.6.1 Background**

In 1991, President Barre was ousted by combined northern and southern clan-based forces that were backed and armed by Ethiopia. The resulting civil war disrupted agriculture and food distribution. The basis of most of the conflict was clan allegiances and competition for resources between the warring clans. The conflict also resulted in a famine that left 300,000 dead. Fighting between the Ethiopian-backed government and the Union of Islamic Courts (UIC) still continues. The viability of the Transitional Federal Government (TFG), which was formed in 2004, remains uncertain as its legitimacy is continuously being challenged by warring clans. A national reconciliation conference supported by the UN, was held in Djibouti in June 2008. There have been fourteen failed peace talks. Somaliland and Puntland are relatively more autonomous and stable, with Somaliland having declared its own independence in 1991 (this has not been recognized by the international community). Both Somaliland and Puntland have their own legal and administrative systems. Due to the undemocratic nature of the previous centralized governments, decentralization has been seen as the legitimate response and it is the regions that are responsible for service delivery.

#### **A.6.1.1 Fragility in the Somali context**

There is effectively no functioning government in Somalia and civil unrest is a major obstacle to development (Berry, 2009). Continued fighting and the lack of a legitimate government are the two main sources of fragility. The Transitional Federal Government still faces attacks from Islamic militants, and an ongoing conflict with Ethiopia. There is still a great amount of kidnapping, robbery and extortion. For education this means that there is no framework for the sector, and no centralized state-provided service delivery. This is a low will, low capacity environment. The situation is particularly severe in South Central Somalia, where service provision is fragmented and ad hoc due to lack of security and institutional structures (EC, 2007).

#### **A.6.1.2 Education background**

During the civil war, the education sector was almost completely wiped out. School buildings were demolished and education materials looted (UNICEF, 2005). Two generations of children had no real access to education. Due to the lack of central government and the fragmented nature of the education sector between (and even within) regions, obtaining accurate data is very difficult. Different sources give very different numbers: for the 2003/04 school year, the EC estimated that the primary GER was 22% (EC, 2007) and the UN estimated it at 28% (UN, 2008), and DFID estimated it at 14% (DFID, 2004). The various sources are consistent in the estimation that only about one third or less of those enrolled are girls, and that actual attendance rates are much lower. Furthermore, enrolment is higher in Somaliland and Puntland than in the Central/Southern zone (Lindley, 2005).

More recently, however, progress has been steady. Thousands of schools have been opened (or re-opened) and many children have been enrolled. Table A.18 presents selected education indicators for 2007.

**Table A.18 Education Sector Indicators, Somalia**

<b>2007 Regional Average</b>		<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
<b>GER</b>	Total	99	34	6
	Male	104	37	7
	Female	94	30	4
<b>NER</b>	Total	73	27	
	Male	76	29	
	Female	71	24	
<b>Adult Literacy</b>	62.3			
<b>Youth Literacy</b>	73			

Source: UNESCO Institute of Statistics (UIS)

Access to education is limited to those that can afford the direct and indirect costs of schooling, as school fees have not yet been abolished (except in Puntland where education is now free and teachers are paid by the administration). The fees range between USD 1 and 3 per month (Hare, 2007). There is a large nomadic/pastoralist population for which enrolment has been particularly difficult. Radio programmes have become a way for adults to acquire literacy (EC, 2007).

## **A.6.2 Aid Delivery**

### **A.6.2.1 Aid modalities and financing channels**

Somalia is one of six countries with a high proportion of out-of-school children who receive a disproportionately low amount of aid to basic education per primary school-aged child (Brannelly et al, 2009) and aid has also been very volatile. Aid mostly consists of emergency aid (Leader and Colenso, 2005). In the education sector, the predominant modality has been project support. There is also a preponderance of 'delegated cooperation' whereby donors express their interest in supporting a particular sector (or subsector or project) and entrust another donor/agency to implement the activities by channelling funds through it.

There are five major donors supporting the education sector in Somalia. These are Denmark (Danida), the European Commission (EC), Italy (Italian Cooperation), the United Kingdom (DFID) and the United States (USAID). The EC is the biggest one (Smith et al, 2009). Most donors channel their funding to the UN or NGOs (EC, 2007). The UN has established an annual Consolidated Appeal Process (CAP) to secure funding from UN agencies and NGOs for programmes in Somalia. In 2008 for example, USD 9.05 million was secured from donors for education, which represented 42% of the requirement (UN, 2009).

UNICEF and UNESCO are the main UN agencies involved in the education sector. This is a UN-led joint approach working outside a government framework (UNICEF, 2005). UNICEF has been working in Somalia since 1992 and works in three zones, North West (Somaliland), North East (Puntland) and Central/Southern. The work focuses on primary education (formal and alternative), particularly girls' education (Berry, 2009). UNICEF has been instrumental in harnessing resources and helping to rebuild the education sector. They have re-opened schools, developed textbooks, trained teachers, and established Community Education Committees (CECs), which now take a lead role in service delivery and management (UNICEF, 2005).

The EC has also been working in Somalia since the early 1990s and focuses on basic education, teacher training and vocational/life skills training for disadvantaged youth. All 13 of the EC's education programmes disburse funding through INGOs and this has been found to be more effective (including cost effective) in delivering services than the UN agencies. The projects were worth 29 million Euros, and half of the funding was targeted at basic education (Brannelly et al, 2009).

There is also a very large NGO presence. Along with the UN, they have also been instrumental in service delivery. Save the Children UK has been working with regional education authorities to strengthen capacity and provide a basis for state building for when a formal national government is formed. They also work at the community level with teachers and students to encourage accountability. The programmes have been more successful in places where government structures are more established than where there is on-going conflict. However, Rose and Greeley (2006) have noted that this may not be sustainable; there is lack of clarity of the role of government that goes beyond the scope of an NGO. The IRC has also been involved in education.

The case of Somalia demonstrates the important role that the diaspora plays in funding both the direct and indirect costs of education, both through family remittances and charitable donations to education organizations and also directly to public and private schools (Lindley, 2005).

Aid numbers are very hard to capture due to the fragmented nature of support to the sector. Table A.19 presents aid to education in Somalia from DAC countries, but it certainly does not capture the full volume of funding flowing to the education sector.

**Table A.19 Aid to Education from DAC countries (USD millions)**

	1999	2000	2001	2002	2003	2004	2005	2006
<b>All levels</b>	7.0	1.7	18.1	4.2	3.5	16.0	5.0	6.0
<b>Basic education</b>	0.1	0.8	1.0	3.4	1.4	4.5	3.0	5.0

Source: EFA Global Monitoring Report, 2006 and 2008

Funding in the sector is now leaning towards pooled funding, however, budget support is still not possible.

#### **A.6.2.2 Management, coordination and alignment**

The EC and INGOs have been working with local or regional educational authorities in a shadow aligned way (Brannelly et al, 2009). Most stakeholders were previously part of the Somalia Aid Coordination Body (SACB). UNICEF was instrumental in this body; it coordinated programmes, facilitated the sharing of information and formulated guidelines for programming. However, the SACB was located in Kenya so there was only limited coordination on the ground. Somali organizations were also not part of the SACB, and this limited its relevance (Berry, 2009). UNICEF used the SACB to develop common approaches, facilitate partnerships, and raise resources from donors and international NGOs. However, a UN study found that much of what was agreed upon in Nairobi, either broke down through lack of communication or was not very relevant to the field (Sen et al, 2002).

In 2005 the international community and the transitional government began to prepare a medium-term development plan for Somalia. As a first step, a comprehensive joint needs

assessment (JNA) was prepared in 2006, drawing on the skills and expertise acquired from the diaspora, from within Somalia and from international agencies. The World Bank/UN-led assessment was funded by the EC and several EU Member States, and managed by a representative Coordination and Support Group chaired by the European Commission. The process included wide consultations in Somalia (EC, 2007). This process culminated in the preparation of a Reconstruction and Development Programme (RDP).

In 2006 the SACB was renamed the Coordination of International Support to Somalis (CISS). The CISS is governed by an executive committee, which is co-chaired by the UN and the World Bank, and is assisted by the Somali Support Secretariat (SSS). Membership includes an NGO Consortium, the Somalia Donor Group and the UN Country Team. Under the CISS there is an Education Sector Committee (ESC). The ESC comprises 30 organizations including donors, MoE staff and other groups. The ESC meetings are held in Nairobi, however, and this does not permit local education stakeholders to participate (SSS).

Within the donors there is some degree of coordination, but there is still very little coordination with Somali counterparts. The Somalia Donor Group meets on a monthly basis, to coordinate activities and reports to the CISS Executive Committee. The NGO Consortium of Somalia is a voluntary organization composed of international and national NGOs working in Somalia. It is based in Nairobi and in Hargeisa (Somaliland). The UN Country Team also meets on a regular basis to coordinate the actions of all the various UN organizations in the country. The World Bank participates in these meetings (EC, 2007).

Donors have found that coordination is difficult when countries are split into different zones and there is a need to coordinate separately within each zone or with governing bodies outside the country (Brannelly et al, 2009). Furthermore, there has been no sector wide strategy for donors to coordinate their programmes, but an education sector strategy is now in process. Donors have also found that a coordinated donor group that 'speaks with one voice' in a politically sensitive environment, has been beneficial (EC, 2008).

#### **A.6.2.3 Donor Agendas**

Because there is no formal guidance from the government, donors do not have any policies to align to, and thus they can easily pursue their strategies differently based on what they believe is important. Different donors work more or less in certain zones depending on political ties and the degree to which they tend to engage in conflict areas. For example, DFID has been much more active in Somaliland, which was previously a British protectorate.

### **A.6.3 Aid Modalities and Financing Channels – Relevance to Somalia**

#### **A.6.3.1 NGO Project Support**

The EC has found that although service delivery has been effective and transactions costs are lower than through the UN, the transactions costs are still quite high (Brannelley et al, 2009). NGOs have been important providers of education service delivery, especially in risky environments. They tend to have an understanding of the Somali context and work in partnership with many donors and with the UN. The INGOs increasingly seek to coordinate with Somali NGOs. Although, their reach is often limited to a specific region, this type of service provision can be of central importance when there is no real government (EC, 2008).

However, some disadvantages to NGO service provision have also been noted. A tendency for NGOs to try to lead the show rather than work together to build a sustainable and cost effective system has been observed. Donors should be aware of the effects of highly visible projects that are seen to be distinct from government (Brannelly et al, 2009). Furthermore,

many of the (very few) qualified public sector staff leave the public sector for higher paying jobs with international NGOs. This includes teachers and other MoE staff (Sen et al, 2002). This transfers capacity within the sector, arguably where it is less effective. The project support that NGOs tend to provide is often designed to create 'islands of excellence', with the hope that these will trigger changes at the macro level. Evidence suggests, however, that such expectations have not been met and that such interventions rarely impact on the development of the important ingredients such as country-wide standards (curricula, examinations, teacher education etc.) (EC, 2008).

The importance of remittances has already been noted, as public finances are weak or non-existent. NGOs have found that they cannot really support Public Financial Management, as they do not have the reach that bigger organizations might (EC, 2007). However, many groups of people sending remittances partner with local NGOs to build schools, support teacher salaries and/or rehabilitate schools. Some of these schools have been transferred to the MoE and are now managed by government. However, Lindley (2005) has noted that when schools are supported by the diaspora giving donations in kind particularly, the origin of the support will shape what students learn. For example, British Somalis will send British textbooks (Lindley, 2005). Furthermore, such transfers are often concentrated in urban centres and do not cater for the needs of the poor (EC, 2007).

#### **A.6.3.2 UN Programmes**

Often UNICEF is seen as the preferred partner in the education sector when there is no central government. Due to its size, UN organizations are considered one of the most successful working in Somalia (Berry, 2009). UN agencies have very strong regional networks so when issues need to be dealt with at a macro level, the UN has a comparative advantage (EC, 2008). The UN has played a big role in the coordination of programmes in the country. Furthermore, if the governance situation improves, it may be easier to switch to pooled funding if funding is already primarily channelled through the UN rather than through NGOs (Brannelly et al, 2009). Furthermore, a UN country programme can be more long-term. UNICEF's education programme had to start from a zero base. Given the absence of any kind of standardization, there was a great need to establish a standardized curriculum, materials and methodology. The strategy for programming in education therefore took a longer term perspective than just responding to an emergency situation and focused on investing resources to ensure the development of high quality 'software' packages (in curriculum, textbooks, and teacher training) (UN, 2002).

UNICEF has been the key player in getting children into school. It took an almost sector wide approach. The interventions paid particular attention to girls' education and enrolment. They encouraged girls' enrolment through awareness campaigns, have featured girls in the curriculum, and trained female teachers. Another hard to reach segment has been the nomadic/pastoralist population and they have been targeted through the development of alternative education, which is better tailored to their timetables, and non-formal education, which includes single teacher learning centres (Sen et al, 2002). They have also established EMIS, monitoring and evaluation systems, a learning achievements tool, been involved with rehabilitation of schools, pre-service training of teachers, provision of school kits, etc. Coverage is not universal, but certainly much wider than what an NGO may be able to do (and finance).

UNICEF began the development of the Community Education Committees (CECs) for each school. Regional and District Education offices have very limited capacity. The CECs all include clan elders and traditional/religious leaders and this is what lends the interventions legitimacy (UN, 2002). Rose and Greeley have noted that working with CECs can help to

"support an eventual compact between government and citizens within a long-route to accountability, when some political will becomes evident" (Rose and Greeley, 2006).

The CECs have been crucial in managing schools across the country and in resource mobilization as well. Approximately 90% of schools are managed by CECs, but less than 40% have trained members (UN, 2008). UNICEF has been training the CECs in resource mobilization, administration and child tracking. UNICEF can carry out such operations in a uniform way, reducing costs and sharing experiences because of the reach of its operations. However, there is not much coordination in the sector in terms of capacity development. Nearly all programmes (NGO, UN) include a capacity development component, but sharing of experiences and practices is rare (Smith et al, 2009).

Somalis abroad sending remittances have also collaborated with the UN on occasion. For example, Ruunki Development Initiatives was established by Somali community development workers in London, and much of the organization's funds so far have been raised by Somalis in London and Dubai. Now an umbrella organization supporting seven community initiatives including a school in Western Hiiraan, it came to the conclusion that fundraising in the diaspora alone was not a sustainable method of financing its activities and has begun to undertake projects with international partners, including a UNDP scheme to facilitate the return of diaspora professionals to work in Somalia (Lindley, 2005). This is another example of how channelling funds through a large organization can be more effective.

The UN agencies have also experienced some difficulties. Cost sharing was found to be possibly undermining equity goals and social targeting mechanisms have been recommended (Berry, 2009). Standardization of programmes (curriculum etc.) was found to be very difficult without a central authority to coordinate activities. There is little political will at the central level and no leadership. In Somaliland and Puntland there is more political will and leadership, and even the limited guidance provided has made it easier. In other places, negotiations had to take place with multiple authorities to ensure all stakeholders had ownership of the process (UN, 2002). Furthermore, UNICEF's short funding cycles made it difficult to support institution building (Berry, 2009).

#### **A.6.3.3 Bilateral Project Support**

The large bilateral donors such as the EC and DFID have had a positive impact on coordination within the sector, as well as been important for providing support to service delivery by channelling funds through the UN and NGOs. Such donors can support capacity development, state building, and development of public financial management systems better than small NGOs, or can at least help with a framework. This is because they can remain flexible and they can commit resources to a medium term programme (EC, 2008). Bilateral donors can also diversify risks by channelling their funding through different organizations.

Bilateral donors can be in a good position to support state building. The EC requires CECs to be in place as a precondition for funding in order to ensure sustainability and encourage community participation. In addition, since the government is almost non-existent, it does not really have a relationship with NSAs. However, donors, and particularly the EC, have involved NSAs in programming and implementation, and partners regularly report to NSAs through education sector committees (Brannelly et al, 2009). The EC has recently adopted an approach that it hopes will strengthen governance. It entails identifying 'home grown' governance initiatives that are accepted by the local population and do not exclude a possible future federal structure, and encouraging these initiatives by promoting democratization, the rule of law and institutional capacity while increasing support for service

delivery. However, in areas in conflict and predatory or imposed administrations, support for service delivery is provided directly to the end beneficiaries (EC, 2007).

Public investment in education is very low. In Puntland, less than 2% of the state budget is allocated to education. Levies and fees collected rarely exceed \$2 per person per year in rural areas, and \$4.50 in urban areas. This is well below the norm for LDCs, which is between \$20 and \$50 per capita. This leaves the local authorities unable to commit to local development and service delivery (UN, 2008). Although public budgetary provisions remain insufficient, previous EC interventions have led to budgetary increases at ministerial level (in some regions). It is anticipated that the education sector development programme will catalyze increased public spending on education. The EC has also been assisting in the demobilisation of militia and providing literacy, numeracy, life skills to ex-combatants and unemployed youth. This includes initiatives to work towards the abolition of corporal punishment and recruitment of children into militia cadre (EC, 2008).

Bilateral donors are not always able to work effectively in risky environments, however. The EC has found that its capacity building initiatives have been more effective in areas where there hasn't been ongoing conflict. It has also found it very difficult to work on state building at the national level and then service delivery at regional/local levels where the state isn't present (Brannelly et al, 2009).

#### **A.6.4 Summary**

**Table A.20 Summary of Aid Modalities and Financing Channels in Somalia**

<b>Modality</b>	<b>Relevance to Somalia</b>	<b>Disadvantages</b>
<b>NGO Support</b>	<ul style="list-style-type: none"> <li>• Important providers of service delivery in risky environments</li> <li>• Understanding of local context</li> <li>• Potential for useful collaboration with each other, the UN and others (e.g. remittance providers)</li> <li>• Lower transactions costs than the UN</li> </ul>	<ul style="list-style-type: none"> <li>• Still high transactions costs</li> <li>• Impact tends to be localized</li> <li>• Tendency for individual NGOs to try to 'lead the show'</li> <li>• Often doesn't translate into macro level impacts</li> <li>• Civil servants may leave to work at INGOs</li> <li>• Origin of support can affect what students learn</li> </ul>
<b>UN Programmes</b>	<ul style="list-style-type: none"> <li>• Size enables cost sharing, sharing of experiences and standardization</li> <li>• Relatively easier transition to pooled funding modalities</li> <li>• Approach can be longer term and sector wide</li> <li>• Also an important role in enrolment and service delivery</li> <li>• Ability to contribute to state building and integrated capacity development</li> <li>• Important role in coordination (of donors' support, with NGOs, other actors)</li> <li>• Possibly seen as an impartial actor, which is good when the state has completely failed</li> </ul>	<ul style="list-style-type: none"> <li>• Higher transactions costs than channeling funds through NGOs</li> <li>• Cost-sharing can potentially undermine equity goals</li> <li>• Standardization of programmes can be difficult when there is no guidance from government</li> <li>• Short funding cycles may not be conducive to institution building</li> </ul>
<b>Bilateral</b>	<ul style="list-style-type: none"> <li>• Ability to support service delivery and</li> </ul>	<ul style="list-style-type: none"> <li>• Less engagement in risky environments</li> </ul>

<b>Project Support</b>	<p>comprehensive programmes by channeling funding to NGOs or the UN (streamlining of funding)</p> <ul style="list-style-type: none"><li>• Diversification of risk by supporting different organizations</li><li>• Commitments can be flexible and medium to long term</li><li>• Some (especially the EC) have been successful in supporting capacity development, state building, and PFM</li></ul>	<ul style="list-style-type: none"><li>• Difficult to work on state building at the national level and service delivery at the local level when the government is not present</li><li>• Funding can reflect political ties instead of need</li></ul>
------------------------	---	---