

Achieving Universal Basic Education

Constraints and Opportunities in Donor Financing

DRAFT FOR CONSULTATION
Workshop “Financing Universal Basic Education: Where Are We, What Next?”

October 2009

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* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of the Hewlett Foundation

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Acknowledgements

This report was made possible by the support from the Hewlett Foundation. The research team is grateful for guidance received throughout the project from Lynn Murphy (Hewlett Foundation), Colin Bangay (DFID) as well as Andrew Rogerson (OECD). The research also gratefully acknowledges inputs and comments on the final report from Desmond Bermingham (CGD), Ward Heneveld (Hewlett Foundation), Karen Mundy (University of Toronto), Rob Prouty (FTI), Jo Bourne and Carrew Treffgarne (DFID), and Owen Barder. We would also like to thank our ODI colleagues Geraldine Baudienville, Edward Hedger, Samuel Moon and Tim Williamson for their assistance with the fieldwork and Alison Evans, Nick Highton and Enrique Mendizabal for their feedback on the methodology and findings. Dominic Furlong provided inputs in the literature review. This project also benefited from the assistance of local consultants in Mali and Uganda: Edmond Dembele, Tom Muzooro and Justina Stroh; and research assistants: Barbara Reihwein, Christopher Gandrud, Natalie Patrick-Knox, Romina Rodriguez Pose and Tessa Kipping. We would also like to thank Stephen Lister and the FTI evaluation team, Lucia Fry (GCE), Samer Al-Samarrai (UNESCO-GMR), Anna Haas (UNESCO-GMR) and members of the 'like-minded' donor group for their inputs at various stage of the research. Finally, we would like to thank the many respondents who generously provided their time and insights.

List of acronyms

AECID	Ministerio de Asuntos Exteriores y de Cooperación (Spain)
AED	Academy for Educational Development
AFD	Agence Française de Développement
ADEA	Association for Development of Education in Africa
AIDS	Acquired Immunodeficiency Syndrome
AKF	Aga Kahn Foundation
AKDN	Aga Kahn Development Network
ANICT	National Investment Agency of the Local Authorities (Mali)
ARTF	Afghan Reconstruction Trust Fund
BE	Basic Education
BEGIN	Basic Education Growth Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAR	Central African Republic
CGD	Center for Global Development
CPRC	Chronic Poverty Research Centre
CSO	Civil Society Organisation
DAC	Development Assistance Committee (of the OECD)
DC	Dubai Cares
DFID	Department for International Development (UK)
DRC	Democratic Republic of Congo
EC	European Commission
ECCE	European Council of Civil Engineers
ECOSOC	UN Economic and Social Council
EDF	European Development Fund
EFA	Education For All
EP	European Parliament
EPDF	Education Programme Development Fund
ESIP	Education Sector Investment Programme (Uganda)
EU	European Union
FIFA	Fédération Internationale de Football Association
FTI	Fast Track Initiative
GAO	Government Accountability Office (US)
GAVI	Global Alliance for Vaccines and Immunization
GBS	General Budget Support
GCE	Global Campaign for Education
GDP	Gross Domestic Product
GEI	Global Education Initiative (WEF)
GFATM	Global Fund to Fight Aids, Tuberculosis, and Malaria
GMR	Global Monitoring Report
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Islamic Development Bank
IEG	Independent Evaluation Group (World Bank)
IFFIm	International Finance Facility for Immunization
IHP	International Health Partnership
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IT	Information Technology
JICA	Japan International Cooperation Agency

JBIC	Japan Bank for International Cooperation
LDC	Least-developed Country
LIC	Low-income Country
MDG	Millennium Development Goal
MEBALN	Ministère de l'Éducation de Base, de l'Alphabétisation et des Langues Nationales (Mali)
MEFP	Ministère de l'Emploi et de la Formation Professionnelle (Mali)
MESSRS	Ministère de l'Enseignement Supérieur et de la Recherche Scientifique (Mali)
MEXT	Ministry of Education, Culture, Sports, Science and Technology (Japan)
MIC	Middle-income Country
MOFA	Ministry of Foreign Affairs
MP	Member of Parliament
MTEF	Medium-term Expenditure Framework
MTSP	Medium-term Strategy Plan
NGO	Non-governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
OPM	Oxford Policy Management
OSI	Open Society Institute
PfE	Partnership for Education
PISE	Education Sector Investment Programme (Mali)
PM	Prime Minister
PPP	Public–private Partnership
PRSP	Poverty Reduction Strategy Paper
SFD	Saudi Fund for Development
Sida	Swedish International Development Cooperation Agency
TB	Tuberculosis
UK	United Kingdom
UN	United Nations
UNDAF	UN Development Assistance Framework
UNDP	UN Development Program
UNESCO	UN Educational, Scientific and Cultural Organization
UNICEF	UN Children's Fund
UPE	Universal Primary Education
US	United States
US	US Agency for International Development
WEF	World Economic Forum
WHO	World Health Organization

Executive summary

Much progress has been made since the global meeting in Dakar in 2000 introduced renewed urgency into the international movement to provide basic education for every child in the world. Globally, primary enrolment has risen by over 40 million children. Average net enrolment in sub-Saharan Africa has risen to 70% (from 54% in 1999). And aid commitments to basic education rose from \$2.8 billion in 1999 to a peak of \$5.2 billion in 2005. But, despite these impressive results, education has fallen behind other sectors and external financing for basic education has not grown fast enough to put most countries on track for reaching the Education For All (EFA) goals and the Millennium Development Goals (MDGs). The Global Monitoring Report (GMR) of the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that \$11 billion is needed if the basic education goals alone are to be met.

This report presents the findings of a study commissioned by the Hewlett Foundation into external financing for basic education. It aims to answer the question of why, despite the rhetoric of strong political support to basic education, the sector has not been able to attract more donor funds. It addresses three key questions:

1. What has been the trend in aid flows to basic education in recent years and what is the basic education funding gap? How do aid flows and the funding gap compare with other sectors? (Section 2)
2. What are the factors motivating or constraining donors from engaging in basic education? To what extent are they specific to education? (Sections 3-9)
3. What strategies/remedial measures should proponents of basic education adopt that have proven their worth elsewhere? (Section 10)

The report looks in detail at the ‘micro-politics of aid’: how donor decisions are made and what factors influence funding allocation. The bulk of the literature on scaling up aid focuses on questions related to absorptive capacity and aid effectiveness which, as will be shown in this report, are only part of the explanation. To try and answer the above questions, the study conducted a literature review and a series of interviews in two phases. The first phase included telephone interviews with 70 respondents from a wide variety of organisations, including bilateral and multilateral donors, non-governmental organisations (NGOs) and foundations (and some corporations). The literature review and initial interviews led to the identification of a number of core factors, which were further explored in the second phase of the research. The second phase included case studies with 19 organisations and two country case studies (including over 100 face-to-face interviews). The studies were selected based on type of organisation (bilateral, multilateral, non-DAC (Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD)) and NGO/foundations) and level of funding to basic education (high, medium and low).

Trends in aid flows to basic education

The six-year period from the Millennium Conference through Monterrey to Gleneagles and its associated debt relief was in many ways a golden age for development cooperation. Aid to MDG-related services, both in absolute terms and as a proportion of total aid, increased considerably. Aid to basic services increased from 7% of total aid in 1997 to over 21% in 2006. However, while the share of sector-allocable aid to basic education increased in the first half of this decade, it appears to have stagnated in recent years. The current level of aid for basic education is significantly short of the \$11 billion estimated annual external financing needed to achieve the basic education goals (including universal primary education (UPE) and further still from the estimated \$16 billion a year needed to achieve the broader EFA goals, including post-primary education. In 2007, DAC donors disbursed \$4.1 billion, leaving an external financing gap of \$7 billion.

Data also suggest that education has benefited relatively less from the overall increase in social sector aid compared with other sectors, such as health. The share of aid to health and reproductive health has increased over the past decade, whereas the share of aid to education – although increasing slightly in the early 2000s – has either remained stagnant or decreased slightly. Latest figures from the OECD suggest a slightly higher share for health, with 18% of sector-allocable aid disbursed to health in 2007 compared with 14% for education. In comparison, governance, economic infrastructure and services and production sectors received 18%, 18% and 9% of sector-allocable aid disbursements in 2007

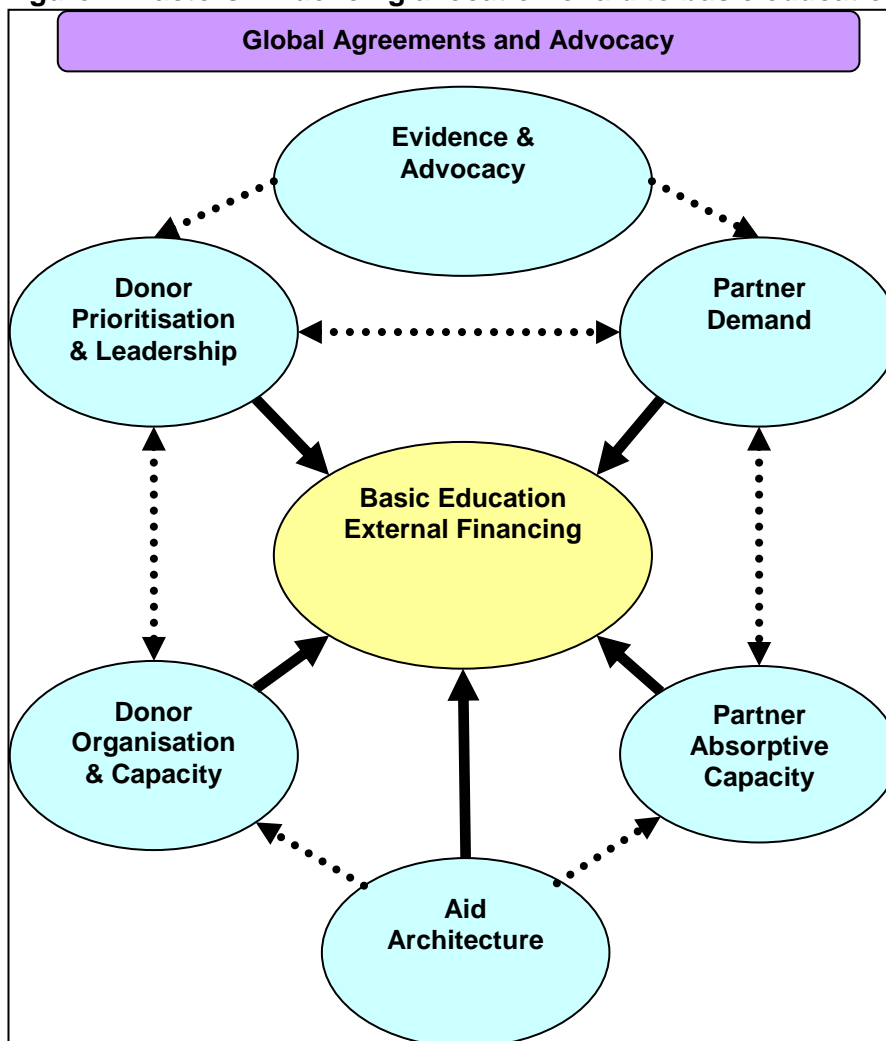
Finally, data suggest that aid allocations to education have not been focused on the basic level or on the countries in greatest need. Some of the largest donors still provide the majority of their education aid to the post-primary sub-sectors, in particular through higher education scholarship programmes. In addition, while some donors provide the majority of their support to low-income countries (LICs), others continue to provide large shares of their aid – including their aid to education – to middle-income countries (MICs). A significant proportion of the financing need for basic education could be met by bilateral donors aligning their allocation decisions with their stated policy priority to achieve the EFA goals. This is particularly true of some of the G8 countries, which continue to allocate the bulk of their aid to education to post-primary education.

The consideration of additional and alternative sources of financing for basic education is particularly important at this time. The current financial crisis and the deterioration of the fiscal situation in most OECD countries are likely to have a negative impact on overall aid commitments from the DAC donor countries. This will make attempts to raise additional financing for basic education even more challenging than in the past. In order to make these efforts as effective as possible, it will be necessary to reach out further to ‘non traditional’ donors and to understand the factors influencing decision makers at all levels.

What motivates or constrains the scaling-up of external financing?

This report discusses six key factors influencing donor decisions to finance basic education. These include donor prioritisation and leadership; aid architecture; donor organisation and capacity; evidence and advocacy; partner demand; and absorptive capacity.

Figure 1: Factors influencing allocation of aid to basic education



It is difficult to gauge the relative importance of different factors affecting the scale-up of basic education. Many respondents noted they were not able to rank the importance of the factors, as they were highly interrelated. Moreover, there were considerable differences in opinions between and even within similar types of organisations. However, simple frequencies (of the number of interviews where a particular factor or constraint was mentioned) and qualitative judgements (based on case studies) allowed us to draw some tentative conclusions on the relative importance of factors. Prioritisation of basic education, evidence and advocacy and the aid architecture seem to be the areas presenting the strongest limitations to the scale-up of financing for basic education. These were followed by recipient demand, partner absorptive capacity and donor capacity and organisation. Interestingly, absorptive capacity featured much less strongly than might have been expected based on the attention devoted to it in the literature on scaling up aid. In terms of factors that have motivated donors to engage in basic education so far, prioritisation and demand for financing were perceived to be most important. Improvements in architecture also had positive effects, followed by existing evidence and advocacy and improvements in recipient capacity.

Factors seemed to differ depending on the type of organisation. Prioritisation was most frequently mentioned as a constraint by bilateral donors. Aid architecture and partner demand featured more strongly among multilateral donors. Non-DAC donors noted as constraints issues related to organisational priorities and partner demand. Foundations and NGOs felt evidence and the way education is promoted were of greater concern.

The global story: Agreements and politics

These factors operate against the historical background of the global education movement, which began with the 1948 Universal Declaration of Human Rights, enshrining good quality basic education as a basic human right. An initial surge in interest and investment in basic education in the first two decades after World War II was followed by public expenditure cuts in the wake of the oil and economic crises in the 1970s and 1980s. A series of global meetings starting in Jomtien, Thailand, in 1990 attempted to revive the political will to provide access to basic education for all children. Commitments were restated 10 years later at the global conference in Dakar in 2000, and expanded to include six 'Education For All' goals. The education movement was also given an important boost by the inclusion of UPE and equal access for girls in the MDG Declaration in 2000.

However, since Dakar there has been (with a few notable exceptions) a drop in high-level political support for global education meetings. UNESCO has not managed to attract senior political representatives from donor countries to the EFA High-level Group, which was established at Dakar to maintain the political momentum on education. This contrasts strongly with the high-level attendance and widespread media coverage of equivalent meetings in health, AIDS, climate change and environment sectors. When education has secured support from global leaders (e.g. Gordon Brown, James Wolfensohn and, more recently, Hillary Clinton and US Congresswomen Nita Lowey), it has resulted in significant increases in attention and substantial additional financing for basic education.

The launch of the EFA Fast Track Initiative (FTI) in 2002 was an attempt to address this issue. An evaluation of this initiative is currently ongoing. Initial findings suggest that, while successful at increasing coordination and alignment of external resources, its effectiveness in raising additional financing has been questioned. It has also been heavily reliant on a small number of donors and has not been able to provide support to most of the large population LICs.

Factors influencing donor financing to basic education

Prioritisation and leadership. Organisational prioritisation, particularly when directed by top leadership, can have powerful effects on aid allocations to basic education. This has been demonstrated by the Netherlands, the UK, the World Bank and the US over the past decade. Conversely, the lack of such prioritisation was mentioned by a significant number of DAC bilateral and multilateral donors as an important constraint to scaling up aid to basic education.

Organisational priorities varied significantly across donor agencies and were determined by a number of factors:

- Direction from top leadership was found to have a significant influence in a number of agencies. If there is high-level support – even in the most decentralised agencies – it can strongly influence aid allocations. For example, Prime Minister Gordon Brown made basic education a priority within the UK's development agenda and the World Bank President James Wolfensohn was instrumental in securing the Bank's strong engagement in the EFA movement. Equally, strong personal interests in education by a number of donor foundation founders, such as Sheikh Mohammed Bin Rashid Al Maktoum of Dubai Cares, led to strong support for the sector in those organisations.
- Prioritisation of newly emerging Asian and Arab donors was found to be influenced by their own development story and cultural or religious foundations. These non-traditional donors showed a strong inherent interest in education.
- In some cases, donors referred to the role of a 'visionary paper' in their organisation's focus on basic education (or other sectors). For example, the Delors report 'Learning.

The Treasure Within', contributed to putting basic education on the agenda within the UN. In addition, pressure from advocacy groups within and outside organisations was also recognised.

- International agreements (such as the MDGs and EFA goals) were also found to have a strong effect on prioritisation. They are now accepted as an important part of the development agenda.
- The role of foreign policy interests was also emphasised, both by DAC (e.g. US) and non-DAC donors (e.g. Saudi Arabia and South Korea).
- Finally, organisational mandate and focus can be determining factors. This is particularly important in foundations and NGOs and in some multilateral agencies (e.g. Save the Children and UNICEF).

Many organisations have made strong public statements on the importance of basic education but aid commitments have not always followed these stated priorities. The report notes that the lack of genuine political commitment to education may be part of the reason for this (as often noted by advocacy organisations), but other factors also seem to be playing a significant role. For example, decentralisation of aid management decision making has made it more difficult to implement central priorities, even when there is high-level political commitment. This is further compounded in those countries, such as the US and Japan, where official aid budgets are spread across several government departments or agencies. Finally, there is an inherent tension between a country-based approach to development on the one hand, which seeks to retain flexibility and responsiveness to local circumstances, and, on the other hand, centrally mandated sector priorities set by ministers or other elected representatives in donor countries in response to real or perceived demand from international NGOs or other advocacy groups. This report looks in more detail at the approaches taken by several donor organisations to manage this tension.

Aid architecture. The international aid architecture, in particular issues related to the way aid is managed and delivered, was also stated as a constraint to scaling up aid in a number of organisations. Some of these issues affect other sectors as well, but a number of them seemed particularly important for education.

- While recognising that country ownership and alignment have strengthened considerably in recent years, lack of donor coordination was still noted as a factor constraining the scale-up of aid to basic education, in particular by government officials at the country level. The high transaction cost of dealing with several different donors drains capacity from local government agencies and inhibits local government ability to secure and use additional finance effectively.
- On the donor side, several donors noted that the limited availability of effective mechanisms to coordinate or pool aid resources was a constraint. This was particularly important for donors (such as the Netherlands) who were seeking to scale up their support for education without starting new bilateral country programmes. The option of silent partnerships or delegated cooperation agreement within a pooled arrangement is an attractive one for several small and medium-sized donors.
- The effects of the trend towards budget support were also mentioned by several respondents. On the one hand, this modality provides governments with more streamlined funding and creates fiscal space to allocate more finance to social services such as basic education. This is particularly important in education, as recurrent costs account for up to 70-80% of the total financing gap. On the other hand, donors expressed a concern that the move towards budget support meant that they had less influence over policy decisions and little control over the amount of domestic spending allocated to basic education.
- There was a widely held view that the education sector has not given sufficient attention to developing innovative approaches to financing. The FTI has added new dimensions in measures to promote harmonisation and alignment but its effectiveness in terms of raising additional funds has been questioned (and is the

subject of an ongoing evaluation). There are also other as yet unproven proposals on innovative financing, such as the Cash on Delivery Aid concept developed by the Center for Global Development (CGD). But much is still unknown in terms of whether and how these mechanisms could be used in the education sector. Many respondents noted the success of the health sector in benefiting from innovative financing instruments such as the Advance Market Commitments and the International Finance Facility for Immunization (IFFm) Bond.

- The lack of engagement of the private sector was also discussed by a number of respondents. Views differed, however, on the extent and modality of private sector engagement. Some felt it would be desirable for the private sector to be engaged in the delivery of basic education; others also saw a role for the corporate sector as funders. Lack of communication between DAC and non-DAC donors was also perceived to have limited the potential for scale-up from a broader group of donors.

Donor capacity and organisation. The survey highlighted a number of aspects related to the internal organisation of donor agencies that are affecting scale-up of aid to basic education. Donor cost-saving exercises, the restructuring of donor agencies and the use of new aid modalities all seem to have contributed to a weakening of education expertise in donor agencies. This is perceived to limit further scale-up of aid to basic education. Equally, as noted earlier, organisational structuring (degree of decentralisation and disaggregation) seems to affect organisations' ability to effectively prioritise basic education (although it should be noted that this possibly also affects the prioritisation of other sectors).

Evidence and advocacy. The fourth factor influencing basic education funding decisions is the availability of evidence and the way education is promoted by advocacy organisations. The perceived importance of this factor seemed to vary somewhat across agencies. A strong evidence base was more important for foundations and NGOs as well as multilateral organisations. There was a general feeling that basic education has not been sufficiently effective in measuring results and impact. Several types of results are perceived to be missing, including evidence on need; reliable and consistent estimates of the funding gap; evidence on impact in terms of learning outcomes; and the impact of education on other development outcomes. The impact of investment in basic education takes a long time to materialise, which puts the sector at a disadvantage in comparison with other sectors. It was noted that greater clarity and agreement with respect to impact measures, in particular the quantity and quality measures, were urgently needed.

Decisions to scale up aid are influenced not only by the evidence generated but perhaps more importantly by the way evidence is presented and used in advocacy campaigns. There was broad agreement that global campaigners (such as the Global Campaign for Education (GCE)) and civil society have played an important role in the education movement and the international agreement around the EFA goals in particular. However, education campaigns have had to compete with stronger campaigns in other sectors. Some attributed the relatively limited success in education advocacy campaigns to the failure to gather and use evidence clearly and effectively. Others highlighted that education advocacy is sometimes too ideological, making it less effective with certain donors. For example, some advocacy groups place strong emphasis on budget support as the 'approved' approach for support in the sector. There is also a need for greater engagement and strengthening of grassroots organisations. Some also noted that efforts were sometimes too narrowly focused in aid agencies: they should try to influence much broader target groups, including different parts of government, parliament, opposition parties, etc.

Partner absorptive capacity. Of all factors influencing the scale-up of aid to basic education, the capacity of recipient countries to absorb sizeable amounts of aid has been discussed most widely in the literature. Interestingly, the evidence in this study suggests that, while considered to be important, absorptive capacity is by no means the most significant factor in determining the scale-up of aid. Moreover, respondents noted that there are ways to address capacity issues and that one can '*programme around them*'. To a certain extent, as

has been shown in the health and AIDS sectors, capacity expands to deal with increased quantity of funding. Capacity constraints could also be reduced if donors and funding agencies were better coordinated and used more streamlined procedures and more predictable modalities. Capacity issues were mentioned relatively more frequently by recipient governments, non-DAC donors and advocacy organisations.

Absorptive capacity constraints generally involved institutional and human resource capacity and, to some extent, systems of accountability. Macroeconomic constraints were mentioned rarely by donors, although advocacy organisations were relatively more concerned about them. Overall, respondents felt the ability of government to develop credible plans had increased significantly, but implementation capacity within education ministries and at sub-national levels remained a concern. Capacity constraints were thought to be a particularly challenging issue in the context of fragile states.

Partner demand. With donors giving increased attention to country ownership, strong partner demand for basic education is an ingredient in decisions to allocate funding to basic education. Demand is generally gauged in a number of ways, including requests for funding, political statements, prioritisation in national development strategies and allocation of domestic resources.

Interviews clearly indicate that strong demand for basic education support exists at the general level. However, demand for aid for the sector was found to vary significantly across donor agencies. It was felt more strongly by agencies that prioritise education. This suggests that recipients direct their demand to those agencies they perceive are interested in supplying it. Donors that provide aid mainly through loans instead of grants (e.g. World Bank, Saudi Development Fund and Japan) noted that demand for basic education loans was limited and falling, as countries are reluctant to borrow to invest in recurrent costs. Demand also differs across countries. LICs (particularly in Africa) and/or countries with low enrolment rates were perceived to have a higher demand for external support for basic education. Countries which have made relatively good progress in basic education in recent years are also found to increasingly demand for support for post-primary education. Uganda is an example.

What can be done?

The analysis of factors influencing decision making in basic education highlighted a number of potential opportunities or remedies that proponents of basic education could adopt to increase support for the sector. There are several developments that may offer opportunities in 2010 to mobilise substantial new resources, including the 1 Goal Campaign linked to the World Cup, the FTI replenishment campaign, the US proposal for a global fund for education and the possible establishment of a mechanism to support education programmes in fragile states. The key challenge will be to make the most of these opportunities by developing a strong evidence-based case for increased resources for basic education in spite of the difficult financial circumstances that are likely to affect all donor countries over the next few years.

The study has a number of recommendations around five themes (broadly in line with the factors identified earlier).

Capturing the global stage. The study clearly suggests that prioritisation of basic education in donor agencies is an important factor in the scale-up of financing. There is a need to capture support of high-level political, popular and/or corporate leaders. This could occur by identifying a core group of global champions, who could be the driving force behind a global effort. This would ideally include a combination of world famous academics, political leaders and corporate leaders. Advocacy at the global level could be strengthened by greater engagement and advocacy from grassroots organisations.

Making a case for education. The education sector could make a stronger case for itself by making use of evidence and making a case for education more effectively. A key suggestion is to develop a renewed ‘visionary paper’, which would provide a powerful case for increased investment in basic education and demonstrate its importance to the challenges of today. Major reports, such as the Brundtland Commission report on the environment, the Stern report on climate change and the earlier Delors report on education, have made a real difference. The papers are based on robust analysis and a panel of high-level experts. A semi-permanent body to provide rigorous economic and social analysis of the education sector on a rolling basis could also potentially strengthen education’s place in the international arena. This could be modelled on the World Health Organization’s (WHO’s) Commission on Macroeconomics and Health or the Intergovernmental Panel on Climate Change (IPCC). Finally, it is necessary to develop more coherent messages around the importance of quantity and quality of education and the relative importance of primary, basic and secondary education. The case for education could also be strengthened by linking education more clearly and rigorously to other development outcomes, in particular climate change, through education’s positive impact on reducing population growth.

Expanding the tent: New partners and approaches. The education sector could benefit from broadening its community and approaches in three ways. First, the sector should look into further opportunities to use innovative financing mechanisms. The FTI, the exploration of options for funding education in fragile states and work on the application of results-based aid in education are steps in the right direction. A review of health financing mechanisms and their possible application in education would also be useful. Options to ‘raise funds vertically, but deliver them horizontally’ could also be explored. Second, the study identified a clear need to reach out to non-traditional donors and foundations which have so far not invested in any significant way in education. There may need to be adjustments to the presentation of the investment objectives for the sector in order to meet the needs of foundations that are accountable for results. Finally, there is a need to further review the potential role of the private sector in the provision of basic education, which is still the subject of considerable debate. Work in this area is already ongoing, examining the application of public–private partnerships (PPPs) in the education sector, but further empirical evidence about their functioning and impact is needed.

Enhancing the effectiveness of aid delivery. The education sector should seek to build more strongly on the progress made in terms of coordination at the country level. Respondents felt there is an urgent need for a stronger global platform that is able to include all players in the education agenda. One option would be to strengthen the UNESCO High-level Group by setting up a smaller commission involving high-level and political leaders. Greater opportunities for donors to enter collaborative partnerships are also needed. Many donors noted they would be able to scale up funding if they had access to silent partnerships or other kinds of collaboration. Experiences of successful partnerships need to be identified and shared. A number of internal organizational challenges also need to be addressed. A core challenge for many donor organisations is to combine central priorities with decentralised decision-making processes and an increased emphasis on country ownership. Another challenge relates to the internal capacity of donor organisations. Further experimentation with new approaches to use expert resources across agencies could be helpful in this context.

Strengthening recipient capacity and demand. Donors need to improve the coordination of technical support and address gaps in technical expertise across the donor community. Donor agencies need to have access to skilled and experienced personnel, either in-house or on a shared call-down basis. Critical skills include high-level strategic planning to bring programmes to scale, operate in fragile states and apply innovative approaches to education. There is also an urgent need to develop more systemic approaches to building capacity within local governments through institutional development and system-wide reform. The survey also noted a need to strengthen local government and non-government accountability

mechanisms that can create pressure and demand for high-quality delivery of education services.

1. The framework

This section sets out the broad framework of the research, including the key research questions, the methodology and a summary of the primary factors, influencing external financing for basic education.

1.1 What is this study about?

While much has been achieved in the education sector, particularly in terms of better policies and more coherent support to their implementation, the sector has not managed to attract an adequate level of financing. Despite government commitments, international advocacy campaigns and the publicity created by the Education For All (EFA) movement and the Millennium Development Goals (MDGs), the estimated 'funding gap' required to finance universal basic education has remained stubbornly present. The United Nations Educational, Scientific and Cultural Organization (UNESCO) Global Monitoring Report (GMR) estimates that to attain the EFA goals and the MDGs will take an additional \$7-8 billion a year (2008).

This report presents the findings of a study commissioned by the Hewlett Foundation. The study, carried out between October 2008 and June 2009, aimed to identify the key factors that affect the *external* financing of basic education in developing countries from the varying perspectives of various funders. It aims to answer the fundamental question of why, despite the strong rhetoric of scaling up aid to basic education, the sector has not been able attract more donor funds. The study lays out a complex set of factors, each with several dimensions. Many of the factors are the subject of live debates and warrant deeper investigation and analysis than presented in this report. The aim of this report is to provide an informed basis for further reflection, analysis and dialogue among aid agencies, business and civil society organisations (CSOs) about the nature of the funding gap and potential strategies that could help close it.

Box 1: Definition of basic education

Basic education is broader than simply primary education, which was used by the donor community in the formulation of the second MDG goal and the EFA goal of universal primary education (UPE). More recently, donors have increasingly been including parts of secondary or early childhood development in their basic education strategies.

UNESCO defines basic education as the first nine years (progressively extending to 12 years) of formal education, of which the first five or six are often identified as 'primary' and the rest 'lower secondary'. It also includes basic education for youth and adults who did not have the opportunity or possibility to receive and complete basic education at the appropriate age. Basic education prepares the population for 'further education, for an active life and citizenship'. It meets basic learning needs including learning to learn, the acquisition of numeracy, literacy and scientific and technological knowledge as applied to daily life.

The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) includes early childhood education, primary education and 'formal and non-formal education for basic life skills for young people and adults (adult education); literacy and numeracy training' in the official definitions used for the Creditor Reporting System database.

The interviews and data collected for this report were based on the broader OECD-DAC definition of basic education.

This report is organised in three broad parts, answering three key questions:

1. What has been the trend in aid flows to basic education in recent years and what is the basic education funding gap? How do aid flows and the funding gap compare with other sectors? (Section 2)

2. What are the factors that are motivating or constraining donors from engaging in basic education and to what extent are they specific to education? (Sections 3-9)
3. What features/remedial measures should proponents of basic education adopt to further increase available external finance that have proven their worth elsewhere? (Section 10)

1.2 The research

To answer the key research questions, this study was organised in two phases. The initial phase (October 2008 – February 2009) included a review of existing literature and exploratory telephone interviews with a number of donors to identify key factors influencing education financing. The sample for Phase I is presented in Table 1.

Table 1: Number of respondents by type of organisation (Phase I)

Organisation type	No. of respondents
DAC bilateral agency	23
Non-DAC bilateral/multilateral agency ¹	4
Multilateral agency	13
Funding/advocacy non-governmental organisation (NGO)	10
Private foundation	7
Faith-based organisation	4
Corporation/corporate-funded foundation	8
Other	1
Total	70

The second phase (February-June 2009) included 19 case studies with a variety of donor agencies. The purpose of Phase II was to consolidate and get a deeper understanding of the key factors identified in Phase I. The case studies were chosen based on two criteria: the type of organisation and level of spending. Phase II also included two country case studies in Mali and Uganda to gauge the country level perspective. Table 2 presents the Phase II case studies and the criteria according to which they were selected.

1 Often referred to as development assistance providers outside the DAC.

Table 2: Donor and country case studies (Phase II)

Donor case studies	Type	Level of funding ²	Other criteria
UK	Bilateral	High	
France	Bilateral	Medium	
Spain	Bilateral	Medium	
Japan	Bilateral	Low	
US	Bilateral	Low	
Saudi Arabia	Bilateral	Emerging	Non-DAC
Children's Investment Fund	Foundation	High	
Aga Khan Foundation (AKF)	Foundation	Medium	
Soros Foundation	Foundation	Low	
Dubai Cares	Foundation	Emerging	
World Bank	Multilateral	High	
UN Children's Fund (UNICEF)	Multilateral	Medium	
European Commission (EC)	Multilateral	Low	
Organization of the Petroleum Exporting Countries (OPEC) Fund	Multilateral	Emerging	Non-DAC
Islamic Development Bank (IDB)	Multilateral	Emerging	Non-DAC
Save the Children UK	NGO	High	
Plan International	NGO	Medium	
Academy for Educational Development (AED)	NGO	Medium	
ActionAid US	NGO	Low	
Country case studies			
Mali			
Uganda			

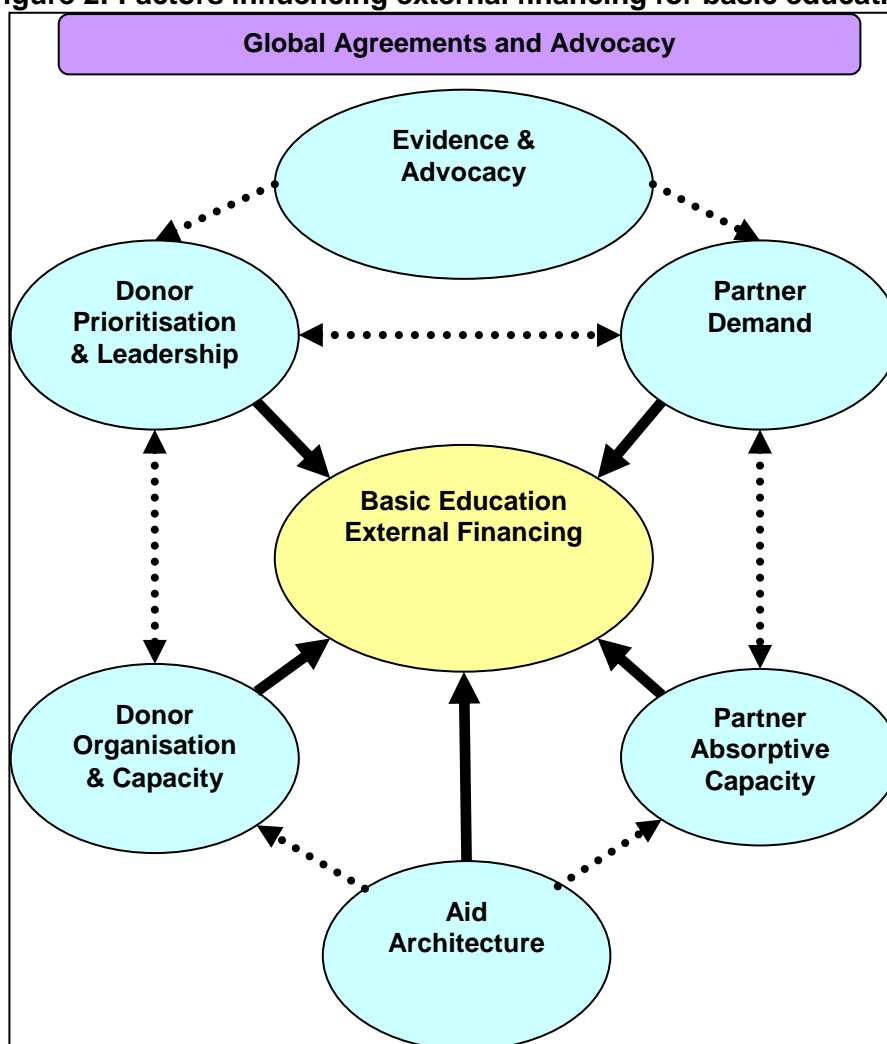
1.3 Six factors influencing scale-up of aid to basic education

Based on the literature review and preliminary interviews, six key factors influencing donor financing for basic education were identified. These factors operate within and are influenced by the global/historical context (Section 3):

- **Donor prioritisation and leadership (Section 4).** This includes priorities set out in organisational strategies or leadership. These priorities can be influenced by international commitments, domestic pressure, comparative advantage as well as other factors discussed below.
- **Aid architecture (Section 5).** This includes issues related to aid effectiveness, financing channels and the involvement of new players such as the private sector.
- **Donor capacity and organisation (Section 6).** Donors' internal (expert) capacity as well as their organisational structure can influence decisions to support basic education and organisations' ability to implement stated priorities.
- **Evidence and advocacy (Section 7).** Evidence of need, outputs, outcomes and impact can have an important effect on financing decisions. Advocacy campaigns are important in presenting this evidence to policymakers.
- **Partner country absorptive capacity (Section 8).** Absorptive capacity constraints have been frequently cited in the literature on the scale-up of aid. Institutional and human resource capacity constraints seem to be most important.
- **Partner country demand (Section 9).** Recipient countries are increasingly taking control of what is financed by donors. The extent to which there is a genuine effective demand for donor financing can be important in determining external financing.

² The level of funding for bilaterals and multilaterals was based on the share of basic education in overall spending; for foundations and non-DAC donors the classification was made based on available evidence including level of spending and prioritisation of education in overall programmes. Data on actual spending levels, however, were not always available for these organisations.

Figure 2: Factors influencing external financing for basic education



Interviewees in 19 organisations were asked to give the three most important motivating as well as constraining factors for their engagement in basic education.³ A summary of the factors by organisation is given in Annexes 2 and 3. In order to get an idea of the relative importance of various factors across different organisations, we also calculated some simple descriptive statistics of all interviews by type of organisation.⁴ Overall, prioritisation of basic education, evidence and advocacy and the aid architecture present the biggest challenges to the scale-up of financing for basic education. This is followed by constraints related to demand, recipient capacity and donor capacity and organisation. Interestingly, issues related to absorptive capacity featured much less strongly than might have been expected based on the attention devoted to it in the literature on scaling up aid. In terms of factors that have motivated donors to engage in basic education so far, prioritisation and demand for financing were perceived to be most important, improvements in architecture also had positive effects, followed by existing evidence and advocacy and improvements in recipient capacity.

Table 3 shows how constraints vary by donor type. Prioritisation was most frequently mentioned as a constraint by bilateral donors (and also advocacy organisations). At least one respondent in each of the bilateral donor agencies also mentioned the organisation's own capacity as a constraint. Aid architecture and partner demand featured strongly among multilateral donors. Demand was also frequently mentioned by non-DAC donors.

³ Respondents were not limited in terms of the number of factors. Some mentioned more than three factors, some mentioned fewer.

⁴ It should be noted, however, that many interviewees pointed out that it was difficult to identify one particular factor as most important as they felt often factors were highly interrelated.

Foundations and NGOs felt evidence and the way education is promoted were a greater concern.

Table 3: Constraints to scaling up funding to basic education by donor organisation

	Prioritisation & leadership	Aid architecture	Donor capacity & organisation	Evidence & advocacy	Partner absorptive capacity	Partner demand
Bilateral						
UK	(V)	V	(V)	V	*	*
France	V	V	*	V		
Spain	V	V	V	*		
Japan	V	*	V	*		V
US	V	*	*	V	V	
Multilateral						
EC	V	V	*			V
UNICEF	V	(V)	V	(V)	*	*
World Bank	*	V	*	V	*	V
Non-DAC						
IDB	V					V
OPEC Fund	V			V		V
Saudi Arabia	V			*		V
Foundation/NGO*						
AKF	*	V		V	V	*
CIFF		V		V	V	
Dubai Cares		V		V		
OSI	V	V		V		*
ActionAid US	V	V				
AED		V		V		
Plan International				V		
Save UK				V	V	

Source: Phase II interviews (V = top three most frequently mentioned constraints with (V) = mentioned with equal frequency; * = other constraints mentioned).

The second phase of the study also included two country case studies, in which factors and constraints were investigated at the country level. Table 4 provides a summary of the constraining factors identified in Uganda and Mali.

Table 4: Constraints to scaling up funding to basic education identified in country case studies

	Prioritisation & leadership	Aid architecture	Donor capacity & organisation	Evidence & advocacy	Partner absorptive capacity	Partner demand
Uganda	V	*		V		V
Mali	V	V			V	*

Source: Phase II interviews (V = top three most frequently mentioned constraints; * = other constraints mentioned).

The analysis of interviews within aid agencies suggested that the relative importance of factors also differed depending on the level and location of the interviewees. In headquarters, evidence and prioritisation were mentioned most frequently, whereas in country offices absorptive capacity was emphasised relatively more frequently.

2. Understanding the context

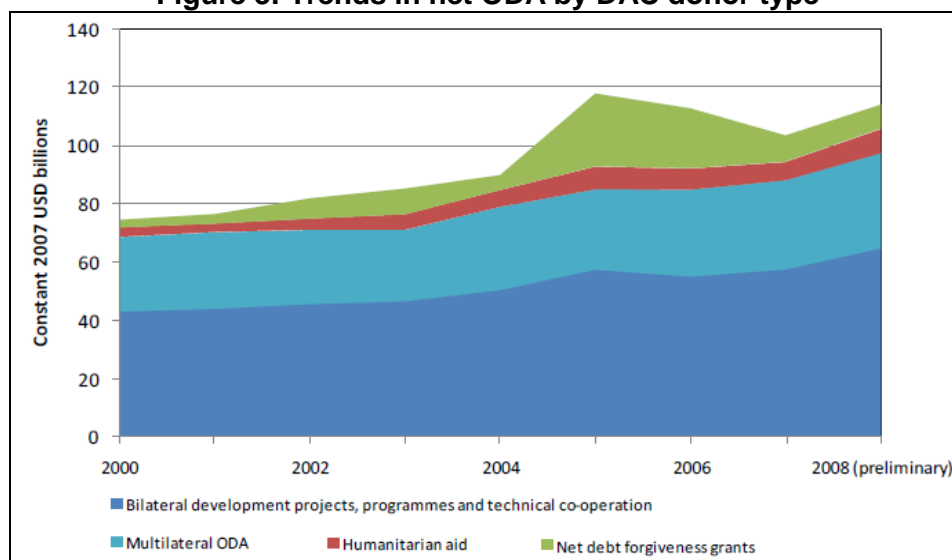
Key findings:

- Aid to MDG-related services, both in absolute terms and as a proportion of total aid, has increased considerably. While the share of sector-allocable aid to basic education increased in the 1990s, in recent years the share has remained flat.
- In absolute terms, aid for education has risen over the past decade. However, the current level of aid for basic education is still significantly short of the \$11 billion estimated annual external financing needed to achieve the Dakar commitment to universal basic education in low-income countries (LICs) (and further still from the estimated \$16 billion a year needed to achieve the broader EFA goals). For example, DAC donors disbursed \$4.1 billion to basic education in 2007, leaving an external financing gap of \$7 billion.
- Although basic education receives significant resources from DAC donors and NGOs, basic education receives relatively little funding from large private foundations and non-DAC donors. However, detailed and consistent data on these groups are currently unavailable. More information is needed to accurately gauge their engagement.
- Various funding gap estimates suggest that there are large unmet needs in each MDG-related sector. Taken in combination, these financing requirements may not be attainable in the absence of a marked increase in government expenditure and/or overall aid commitments, suggesting the need for further effort aimed at a systematic prioritisation of donor and public funds.
- Some of the largest donors still provide the majority of their education aid to the post-primary sub-sectors, in particular through higher education scholarship programmes. In addition, while some donors provide the majority of their support to LICs, others continue to provide large shares of their aid – including their aid to education – to middle-income countries (MICs). There is a need for further analysis of donor allocation decisions across countries and sub-sectors.

This section provides a brief overview of the aid context, including an analysis of aid to basic education and the level of funding needed to achieve UPE. Information on developing countries' domestic financing for education is presented in Section 9 on demand.

2.1 Aid trends

According to the 2009 OECD Development Cooperation Report (OECD, 2009b), net official aid flows (in constant dollars) from DAC donors totalled \$103.5 billion in 2007 – a slight decrease from 2005 and 2006 (when debt relief was high). However, preliminary data suggest that donors are once again scaling up their support, with net official development assistance (ODA) in 2008 estimated at \$119.8 billion (OECD, 2009a). See Figure 3 for details. Non-DAC flows and resources from private foundations, companies and NGOs have also increased, although information is not gathered systematically and further analysis is needed in order to obtain a comprehensive picture. See Box 2.

Figure 3: Trends in net ODA by DAC donor type

Source: OECD (2009a).

Although total aid by DAC donors has increased, only five countries – Denmark, Luxembourg, the Netherlands, Norway and Sweden – have exceeded the UN target of 0.7% of gross national income (GNI). None of the five largest donors – US, Japan, Germany, France and the UK – has reached the UN target to date (OECD, 2009a).

Box 2: Potential sources of external support for basic education

Although comprehensive information on the level of financing available from development actors outside the DAC is not available, data suggest that these donors could potentially provide a significant amount of the resources needed to achieve UPE. Yet to date, with some exceptions, many provide a relatively low share of their assistance to basic education. In addition, several – particularly foundations and corporations – allocate the majority of their funds to domestic causes. The following paragraphs provide a snapshot of these actors' resource envelopes.

Non-DAC donors: A recent UN Economic and Social Council study (ECOSOC, 2008) estimates that 'Southern contributors' disbursed between \$9.5 and \$12.1 billion in development assistance in 2006. The five 'BRICS' countries – Brazil, Russia, India, China and South Africa – are particularly believed to provide large amounts of funds for development. India recently announced expenditure of around \$1 billion per annum for development cooperation (OECD, 2009b) and official figures suggest the Saudi Fund for Development extended \$297⁵ million in 2007 to finance development projects in 12 countries. According to interviews conducted for this study, between 1973 and 2008 official Saudi aid – including soft loans through the SFD – totalled \$83 billion (equivalent to \$126 billion in current prices).

Foundations: According to the Foundation Center, international giving by US foundations reached \$5.4 billion in 2007, rising from \$1.6 billion in 1998 and \$3.2 billion in 2003. Preliminary data suggest that donations in 2008 were even higher. Foundations in Europe and other parts of the world are also supporting causes in developing countries. Dubai Cares, which to date has raised nearly \$1 billion from individuals and businesses in Dubai, has recently started to allocate money to UNICEF and Save the Children (UNESCO, 2008). In general, however, few large foundations allocate significant support to basic education overseas; and, within education, their focus has been on higher learning (e.g. the Partnership for Higher Education in Africa).

NGOs: OECD-DAC Secretariat estimates suggest that development funding from NGOs in DAC countries are approaching \$20 billion per annum (OECD, 2008a). Plan International spent approximately \$463 million on programmes in 2007. Similarly, Save the Children UK spent £138 million in fiscal year 2007/08. Both allocated a significant share of their resources to basic education.

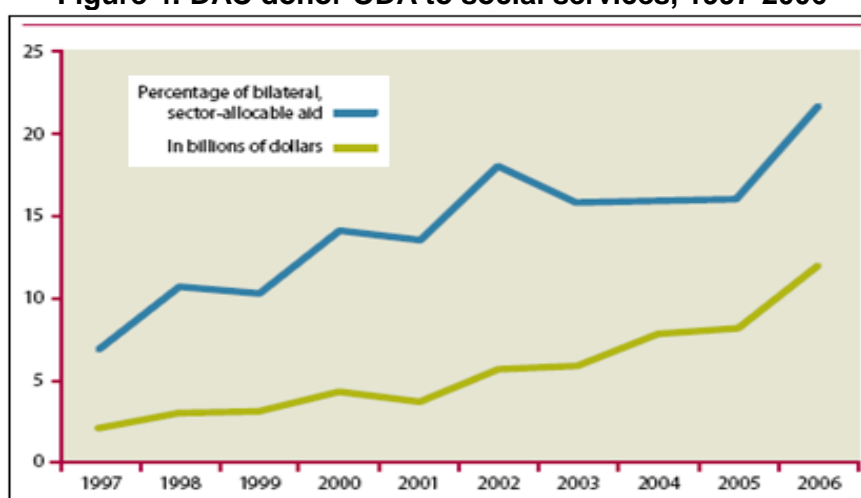
⁵ Note that this and the subsequent figures for the Saudi Fund are based on currency conversions calculated on 22 June 2009.

Corporations: Over 85% of US corporations engage in philanthropic activities (Guthrie, 2004). A number of corporations in Europe and other regions of the world do so as well. While the majority of their charitable contributions continue to support domestic causes, international giving has increased in recent years. IBM, for example, increased foreign charitable contributions from 12.4% in 2000 to 30.4% by 2004. In total, the World Economic Forum (2004) estimates that Fortune Global 500 companies contribute approximately \$2-4 billion to activities in LICs each year through cash and in-kind donations. More recently, the Hudson Institute (Adelman, 2009) estimated that US corporations provided \$6.8 billion through cash and in-kind giving to developing countries in 2007.

2.1.1 Share of aid to social sectors⁶

Aid to MDG-related services, both in absolute terms and as a proportion of total aid, has increased considerably since the 1990s (Manning, 2009). According to the MDG Gap Task Force (2008), ODA for basic social services⁷ increased from 7% in 1997 to over 21% (approximately \$12 billion) in 2006. When social sectors as a whole are analysed, the share is closer to one-third (OECD 2009b; Thiele et al. 2006; UNESCO 2008).

Figure 4: DAC donor ODA to social services, 1997-2006



Source: MDG Gap Task Force (2008).

The MDG Gap Task Force (2008) reports that education and health (including reproductive health) both received approximately 15% of sector-allocable aid in 2006. Latest figures from the OECD suggest a slightly higher share for health, with 18% of sector-allocable aid disbursed to health in 2007 compared with 14% for education (2009c). Both sources indicate that, while the share of sector aid to health has increased over the past decade,⁸ the share of sector aid to education has remained fairly stagnant, with minor year-by-year fluctuations (the share received in 2007 was higher than the share received in 2000 and 2005 but lower than the share received in the mid-1990s). With regard to basic services, data reported by Manning (2009) indicate that the share of sector-allocable aid to both basic health and basic education increased from the mid-1990s until the early 2000s.⁹ At this point, while the share to sector-allocable aid to basic health continued to increase, the share to basic education

⁶ Note that although this report makes comparison between aid to health and aid to education – given that they are both prominent in the MDGs – the reader should take caution when making inferences based on this data. First, it is largely based on sector-allocable aid; budget support – a high share of which is allocated to education – is not included. Second, the two sectors are intertwined; an improvement in one sector leads to an improvement in the other. Third, aid data are viewed in isolation; domestic resource allocation is not considered.

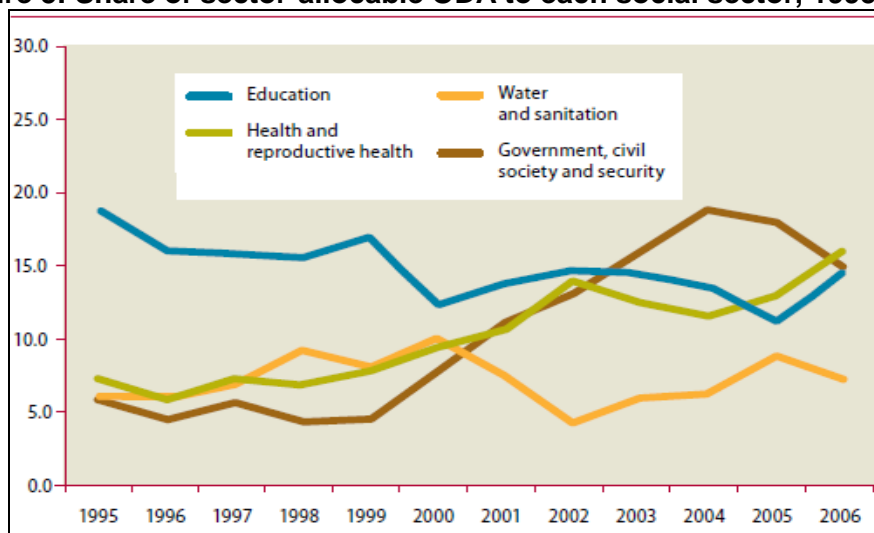
⁷ Which the Task Force defines to include expenditures on basic education, primary health care, nutrition, safe water and sanitation.

⁸ The recent rise in aid to health is further confirmed by (OECD, 2008e). According to this brief, ‘After stagnating in the 1980s and 1990s, aid to health has risen sharply in recent years’ – reaching 16% of total DAC countries’ bilateral sector-allocable aid in 2005-2006, compared with 12% in 2001-2002.

⁹ Data from the OECD (2009c) also indicate that the share of DAC aid commitments to education rose in the mid-1990s (data on disbursements are not available until 2002). See UNESCO (2009) for more information on the recent stagnation.

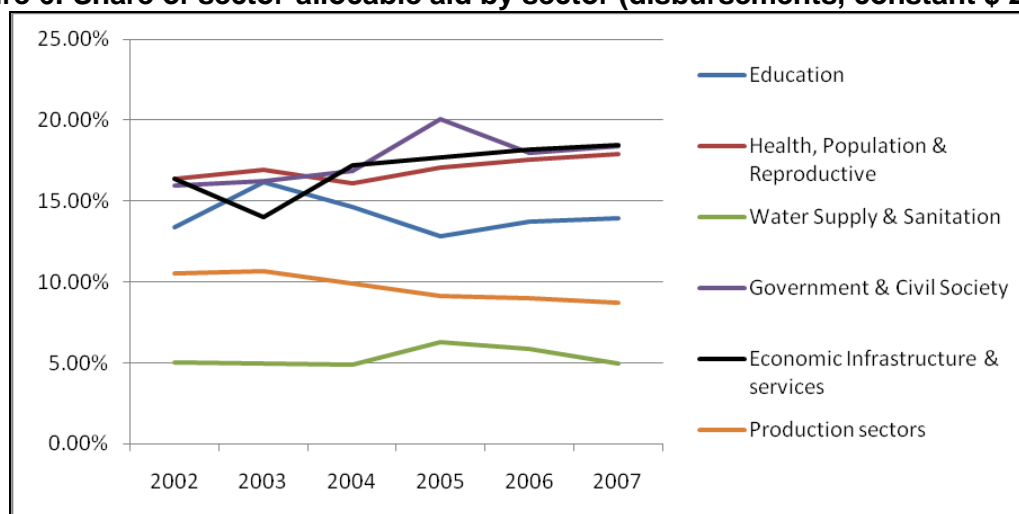
plateaued. These findings are supported by Thiele et al. (2006), who find that ‘while some MDGs, e.g., the fight against HIV/AIDS,¹⁰ have shaped the allocation of aid, the sector-specific results reveal that with respect to other MDGs, most notably primary education, there is a considerable gap between donor rhetoric and actual aid allocation’. See Figures 4 and 5.¹¹ In comparison, governance, economic infrastructure and services and production sectors received 18%, 18% and 9% of sector-allocable aid disbursements in 2007 (OECD, 2009c).

Figure 5: Share of sector-allocable ODA to each social sector, 1995-2006



Source: MDG Gap Task Force (2008).

Figure 6: Share of sector-allocable aid by sector (disbursements, constant \$ 2007)¹²



Source: OECD (2009c).

10 The OECD (2008e) also notes that the sub-sectoral breakdown of health spending has changed in favour of reproductive health, particularly HIV/AIDS. The share of aid to health allocated to HIV/AIDS control increased from 25% in 2000-2004 to 35% in 2005-2006.

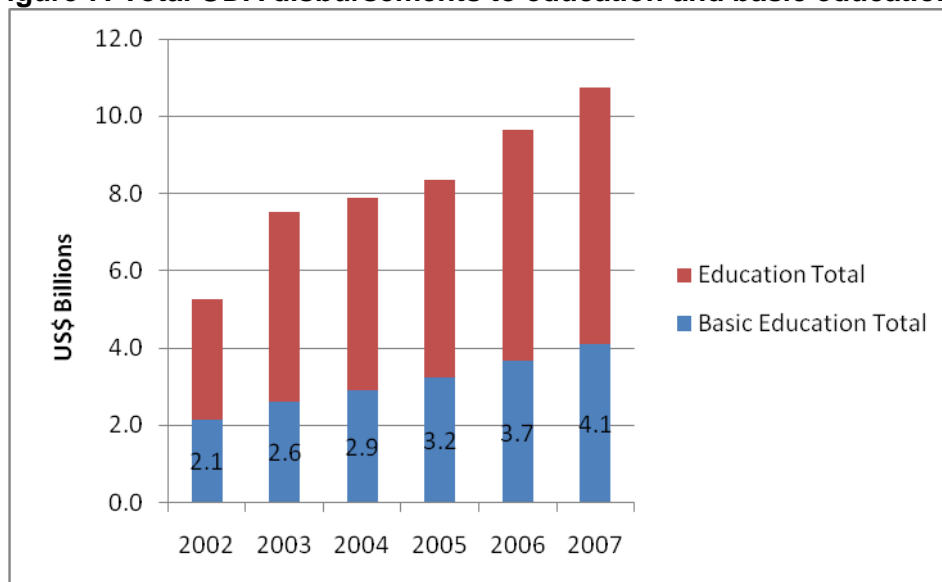
11 Two caveats should be noted. First, estimates of the share of social sectors in total ODA are somewhat prone to error as donors are increasingly moving to budget support and support of systems, which makes the allocation of aid to a particular sector more difficult. Second, increased allocations to health are not necessarily negative for the education sector. Improved health indicators have been shown to have positive effects on the education sector.

12 Based on data extracted from the OECD DAC Credit Reporting System on 28 June 2009.

2.1.2 Aid to education

Total aid to education, and basic education, has consistently increased. In absolute terms, education disbursements reached \$10.7 billion in 2007. \$4.1 billion of this (38%) was allocated to basic education, up from \$3.65 billion¹³ in 2006 (based on figures from the OECD. See Figure 7 for details.¹⁴ The fact that the share of aid to education has remained fairly stable while total disbursements have risen suggests that the increase in disbursements to education is a result of the increase in overall aid levels rather than a shift in priority (Cambridge Education et al., 2009).

Figure 7: Total ODA disbursements to education and basic education¹⁵



Source: OECD (2009).

The share of basic education in total aid to education varies considerably by donor (GCE, 2008; Thiele et al., 2006). For example, over half of aid to education disbursed by Canada, the Netherlands, the UK and the US is for basic education. In contrast, France, Germany and Japan allocate a large share of their education budgets to secondary and higher education,¹⁶ as well as technical and vocational training. For some donors, the share of education aid to basic education has changed in recent years; the proportion of IDA aid to basic education decreased significantly in 2007,¹⁷ while the proportion of Spanish education aid to basic education significantly increased. According to the 2009 EFA GMR, donors that give higher priority to LICs tend also to prioritise basic education (UNESCO, 2008). Understanding the reason for the diversity in donors' funding portfolios is a key objective of this report.

13 Note that the 2009 EFA GMR (UNESCO, 2008) reports slightly lower values for 2006: \$9 billion in disbursements to education, \$3.5 billion of which went to basic education.

14 With regard to commitments, UNESCO (2009) reports that total aid commitments to education amounted to \$12.1 billion in 2007. Although aid committed to basic education has generally followed the same trend as aid to education, the share fell sharply in 2007 – from 45% in 2006 to 36% in 2007.

15 This includes bilateral aid from DAC donors plus aid from the EC, the International Development Association (IDA), the UN Development Program (UNDP) and UNICEF. Figures are shown in constant 2007 dollars. Note that when commitments are examined a slightly different story emerges: according to a draft report by Rawle (2009), while aid commitments to both education and basic education increased significantly between 1999 and 2004, levels dropped sharply in 2005 – even though overall aid commitments continued to grow – and are only now returning to 2004 levels.

16 Note that a large share of France and Germany's higher education financing goes to the imputed cost of students from developing countries studying in their education institutions.

17 A possible explanation for this decrease is that IDA is being 'crowded out' of the education sector by the Catalytic Fund.

Box 3: Largest DAC contributors

According to Cambridge Education et al. (2009), aid to basic education is dominated by six donors: the EC, France, IDA, Netherlands, UK and US.¹⁸ Together, their commitments to basic education accounted for more than 70% of the total in 2006. Of these, only the Netherlands was not one in the top six in 1999.¹⁹ Other sectors are similarly dominated by a small group of donors. Health aid, for example, is financed largely by the US, UK, the EC, Japan, France and Canada (OECD, 2008e). Note that three of the leading donors for both basic education and health – the US, the UK and France – are among the largest bilateral donors overall in terms of total volume. See previous box for details.

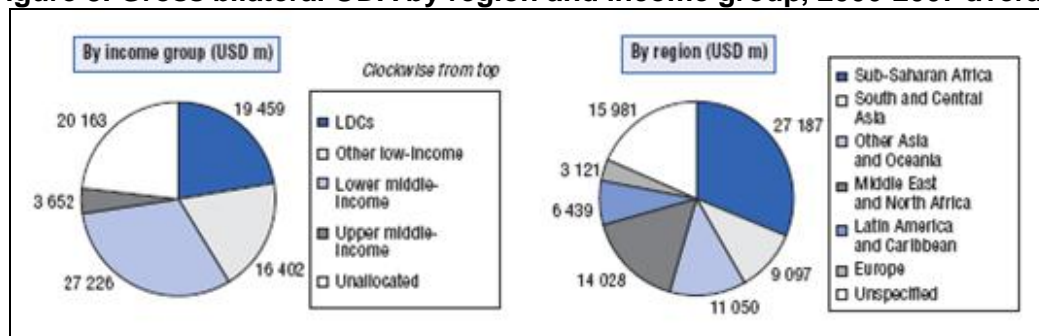
The EFA Fast Track Initiative (FTI) is one channel through which funding for basic education is being raised. By the end of 2008, pledges to the FTI multi-donor trust funds exceeded \$1.5 billion. However, concerns about the FTI's ability to raise additional funds have been raised. The Initiative's Catalytic Fund currently faces a significant funding gap. See Section 3.3 for details.

2.2 Allocation of aid by type of recipient

Increasing attention is being paid to how education aid is distributed among countries, recognising that 'need' can be defined in different ways and that there is no ideal formula for determining how funds should be allocated. This section focuses on two of the most common methods: comparing allocations to recipient per capita gross national product (GNP) and the number of out-of-school children.

2.2.1 Allocation of aid by recipient country income level and stability

The OECD (2009b) reports that in 2006 and 2007 DAC donors allocated approximately 22% of their aid to least developed countries (LDCs) and an additional 19% to other LICs.²⁰ See Figure 8. According to Bourguignon et al. (2008), although the share of aid allocated to the poorest countries increased in 2006, the share remains at par with proportions observed in the late 1980s, as the share of aid to LICs declined sharply from the late 1980s to the early 2000s. In general, studies comparing donors' aid allocations to recipient country 'need', as proxied by income level, find that 'most donors' allocations are only weakly based on recipient country needs' (Anderson, 2007).²¹

Figure 8: Gross bilateral ODA by region and income group, 2006-2007 average

Source: (OECD 2009b).

18 Despite the relative size of their commitment, according to GCE, only two of the bilaterals in this list – the Netherlands and the UK – provides close to their 'fairs share'. See box 4 for details.

19 According to Cambridge Education et al (2009) the Netherlands moved from being the 8th largest DAC supporter of basic education to the 1st largest in just seven years - more than doubling the proportion of its aid allocated to education and increasing the share of education aid to basic education by 10 percentage points.

20 The GMR defines LDCs as low-income countries that have human resource weaknesses (based on indicators of nutrition, health, education and adult literacy) and are economically vulnerable.

21 According to Anderson (2007), methods used to assess the allocations of aid include: calculating the share of total aid allocated to countries with per capita GNP below a certain level; calculating the correlation coefficient between aid receipts and per capita GNP; calculating the 'elasticity' of aid receipts with respect to per capita GNP; and constructing aid 'concentration curves'.

With regard to education, UNESCO (2008) reports that in 2006 57% of aid to education and 75% of aid to basic education went to LICs. Apart from in 2004, this represents a greater share to LICs than in any other year following the 2000 meeting in Dakar. However, this positive trend masks considerable variation among donors. Belgium, Denmark, Sweden and the IDA all allocated at least 85% of their basic education commitments to LICs in 2006 and 2007. In contrast, a number of donors allocated less than 50% of their basic education commitments to these countries (e.g. Austria and Italy).

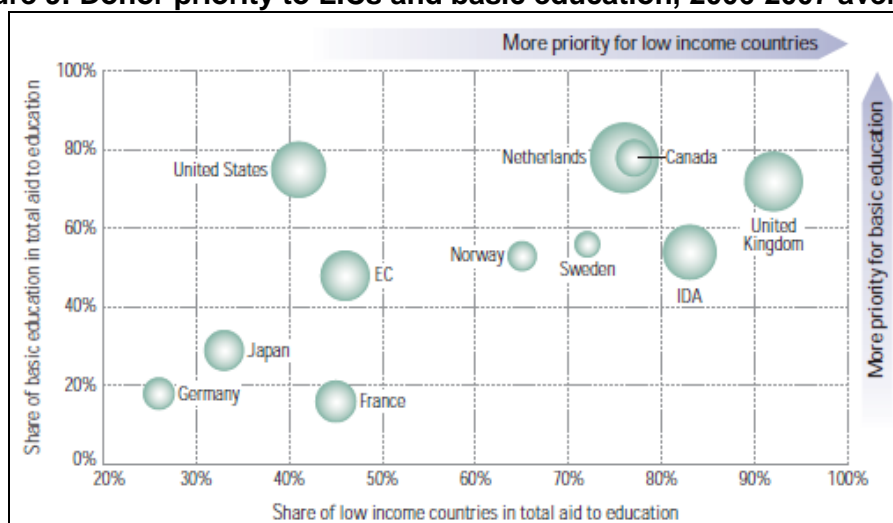
While a large proportion of aid, including aid to education, is allocated to LICs, within this group of countries fragile states receive a disproportionately low share. In particular, ODA commitments to education for non-fragile LICs increased from \$2 billion in 1999 to \$3.8 billion in 2006 while commitments for fragile states increased from less than \$500 million to \$900 million.²² This translates to fragile states receiving just \$18 per child, compared with \$69 per child in other LICs (Turrent and Oketch, 2008).²³ Advocates for the Global Fund for Education (Sperling, 2008) have argued that there is a strong case for a new funding mechanism to support education programmes in fragile states and conflict-affected countries in order to address this significant under-funding in countries where the needs are greatest.

The share of aid to fragile states allocated for education and basic education is also lower. Between 2004 and 2006 an average of only 5% of ODA committed to fragile states supported education, compared with 13% in the case of other LICs (Dolan, 2008; Turrent and Oketch, 2008). In addition, according to Turrent and Oketch, while 57% of education aid for other LICs was allocated to basic education, 50% of education aid was allocated to basic education in fragile states. Still, this is greater than the estimated 43% of education aid allocated to basic education in developing countries as a whole.

There is some evidence to suggest that education financing is unique in its focus on non-fragile states. In particular, research by Turrent and Oketch (2008) finds that, with regard to the social infrastructure and services budget, the proportion of aid allocated for health, water and population programmes to fragile states is similar to the proportions received by other LICs. There is also some evidence to suggest that the education component of the UN Development Assistance Framework (UNDAF) – the fragile states equivalent of Poverty Reduction Strategy Papers (PRSPs) – is often under-funded.

22 Note that the analysis by Turrent and Oketch (2008) is based largely on a sample of 52 LICs, 28 of which are fragile. In contrast, the EFA GMR, which is based on the OECD-DAC definition, includes 68 LICs, 50 of which are considered LDCs.

23 These figures are calculated by taking the amount of basic education aid allocated to each group and dividing it by the number of out-of-school children.

Figure 9: Donor priority to LICs and basic education, 2006-2007 average²⁴

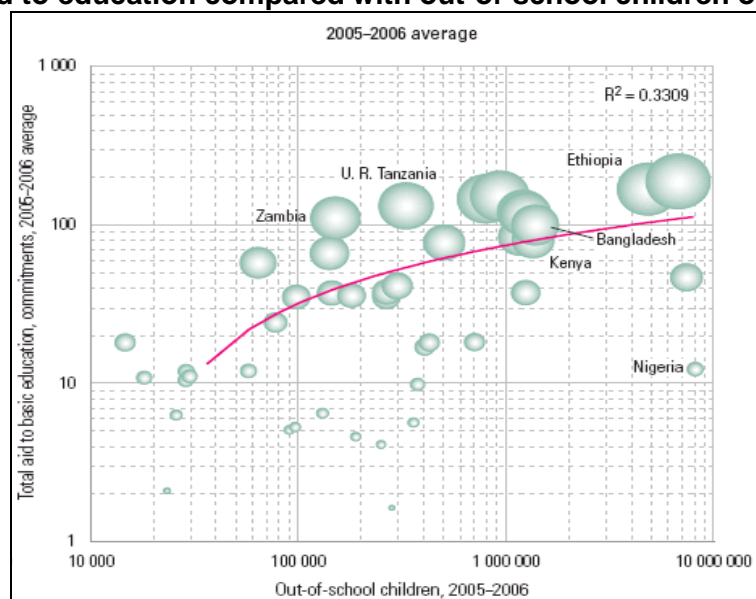
Source: UNESCO (2008).

2.2.2 Allocation of aid by number of out-of-school children

Comparing allocations of aid for basic education with the number of out-of-school children similarly reveals no strong association between allocations and need. A recent report by Save the Children shows that, despite being home to half of the world's out-of-school children, conflict-affected fragile states receive less than one-quarter of basic education aid (Dolan, 2008). Similarly, analysis by UNESCO (2008) finds that – although there has been some movement towards concentrating on countries with the highest number of out-of-school children since 2000 – on a country-by-country basis countries with fewer out-of-school children often receive levels of aid to basic education in line with levels received by countries with a higher number of out-of-school children. For example, the level of aid for basic education in Bangladesh is similar to that in Tanzania, even though Bangladesh has three times as many children out of school. Similarly, Nigeria receives about the same amount of aid to education as Ethiopia, but has 25 times more out-of-school children. See Figure 10. Donors could provide a substantial amount of additional finance for basic education in LICs at no additional cost to their overall budgets by re-examining their allocation systems in order to prioritise the poorest countries and, within those countries, give priority to basic education.

²⁴ Data in this figure are based on commitments and include only those donors with education aid above \$100 million. The sizes of the bubbles reflect total aid for basic education to LICs. Note that the position of IDA on the horizontal axis (share of LICs in total aid to education) can be explained by a few MICs that are receiving a blend of IDA and IBRD (International Bank for Reconstruction and Development) funding (e.g. India). Otherwise, IDA is targeted, by design, at LICs.

Figure 10: Aid to education compared with out-of-school children of primary age²⁵



Source: UNESCO (2008).

It is important to note that the weak correlation between aid allocation and 'need' is not unique to education. Similar comparisons for water and sanitation show no obvious association between aid allocations and service coverage (see Thiele et al., 2006; WHO, 2008).

2.3 The education financing gap

Various estimates have been made of the level of spending in LICs needed to meet the MDG and EFA goals. These estimates identify the volume of aid that needs to be raised in the international system, after taking account of likely available domestic resources. While these estimates provide donors with a sense of the required scale-up, caution is needed in their interpretation. First, estimates measure different things. While some focus on the broader EFA goals, others focus on MDGs for education. And while some calculate the total external funding needed, others calculate the additional funding needed (i.e. total external funding needed minus current levels of aid). The number of years over which the calculation extends also varies. Second, estimates are far from an exact science; a number of underlying assumptions are made. There is a particular need for better estimates of the cost of reaching the most disadvantaged children and implementing the policies needed to increase demand for education (see Sperling, 2008; Glewwe et al., 2006; Cambridge Education et al., 2009 for details). The cost of improving education in fragile states is also uncertain. This has major implications for global estimates, since fragile and conflict-affected countries include those with large populations, such as Sudan or the Democratic Republic of Congo (DRC), which are home to large numbers of out-of-school children and will require substantial additional financing to help them reconstruct their education systems. Given these challenges and debates,²⁶ there is a need for a rigorous and commonly agreed approach to estimates in order to increase clarity and consistency to move the debate on financing for education forward. At the same time, however, even with the numbers at hand it is clear that significant additional resources are needed to achieve universal basic education. Therefore, donors should seek ways to scale up their support in tandem with efforts to clarify the funding gap.

25 Data in this figure are in logarithmic scale. The sizes of the bubbles reflect total aid committed to basic education.

26 Several experts argue that the funding gap should include the cost of expanding access to pre- and post-primary education, 1) because UPE will result in greater demand for these services and 2) because, without access to these services (particularly post-primary), many parents will not see the value in sending their children to primary school. See Sperling (2008) and UNDP (2005) for details.

2.3.1 Education

A thorough investigation of the global cost of providing quality universal primary education in LICs was carried out shortly after the MDGs were agreed to by the international community in 2000 (Bruns et al., 2003). The study looks at a series of education system ‘benchmarks’ considered necessary to meet primary education targets by 2015, including teacher salaries (proposing a benchmark of 3.5 times per capita gross domestic product (GDP)), teacher-pupil ratios (40:1) and levels of domestic spending on education (assumed to rise to an average of 20% of government revenues). Allowance is included for subsidies and incentives designed to overcome demand-side constraints, including provision of free primary education. Using these benchmarks, detailed simulations were carried out for 47 of the largest LICs – home to approximately 75% of the world’s out-of-school children. An extrapolation of these results across all LICs yielded an external funding gap (i.e. the additional aid needed to achieve the education MDGs) of \$3.7 billion per annum.

More recent estimates, given in the 2009 GMR, put the financing requirement for LICs to achieve the Dakar Framework for Action to basic education (UPE, early childhood development and literacy) at \$11 billion per annum (UNESCO, 2008). Given that DAC donors disbursed \$4.1 billion to basic education in 2007, there is an implied external funding gap of approximately \$7 billion per annum.

Differences between recent and earlier estimates owe to:

- Inclusion of an additional \$1 billion for each of the literacy and early childhood goals, which were not accounted for in the earlier estimates;
- A slower, and arguably more realistic, rate of growth of domestic financing for education than assumed by Bruns et al. (2003);
- Stronger demand-side measures to encourage necessary enrolments among girls and harder-to-reach children from poorer households;
- Extra expenditure needed to cope with the impact on education systems of HIV/AIDS; and
- Additional needs of rehabilitation in conflict-affected and fragile states.

The more recent estimate also takes account of the relatively slow growth in aid commitments for basic education since 2003 and the resulting need for some degree of catch-up.

The GMR figure falls within the range of competing estimates which, according to Glewwe et al. (2006), range from \$6.5 billion to \$35 billion per year (the large spread owes to differences in methodologies and objectives). Most of the figures commonly cited are in the range of an additional \$5-10 billion a year. See Table 5 for details.

Box 4: Fair share contributions

The funding gap can be filled in a number of ways. One option is for each donor to contribute its ‘fair share’, calculated based on each donor’s GNI. Using this measurement, the GCE (2008) finds that only five OECD bilateral donors gave 90% or more of their fair share needed to meet the \$11 billion financing to basic education requirement in 2006. These donors are: the Netherlands, Norway, Sweden, the UK and Luxembourg.

Estimates of the additional financing required in specific countries have also been calculated (e.g. during the FTI application process). Such estimates vary considerably, depending for example on whether they calculate the additional financing needed to implement an education sector strategy or the additional financing needed to achieve UPE.

Table 5: Select estimates of the external funding needed²⁷

Annual external financing	What is being measured	Reference
\$9.1 billion in 1998 \$	Additional cost of achieving EFA in developing countries	Delamonica et al. (2001)
\$10-15 billion	Additional foreign aid needed to reach the education MDGs	Devarajan et al. (2006)
\$3.7 billion	Incremental external financing needed to achieve the education MDG in LICs	Bruns et al. (2003)
\$7-10 billion	Additional financing need by 2010 to achieve the education MDGs	DFID and HM Treasury (2006)
At least \$10 billion	External financing gap of providing eight years of quality basic education, including to disadvantaged and vulnerable children	Sperling (2008)
\$8.3 billion	Total external financing needed to achieve the education MDGs and EFA goals in Africa	MDG Africa Steering Group (2008)
\$11 billion	Total external financing needed to achieve three of the targets set in the Dakar Framework for Action (UPE, early childhood programmes and literacy) in LICs	UNESCO (2007)
\$16 billion	Total external financing needed to achieve the broader EFA goals	GCE (2008)

2.3.2 Comparison with funding gaps in other sectors

The following paragraphs provide a brief overview of funding gap estimates to other key sectors. Note that the objective of this section is to place the education funding gap in context, not to make direct comparisons or judgements about the relative priority to be given each sector – all of which lack sufficient resources needed to meet the MDGs. Furthermore, like the education estimates, funding gap calculations for these sectors and services are subject to a number of assumptions and shortcomings. For example, because they are global estimates, they do not take account of local context (including widely divergent local costs such as salaries and construction costs) or the limitations of human resource capacity to scale up. Finally, gap estimates typically do not take account of the potential effects of progress in filling funding gaps in other sectors. For example, increased investment in the economic sector, social development and infrastructure programmes are likely to have a positive impact on education outcomes and help to close the financing gap.

Box 5: A comparison of spending benchmarks

As part of a research project for internal use by the Department for International Development (DFID), the Overseas Development Institute (ODI) collated a series of spending benchmarks endorsed by governments and international agencies. Such benchmarks include suggestions to:

- Allocate 10% of government expenditure to basic education, 15% to health and 10% to agriculture;
- Spend \$58 per capita on water and sanitation; and
- Spend 11.5% of GDP on infrastructure and 4.4% on social protection.

By comparing these benchmarks side-by-side, the following becomes clear: First, different sectors use very different methods for calculating the finance gap. In particular, infrastructure and social protection use share of GDP, whereas health and education use share of government expenditure. This may have implications for the size of the funding gaps derived from these benchmarks. Second, spending benchmarks taken in combination may not be attainable in the absence of a marked increase in government expenditure and/or overall aid commitments, suggesting the need for further effort aimed at a systematic prioritisation of donor and public funds.

²⁷ Note that the first five refer to financing gaps while the latter three refer to total financing needs (not taking into account current disbursements).

According to the UN Millennium Project (Birsdall et al., 2005), in order for all countries to meet the MDGs, ODA for MDG-related investments needed to increase by \$73 billion in 2006, rising to \$89 billion more a year by 2010 and \$135 billion more a year by 2015. Similarly, the MDG Africa Steering Group (2008) projects that an estimated \$72 billion per year in additional ODA is needed to support the achievement of the MDGs in Africa.

Funding requirements have also been projected for specific sectors. In particular:

- **For health:** The World Health Organization (WHO) Commission on Macroeconomics and Health estimated that there is a global financial gap of \$28 billion per annum. The main costs arise from HIV/AIDS care, prevention and treatment, childhood and maternity-related illnesses and the cost of scaling up and strengthening health systems. Other studies derive estimates in the range \$20-75 billion per annum (Devarajan et al., 2006; Preker et al., 2003). Adjusting the WHO estimate for domestic contributions implies an external funding gap of €13.4 billion by 2010 (Council of the European Union, 2008). The Partnership for Maternal, Newborn and Child Health (2008) estimates the need for an additional \$10.2 billion a year to achieve MDGs 4 and 5.
- **For water and sanitation:** Although there has been great difficulty in estimating the funding gap for water and sanitation (owing in part to a lack of data), the 2008 Global Annual Assessment of Sanitation and Drinking Water estimates a global funding gap in the range of \$40-100 billion per annum (note that this upper-bound estimate is nearly equivalent to total ODA). To specifically achieve the water supply and sanitation MDG targets, the MDG Africa Steering Group (2008) estimates that \$5.8 billion per year in external financing is needed.
- **Gender equality:** Grown et al. (2006) estimate that, assuming governments provide a significant share of their resources to gender-related issues, there remains an external financing gap of \$8.6 billion in 2006, rising to \$23.8 billion in 2015.
- **Infrastructure:** World Bank research suggests that sub-Saharan Africa needs to spend around 5% of its GDP between 2005 and 2015 on infrastructure investment and a further 4% on operations and maintenance in order to meet the MDGs. This implies the need for additional aid expenditures of approximately \$20 billion per annum in sub-Saharan Africa alone. According to the MDG Africa Steering Group (2008), by 2010 an additional \$23.7 billion per annum from external sources is needed for infrastructure and trade facilitation. This includes the \$5.8 billion for water and sanitation mentioned above.

Filling all of these gaps would require a significantly larger scale-up of foreign aid than the current commitment by donors to reach \$130 billion by 2010. This suggests that, in addition to increasing foreign assistance and maximising the effectiveness of aid, there is a need to prioritise spending to key sectors. Increasing the rigour and consistency of current gap estimates may help in making these difficult decisions.²⁸

28 For health, the WHO Commission on Macroeconomics and Health has produced a number of important pieces of research; other sectors – including education – can benefit from similar approaches.

3. The global story: Agreements and politics

Key findings:

- Much progress has been achieved in generating momentum and political will around children's rights to good quality basic education. Milestone events include: the Jomtien-Dakar conferences, EFA and MDG targets and the establishment of FTI.
- ... but the education sector has not been able to capture the attention of 'high-level' political and other public figures on the global stage. The High-level Group meetings have been unsuccessful at setting a progressive agenda and securing support at the highest levels.
- Exceptional engagement by some political figures (e.g. Gordon Brown, James Wolfensohn and Hillary Clinton) has not generated much-needed knock-on effects. New donors provide opportunities for additional finance.
- The effect of the crisis is uncertain but likely to be negative, affecting existing commitments as well as future campaigns to mobilise additional resources (e.g. FTI).

This section of the report looks at the global policy debate over the past three decades and compares the profile of education with that of other sectors, such as health and climate change, which seem to have been more successful in securing political 'air time' and finance. The potential reasons for these differences are explored in more detail in Sections 4-9 of the report.

3.1 Global education policy: From the UN Declaration to Dakar

The global commitment to ensure that every child receives a good quality basic education was first enshrined in the 1948 Universal Declaration of Human Rights (UN 1948). In the first few years after World War II, many newly independent countries in Africa and South and East Asia made substantial investments in education as a central part of their nation-building efforts (Benavot et al., 2006). The 1950s and 1960s saw a rapid expansion of education systems in many developing countries, combined with a policy shift away from the colonial elitist education system towards a more egalitarian policy of 'education for all'. Many of the LDCs made remarkable progress in the first two decades after independence but then fell back in the wake of the economic and oil crises of the 1970s (Clemens, 2004) and the structural adjustment programmes in the 1980s. Many countries were forced to cut public expenditure on social sectors (including education) as part of the conditionalities in programmes imposed by the World Bank and the International Monetary Fund (IMF). By the end of that decade, it was clear that universal education was still a long way off for many of the world's poorest countries.

A series of global conferences starting in Jomtien in Thailand in 1990 attempted to provide renewed momentum to the political will to increase access to basic education for all children. Over 100 nations signed the Jomtien Declaration and made a commitment to play their part in helping to achieve this goal. These commitments were restated 10 years later in Dakar and were expanded to include the six EFA goals.²⁹ The Dakar Framework for Action records specific actions that developing countries, donors and each multilateral agency working in the education sector have committed to undertaking (UNESCO, 2000).

²⁹ As well as improving and expanding basic education, the EFA goals included increasing access to early childhood education; reducing adult illiteracy; removing gender disparities at all levels; and promoting lifelong learning (UNESCO, 2000)

The education movement was also given an important boost by the inclusion of the goal of UPE in the MDG Declaration of May 2000. The gender goal (MDG 3) also included completion of primary education 'for girls and boys alike' as a target. There were, however, important differences between the EFA goals agreed at the Dakar conference and the MDG education targets. These differences proved to be a source of significant tension within the international education community for several years. The resulting lack of clarity on goals and objectives in education may be a factor in the failure to secure the hoped-for increases in finances for the sector. Some respondents in the survey questioned the success of the High-level Forum. Lack of resources for management and early judgements about the scope and agenda of the event seem to have hampered the forum's success.

3.2 The X factor: The missing political will for education

One striking difference between the global education meetings and their equivalents in other sectors over the past decade has been the absence of high-level political and other public figures from the education meetings. The Dakar Framework for Action established a 'high-level group' that would monitor progress towards the EFA goals and was supposed to take actions to maintain political attention on global education. However, despite the best efforts of UNESCO and other members of the EFA movement, the High-level Group meetings have not managed to attract senior political representatives from donor countries. Media coverage of the meetings has been limited and global impact insubstantial. The meetings have restated in general terms old commitments to the EFA goals, but have failed to attract significant attention and have largely failed to attract significant new financing to the sector.

The exception has been that, when education has secured the support of top leaders, this has resulted in a significant increase in attention (and usually finance) for the sector. Gordon Brown's leadership on global education from 2002 led eventually to the UK announcement of a commitment to provide £8.5 billion over 10 years to education. James Wolfensohn's leadership of the World Bank led to a significant increase in World Bank investment in education and its support for the launch of the FTI in 2002. And, most recently, the leadership of Secretary Clinton and Congresswoman Lowey has resulted in an increase in US Agency for International Development (USAID) investment in basic education to over \$900 million and a commitment to provide up to \$2 billion in the future. However, in most cases this leadership has been sporadic and has not resulted in sustained attention and a broad increase in support across the sector. It has also not resulted in the creation of new institutions or substantial changes to the international aid architecture, as has happened in the health sector with the establishment of the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) and the Global Alliance for Vaccines and Immunization (GAVI). The EFA FTI was an attempt to bring about this change but has had somewhat limited success so far. This makes the commitment to education fragile and subject to political change.

Despite the leadership of political 'heavyweights' such as Gordon Brown and extensive advocacy by NGO coalition groups led by the Global Campaign for Education (GCE), education has not been able to capture the global stage in the same way as these highly visible 'crisis' issues have done. The G8 countries have made numerous statements of commitment to supporting basic education but these have not been matched by substantial increases in finance. The 2009 G8 Communique once again pledged support to education and the FTI in particular but it included no new commitments of finance. In fact, the only substantial new commitments to education from major donors since Dakar have come from the UK, which promised in 2006 to increase its investment to £8.5 billion over 10 years, and the Netherlands, whose Parliament has committed to allocating at least 15% of total bilateral aid to basic education. Other donor countries, such as the US and Spain, have increased their support for basic education incrementally over the past few years – with the Spanish Parliament committing 8% of bilateral aid to basic education – but beyond that few large donors have joined the UK and Netherlands lead and the financing gap for education remains substantial. The recent statements by the new US administration offer probably the

best hope for large-scale increases in aid for education, although the details of this proposal remain unclear.

3.3 The EFA Fast Track Initiative (FTI)

One of the most important developments in the education sector of the past decade has been the launch of a new global initiative – the FTI – to help developing countries accelerate progress towards the UPE goal. The FTI encourages donors to increase their investment in education and to deliver it more effectively by harmonising and aligning their support behind a single national education sector plan (FTI, 2004). The FTI seeks to mobilise additional finances for education through domestic budgets as well as external aid and to increase the impact of all finance by strongly promoting the principles of aid effectiveness as set out in the Paris Declaration.

Some FTI donors also sought to deliver additional finances for countries that had insufficient support at the country level through a global pooled fund which was designed to ‘crowd in’ additional funds for the education sector. The Catalytic Fund was originally intended to support only ‘donor orphan’ countries³⁰ but was later expanded to cover all countries which had an endorsed education sector plan. The CF was complemented by a second smaller multi-donor trust fund which was designed to provide support for technical assistance and capacity development for those countries which did not have an education sector plan in place. The Education Programme Development Fund (EPDF) was used in most of the FTI endorsed countries to fund World Bank technical support to collect data and prepare analyses to inform the strategic planning process.

After a slow start, the FTI expanded rapidly from 2006-2008 to cover more than 35 developing countries, with pledges to the FTI multi-donor trust funds exceeding \$1.5 billion at the end of 2008. The FTI has been successful in promoting the principles of aid effectiveness in the education sector and encouraging donors to work more effectively together in support of a single education sector plan. However, it does not appear to date to have been successful in mobilising substantial additional financing for basic education. An analysis of aid trends in FTI-endorsed countries shows that there no consistent (positive) trend in aid flows in years following endorsement (Rawle, 2009). The FTI has not been able to provide support to most of the large population LICs. It has also remained heavily dependent on a small number of donors³¹ and has so far failed to secure substantial long-term commitments from the major donors. The Catalytic Fund has suffered from delays owing to a requirement to follow standard World Bank project procedures and safeguards. These delays led one donor to re-programme approximately \$135 million in 2008 because of the high level of undisbursed finances (Bermingham, 2009).

The FTI launched a replenishment campaign in December 2009 to fill the estimated financing gap of \$1.2 billion for the FTI trust funds for 2009 and 2010 (FTI, 2008a). This is an ambitious target, particularly in the current financial climate and in light of continuing concerns about the existing Catalytic Fund programmes. Nevertheless, many donors continue to believe that the FTI still has the potential to mobilise significant new resources as well as further improve coordination between donors, particularly if it can overcome the outstanding implementation issues and maximise the potential for innovation.

Another potentially significant development that may help to mobilise significant new resources for the education sector is the idea promoted by the new US administration for a

³⁰ The definition of ‘donor orphan’ was countries which had five or fewer donors providing 1 million dollars or more to the education sector.

³¹ The Netherlands, UK, Spain and the EC provide more than 60% of the funds committed to the Catalytic Fund. No other G8 country has made a substantial long-term commitment.

new global education fund (see Sperling, 2008).³² Both President Obama and Secretary of State Clinton have made public statements in support of a \$2 billion dollar US commitment to education to establish a global fund for education, but its form is currently unclear. In a speech to the US Basic Education Coalition, Senator Nita Lowey restated the administration's commitment to basic education and asked for the help of key stakeholders in fleshing out the policy and strategy for the global education initiative. Given the current pressures on government expenditure in the US, it seems unlikely that any significant new finances will be made available this year or next. The GCE and other NGO advocacy groups in the US are calling on the G8 to establish a working group to develop a proposal for a new global initiative for education. It remains to be seen whether this will provide the level of global political leadership that has been lacking in the education sector.

3.4 The impact of the financial crisis

Discussions on aid futures are dominated by the potential negative impact of the financial crisis and the deterioration of the fiscal situation in most donor countries. The World Bank (2009) has recently predicted a worse than expected slowdown in economic growth in developing countries, possibly turning negative in sub-Saharan Africa. In the Bank's view, this is likely to lead to substantial increases in poverty levels and decreases in social sector spending.

The OECD-DAC highlighted the risk of a downturn in ODA as a result of the financial crisis in its report to the Doha Conference on Financing for Development (OECD, 2008). To date, there does not appear to be any sign of falling commitment from donors. Preliminary estimates suggest that net ODA from DAC members for 2008 rose by 10.2% from the previous year to a record level of \$119.8 billion, of which \$26 billion was allocated to programmes in Africa (OECD, 2009d). In addition, donors recently (OECD, 2009c) reaffirmed their 2005 commitments to increase aid by \$50 billion by 2010 and to double aid to Africa. Most donor representatives (with the notable exception of Ireland) interviewed for this report said that they had seen no signs of a decline in ODA so far, but several indicated that they feared that allocations would, at best, level off in 2009/10 as their governments responded to the tighter domestic fiscal situation. The shrinkage in the size of European Union (EU) member state economies could result in a decline in net ODA in dollar terms, even if countries meet their commitments to increase aid to 0.5% of GDP by 2012. Other donors may choose to 'backload' their aid commitments to 2012 in the hope that domestic economic growth will have been restored by then (as already indicated by Spain). A recent analysis by the Center for Global Development (CGD) indicates that historical data show that previous financial crises in donor countries have led to a decline in aid and that the education sector has suffered more than other sectors from the cutbacks (Roodman, 2009).

At the recipient country level, the IMF and other multilateral agencies have committed to using the additional resources granted to them by the G20 to help poor countries to protect social spending and to invest counter-cyclically in areas that will help them to benefit from the upturn when it comes (Burke, 2009).

Overall, it seems likely that the financial crisis will have a negative impact on financing for basic education in the short term and that there may be a decline in aid for education in the medium term if donor countries are forced to cut back on their aid budgets in order to restore domestic fiscal balance. The financial crisis will also make large-scale campaigns to mobilise additional financing for the FTI and other global programmes even more challenging, and donors may want to consider the potential negative impact of failed replenishment.³³ The

32 Some argue such a fund could be established as an extension, improvement to the FTI, while others are calling for a 'new' global fund.

33 This will be a particular risk in 2010 when the FTI replenishment will have to compete for funds with other substantial resource mobilisation efforts for climate change, health and for IDA itself.

crisis will also increase pressure on donors to demonstrate results and improve aid effectiveness.

Against the backdrop of the global, political movements and events, the report now turns to the discussion of the six factors found to influence basic education financing. The next section discusses the first factor: prioritisation and leadership.

4. Donor prioritisation and leadership

Key findings:

- Strong prioritisation or support from top leadership can have a powerful effect on aid allocations.
- Prioritisation of basic education can be influenced by a number of factors:
 - Support from political and/or organisational leaders (however, these initiatives have tended to be isolated and have failed to affect broader support);
 - International agreements such EFA and MDGs (however, the resulting increased awareness is by no means secure as competing goals and targets are emerging);
 - A visionary paper providing strong evidence and motivation, in addition to pressure from advocacy groups within and outside donor organisations;
 - The degree to which organisations feel they have a comparative advantage and ability to fill gaps (identifying these gaps with good data is important);
 - The role of education in countries' own development path. Non-DAC donors, such as South Korea and Saudi Arabia, show a strong inherent interest in education.
- Organisations find it increasingly challenging to implement central priorities, owing to disaggregated organisational structures, increasing decentralisation of donor agencies and emphasis on country ownership. More thinking is needed on how donors can resolve tensions between central priorities and country-level agendas.

The decision to allocate resources to basic education is first and foremost determined by funders' prioritisation of the sector and the commitment of its leadership. The extent to which sectoral priorities are set out and communicated from the top level of an organisation differs markedly across aid agencies. With the move towards decentralisation of decision making and ownership at country level, some agencies are reluctant to explicitly set out organisational focus areas. Others, while recognising local ownership, do have explicit focus areas as well as sectoral strategies and targets. Annex 1 summarises how basic education features in organisational strategies and guidelines in a number of donor agencies. Most agencies would acknowledge that there is an ongoing tension between priorities set from the top of the organisation or by political bodies in donor countries on the one hand, and the desire to be flexible and respond to the specific needs and demands of recipient governments on the other.

It is clear, however, that strong prioritisation or support from top leadership for a certain sector can have powerful effects on allocations of funding. Even in the most decentralised organisations, interviewees recognised that they '*knew what their political masters wanted*³⁴ and that managers would respond to interests and priorities set out at the top and promoted by the leadership. Moreover, country case studies also revealed that partner governments respond to perceived donor priorities. Requests for support for basic education are addressed to those agencies that are perceived to prioritise the sector in their assistance.

4.1 Why is basic education prioritised?

Interviews highlighted a number of reasons why basic education is or is not prioritised in donor organisations. Some of these factors will also be discussed in subsequent sections.

³⁴ It should be noted, however, that views on this differed somewhat depending on the position of the interviewee.

Leadership. There is relatively little analysis of the role of the leadership of donor agencies in the allocation of aid to particular sectors. However, some studies have pointed at the importance of political leadership in increasing aid in general, and for education in particular. Progress towards UPE since the 2000 Dakar Forum is in part explained by stronger political will in favour of education (Fredriksen, 2008). The lack of political resolve and leadership is also put forward as one of the reasons why donors have failed to fulfil international commitments and agreements (Kent, 2007).

The central role of top leadership in determining organisational priorities (including basic education) was recognised in a number of interviews. If there is high-level support for education – even in the most decentralised agencies – it has strong effects on the allocation of funding. For example, basic education was firmly promoted by James Wolfensohn during his presidency of the World Bank, which enhanced the Bank’s engagement in education, both at the global (through EFA and FTI) and country level. The role of Gordon Brown, the British Prime Minister, on the UK’s development agenda and on the UK spending target for education was also emphasised (see Box 4.1). In the Netherlands, government leadership to allocate 15% of aid to basic education was also strengthened by parliamentary approval.³⁵ Secretary of State Hillary Clinton and Senator Nita Lowey, the US Foreign Assistance Appropriator, played a key role in moving basic education onto the agenda in the US.³⁶ Equally, the strong personal interest in education of the founders of some of the Foundations, such as Sheikh Mohammed Bin Rashid Al Maktoum (Dubai Cares) and His Highness the Aga Khan (AKF) were also mentioned as key factors in making basic education a priority in those agencies.

It should also be noted that interests of global leaders not only affect their own organisations but also can have knock-on effects on other leaders. For example, following a request from the British Prime Minister to the Saudi King, the Saudi government signed up to the EFA Class 2015 Communiqué and pledged \$500 million in support of basic education.³⁷

What is noticeable is that these leaders have been operating largely independently of each other and that they have therefore lost the opportunity to create a body of global leaders who could drive through change in the education sector. The EFA High-level Group was intended to perform this function but has largely failed to do so. There may be some merit in considering the establishment of an intergovernmental high-level commission to provide additional impetus to the effort to raise finance in the sector.

35 This led a significant increase in Dutch funding for education and was, according to one observer, a major factor in its decision to support the FTI.

36 Senator Clinton sponsored the bipartisan EFA bill which proposed that the US should increase its support for basic education to \$3 billion. Nita Lowey used her role as Chair of the Foreign Appropriations Committee to increase the US investment in basic education to \$900 million this year.

37 Although, according to GCE, this money has not yet materialised and the downturn in the oil prices may have had a negative impact on aid from Arab organisations across the board.

Box 6: 'From commitments to action': The story of the UK £ 8.5 billion commitment to education

In 2005, shortly after the G8 Summit in Gleneagles, a meeting was held between the UK's Undersecretary for the Treasury (Nick Stern), the World Bank Director of Education (Ruth Kagia) and the DFID education team (including Hans Martin Boehmer and Desmond Bermingham). Stern had been a key actor in the development of the commitments at the G8 Gleneagles meeting to increase ODA by \$50 billion by 2010 and to double aid to Africa. The Treasury was looking for ways to lock in the Gleneagles pledges through concrete commitments to key sectors in a way that would be accessible to the general public.

Education was chosen in part because of its positive impact on long-term economic growth and in part because of the strong commitment of the UK Prime Minister and the Chancellor to education at home. The sector was also strongly supported by advocacy groups such as the GCE (driven by key NGOs such as Oxfam and ActionAid). This gave the government further confidence that education would be a 'political easy winner' and could help to build momentum behind the overall campaign to increase aid.

The question was: *Assuming that aid increases by \$50 billion by 2010 – and assuming that 20% of that goes to education – and assuming that the UK roughly maintains its share of global aid at 15% – what could \$15 billion (£8.5 billion) over 10 years achieve in the education sector?* In response to this challenge, the DFID policy team worked intensively over the summer of 2005. Professor Chris Colclough of Cambridge University was asked to carry out a detailed analysis of the financing needs for primary education. Colclough was also asked to provide a credible estimate of the financing need for the other EFA goals, including lower secondary, literacy and some estimate of a viable contribution to begin to rebuild the depleted higher education sector in Africa. Two leading World Bank experts and a leading member of the US education advocacy community also provided substantial input (off the record).

The result was a joint DFID Treasury document *From Commitments to Actions in Education* (2005) which provided the evidence base for a substantial increase in UK aid for education. This increase was announced by Gordon Brown and Hilary Benn in Moputo in the spring of 2006 in the form of a 10-year pledge to provide £8.5 billion to support education. The internal discussions within DFID and the Treasury provide important insights into the micro politics of resource mobilisation and may help in understanding why – with the exception of this announcement – the education sector has been relatively unsuccessful in raising substantial additional finance when compared with health or other similar sectors.

The high-level political drive for a commitment to one sector was initially resisted by DFID senior management, who wanted to protect the principle of flexible funding to respond to country demand. However, Suma Chakrabarti – DFID's Permanent Secretary at the time – saw that there was an opportunity for DFID to lock in overall increases in the department budget by tying them to the education commitment. DFID secured from the Treasury an exceptional commitment to budget increases which went beyond the normal three-year spending review.

The announcement of DFID's education commitment was a direct result of this confluence of interests. High level *political will* came together with pragmatic *organisational and managerial interests* and was supported by *substantive technical analysis and evidence*. The lack of any one of these factors would have meant that the announcement – described by Hilary Benn as 'DFID at its best' – might never have happened.

International agreements. International agreements seem to have had a significant effect on organisations' prioritisation, as many interviewees referred explicitly to the MDGs and the EFA agreements as a basis for their commitment to basic education. The EFA and MDG education goals are universally accepted as an important part of the development agenda. There is little or no evaluation of the impact or effectiveness of the EFA mechanisms on donor country commitment or aid to basic education (Packer, 2007). But the MDG framework (and its OECD-DAC predecessor) has been linked to a shift in aid from the productive sectors and infrastructure in favour of the social sectors since 1990.

However, as noted earlier, differences in goals have affected the clarity of the message and basic education's position in the international arena is by no means secure. Arab Fund for

Development staff indicated that there is a shift of attention from the MDG approach to development towards a global public goods approach to development. Sectors like climate change, food security and water shortages are gaining in importance and competing with education over scarce resources. In addition, debates around the future of the MDGs favour an expansion of education support to post-primary. It is possible that these global trends will affect prioritisation of basic education in aid agencies. Finally, the Uganda case study also revealed that the government feels donors are too focused on the MDGs and would like them to consider a more balanced portfolio of support, including post-primary.

Interestingly, few interviewees made reference to the Universal Declaration of Human Rights, where universal access to basic education was first enshrined. And some interviewees went as far as to say that the human rights approach had no traction in their organisation. This finding stands in stark contrast with the increasing emphasis placed in recent years on rights-based approaches to development, which has been heavily promoted by the UN (UNICEF, 2007). It raises a question as to whether the human rights approach, while certainly valuable for its principles, has been able to influence donor discourse around sectoral priorities. It should be noted, however, that more recently key experts have emphasised the link between education and peace and security, which may have greater traction in certain donor agencies, such as the US (Sperling, 2008).

Pressure from advocacy elements within and outside donor organisations influences the prioritisation of donor organisations. The effectiveness of these efforts in the education sector is somewhat unclear, however. While most interviewees recognised the important role of the GCE and other advocacy groups in putting basic education on the global agenda, some questioned its true impact on donors' prioritisation of basic education. An early study of the GCE by Mundy and Murphy (2001) showed that its activities somewhat influenced the outcome document of the Dakar meeting but failed to achieve clear commitment of resources. An exception to this is the UK, where GCE activities combined with the broader 'Make Poverty History Campaign' are thought to have influenced the UK government's agenda to prioritise basic education (see Box 6). Advocacy efforts in other sectors were perceived to be more effective. Groups advocating greater support for health and post-primary education, for example, were mentioned most frequently. The lobbying effort of universities (and ministries of education) to maintain support for post-primary education was mentioned for example by Japanese and Spanish aid agencies. And the central role of a strong 'domestic constituency' was emphasised in the US. Some noted the influence of the pharmaceutical industry in this context. Interviewees felt that education had not been able to develop the same US constituency as health, which in part explained the relative success of the sector in generating funding and support within the (Bush) administration. Lobby efforts were also observed within aid agencies. For example, a staff member of a key multilateral agency felt there were much stronger pressures on boards to maintain the status quo or possibly increase funding for health rather than education. A number of interviews also noted the influence of parliaments on aid allocations. For example, the importance given by the European Parliament to the education sector could potentially contribute to increasing fund allocations to the education sector, the EC being accountable to the EP for its actions. Spanish and Dutch parliaments play equally important roles. For further details see Section 7.

Organisational mandate or focus. In some organisations, prioritisation is heavily influenced by the organisation's mandate. This is particularly important in foundations and NGOs, where the scope to focus on a variety of sectors will tend to be more limited. For example, Save the Children, the Children's Investment Fund and Plan International have clear mandates related to children, which provide a strong basis for their focus on basic education. In contrast, the Soros Foundation's mandate is to build an 'open society' and the Education Support Programme has needed to spend a lot of energy demonstrating basic education's relevance to this mandate. The mandate of an organisation is often determined by an organisation's historical engagement and will influence whether it feels it has a comparative advantage to

support basic education. The ability to link education to a particular organisation's mandate can be an important determinant for an organisation to engage.

Comparative advantage. In part because of their smaller size, but also because of their mandate and flexibility, a number of foundations and NGOs stressed that their decision on whether to support basic education – and the specific areas that they focus on within the education sector – is influenced largely by a desire to 'fill the gaps' by working on issues and in areas where others are not involved. One organisation, for example, chose to focus on basic education to marginalised groups, as it felt this to be a relatively neglected area. Another chose to focus on providing an accelerated learning programme to youths. Related to this, a number of foundations and NGOs expressed a desire to 'leverage' their limited resources by funding innovative approaches, pilot programmes and/or research that can be used to influence the funding decisions of larger donors. This raises a question as to whether the relative lack of engagement of foundations and NGOs in basic education could be explained by a lack of real opportunities to 'fill gaps'. One interviewee noted that the education sector, unlike the health sector, is much less open to 'commoditisation' and it may be more difficult for foundations to find a niche to work in. Some foundations also mentioned the fact that basic education is the responsibility of the government, using this as a reason not to get involved. A number of respondents in the NGO sector noted that they were shifting their engagement in the sector from direct programming and funding towards advocacy, as they felt they would have a greater impact on the broader agenda in this way. Identifying niches or gaps in basic education support (e.g. through better data collection) could be an element in motivating for donors to engage.

Another factor found to influence the prioritisation of basic education within organisations is the existence of a 'visionary paper' providing a strong case for support for education. One interviewee referred to the importance of Jacques Delors' report 'Learning. The Treasure Within' in putting basic education on the agenda within the UN. Similarly, an internal paper demonstrating the link between education and the creation of an open society was a key element in the decision of the Soros Foundation to engage with basic education. Interviews with World Bank staff pointed at the importance of the Independent Evaluation Group (IEG) report on agriculture in refocusing the Bank's portfolio in favour of agriculture. Some interviewees felt that this kind of seminal paper no longer exists in education. Most agree that papers by Psacharopoulos and others were important in the World Bank's drive to promote basic education in the 1990s. The role and use of evidence is discussed in greater detail in Section 7 of this report.

Political party and foreign policy interests. Several interviewees in bilateral agencies pointed at the importance of the political context for the prioritisation of basic education. The victory of the New Labour government in the UK and the Socialist Workers' Party in Spain led to increased overall development spending as well as an increased focus on poverty reduction, in particular through investment in the social sectors. Questions were raised as to whether these priorities would continue in the UK if a conservative government were to take power. In the US, it was noted that the 9/11 terrorist attacks and US foreign policy with regard to the Muslim world had led to an increased attention to basic education. Saudi aid allocations were also found to be influenced partly by concerns about regional failed states (e.g. Yemen, Lebanon) and the risks they pose to regional stability. Non-DAC donors (e.g. South Korea, Saudi Arabia) also mentioned economic foreign policy interests as a justification for their focus on post-primary and in particular vocational training rather than basic education. Development programmes were seen as instruments to help build a labour market.

Countries' own development success stories and their cultural/religious background also seem to play a role. Newly emerging donors, such as South Korea, are interested in supporting basic education based on a strong belief that their own development success owed to a large extent to heavy investment in education. Similarly, aid allocations in Saudi Arabia and the IDB seem to be driven by strong philosophical and religious foundations.

Saudi Arabia's commitment to international development, especially in education, is based in part on its own development. It has progressed from 75% illiteracy in the 1970s to a current level of 78% literacy. Most decision makers recall the period of Saudi development and have empathy for development needs in other countries. An important related factor is the obligation and instinct for charity informed by an Islamic view of giving. Learning (enlightenment) is a core aspect of Islam. Many of the prophets' sayings are focused on learning and interviewees noted that the first verse in the Koran deals with ordering the prophet to read.³⁸ This indicates that there is a strong inherent motivation to support and prioritise education in development portfolios for a number of new and non-DAC donors.

The choice of an organisation's sectoral and regional priorities is increasingly influenced by debates around aid effectiveness and division of labour. The division of labour agenda is strongly promoted by the EC, which developed a Code of Conduct encouraging member states to concentrate activities on two or three sectors. In line with this recommendation, the Belgian government decided to focus its activities on two sectors in Uganda in which it had considerable expertise recognised by partner countries and other donors: decentralisation and rural development. Equally, countries are increasingly choosing to focus efforts on fewer countries and particular regions. For example, the Spanish government has chosen to maintain a strong focus on Latin America, where basic education needs are much more limited. Other EU member states, such as the Scandinavian countries, are expanding their practice of developing 'silent partnerships' in which they provide the financing but leave the policy dialogue to other 'like-minded' donors. This is a promising development, which offers the possibility of scaling up aid for education without increasing transaction costs for donors or recipient countries. The broader effects of the international architecture on organisations' engagement with basic education are further discussed later.

4.2 Basic education a priority – but have actions followed words?

As shown in Annex 1, many agencies have demonstrated clear interest in basic education and have included the sector in their organisational strategies and political statements, but aid disbursements have not always followed these lofty statements. Some stakeholders feel it is all down to whether political leaders are genuine in their statements about prioritisation. As noted in the context section, large chunks of sector-allocable aid are still devoted to other sectors such as the 'economic growth sector' and 'governance'. While this may be appropriate in some cases, and stronger political will is certainly needed, it seems a number of other factors also need to be taken into account. At least three factors seem to be playing an important role.

Many donor organisations have become highly decentralised and have found it challenging to develop and implement central priorities in this context. Interviews with Bank staff, for example, revealed that the Board of the World Bank has expressed frustration over its inability to significantly influence the allocation of spending. There is very little reference made to the Bank's strategic framework and its strategy department was closed down. In order to meet its basic education spending target, the UK government developed a corporate monitoring system to track spending. This led to significant internal tensions, as country managers tried to retain a balanced programme and resist the pressure from sector specialists to spend more in their area. Senior managers are also wary of sector spending targets because of the risk that it might lead to advance earmarking of aid with consequent reduced ability to respond to country demand. However, interviewees did indicate that the UK's target had significantly strengthened the ability of the centre to make demands at the country level and limited use of spending targets may be a useful tool to ensure that political statements are matched by financial decisions.

38 Another one is 'seek knowledge even if it is in China'.

It should be noted in this context that experience in the health and climate change sectors suggests that the existence or creation of a global fund that is linked to a sector can help to mobilise additional resources. These funds have in the past been strongly resisted by donors and multilateral agencies (especially the World Bank), which have argued that such funds undermine the local policy process and lead to fragmentation of aid. However, recent discussions with the International Health Partnership (IHP+) are leading to a more sophisticated view of ‘funds raised vertically, but delivered horizontally’. IHP + partners are recognising the realities of the political economy of donor countries, where tax payers are more likely to respond positively to proposals to fund health and education than to proposals to provide general budget support (GBS). The challenge is to find a way to deliver that financing at the country level that minimises the disruption to the local planning processes. This will be an important discussion for the education sector, as the US-led proposal for a new global fund for education gathers momentum.

Complex organisational structures have led to incoherence within aid agencies. The degree to which organisational priorities are ultimately translated into allocations also depends on the internal coherence within aid agencies. This issue will be further discussed in Section 6. Japanese interviews revealed the complexity of the Japanese aid system and the inconsistencies in the prioritisation of basic education between government agencies. Prioritisation of basic education is found to be much stronger within the Japan International Cooperation Agency (JICA) than in other parts of government involved in aid spending. One Japanese official indicated that the ‘*outside world and NGOs in particular do not differentiate between the various aid components within the Japanese government*’. In order to truly focus on basic education, internal politics and power struggles will need to be addressed.

Country allocation formula do not account for sectoral prioritisation. The allocation of funding for basic education is further affected by the way aid is allocated across countries. These allocations do not necessarily favour countries with the highest basic education needs.³⁹ For example, interviews in Spain indicated that, owing to its focus on Latin America, where basic education needs are more limited than, for example, in Africa, it is more difficult for Spain to prioritise basic education (as many Latin American countries are close to achieving UPE). Another related issue is the trend within some bilateral agencies to channel aid through multilateral agencies. These allocations are based on criteria related to the agency’s overall effectiveness rather than its sectoral focus.

Overall, a significant share of respondents agreed that basic education could benefit from greater prioritisation in donor organisation (which could be achieved in the ways described above). It was also recognised that more thinking is needed around managing the implementation of donor priorities in a way that is supportive of recipient countries’ development agendas.

39 For further discussion of decision-making processes, see the section on donor capacity and organisation.

5. Donor architecture and financing channels

Key findings:

- Country ownership and harmonisation of aid to basic education have strengthened considerably in recent years, in part supported by donors such as the EU and initiatives such as the FTI.
- However, lack of donor coordination and availability of pooling mechanisms and silent partnerships continues to limit the scale-up of aid to basic education.
- The move towards budget support and multi-sectoral approaches is affecting the allocation of aid to basic education. It potentially creates greater fiscal space to invest in education but donors have more limited control over actual spending. The net effect on education spending is unclear.
- The lack of innovative financing mechanisms in education is constraining the scale-up of external financing of basic education. FTI has added new dimensions and there are also unproven proposals such as the Cash on Delivery concept. Many respondents referred to the success of innovative instruments in the health sector.
- The lack of engagement of the private sector was discussed by a number of respondents but views differed on the extent and modality of engagement (either in the form of

A number of major changes in the architecture of international aid are affecting external financing for basic education. Many of these changes have been generated by actions of donors and partner countries to enhance the effectiveness and delivery of aid in all sectors, including education. While much progress has been made in terms of increasing country ownership, harmonising and aligning aid to basic education, a number of respondents in Phase I and Phase II of the survey mentioned the aid architecture as a potential constraint to the scale-up of aid to basic education. Interestingly, the aid architecture was one of the constraints most frequently mentioned by recipient governments and advocacy groups. In Mali, it was the second most important factor limiting a scale-up.

5.1 Towards more harmonised and aligned delivery of aid?

The Paris and Accra Declarations call for a more efficient delivery of aid through greater country ownership and harmonisation of aid resources. This can be done through a continuum of means and instruments, including better coordination of projects; various forms of programme-based and sector-wide approaches; pooled funding;⁴⁰ silent partnerships or delegated cooperation; and general or sector budget support. The EU has given particular attention to the effort to improve coordination by developing a joint Code of Conduct for the delivery of aid in developing countries based on the Paris Declaration. The EU has also introduced a movement to agree a 'division of labour', whereby member states agree to share expertise across their agencies and to limit the number of sectors and the number of countries in which they develop bilateral relations. In the education sector specifically, the FTI has strongly promoted greater harmonisation among donors and stronger alignment behind a single country-led education sector plan.

Despite these substantial attempts to improve delivery effectiveness, lack of donor coordination was mentioned as an important limiting factor for the scale-up of aid to (basic) education, in particular by government officials at the country level. Ministry of Education staff in Mali pointed out that they had to deal with 15 different donors and funding agencies. The government welcomed increased coordination and alignment through the

40 Pooled funding (also known as basket funding) refers to a common bank account of a group of donors following agreed procedures between the recipient country and the donors. Basket funding is used to give direct support to the line ministry when there is insufficient confidence in the capacity of the line ministry and the Ministry of Finance to safeguard priorities, ensure adequate funding or manage the funds (ten Have et al., 2008).

sector budget support programme but noted that many agencies were still operating using fragmented approaches and their own mechanisms. In addition, the coordination process among sector budget support donors to make disbursement decisions was considered to be time consuming and slow, particularly in the early stages. The budget support programme in Uganda, which is more established, is reported to have a positive influence on the efforts to provide higher levels of more predictable financing for basic education.

Donors also indicated that funding is constrained by the limited number of effective pooled funding mechanisms at the global and the country level. Respondents noted that if they had more efficient channels for aid transfer they would be able to provide more aid to education. Some respondents specifically mentioned the need for more silent partnerships (see below). It was also noted that better coordination and alignment do not necessarily require all donors to provide budget support. It can also be achieved through project aid and other financing channels, as long as they are linked to the overall education sector plan. JICA suggested that its technical assistance could be further scaled up if it was able to enter partnerships with other agencies providing financial support. Finally, respondents felt that lack of coordination had led to ineffective use of existing resources. Too many donors are funding the same activities and large gaps in funding exist in others. For example, one respondent felt that donors had focused too much on teachers and had ‘missed the boat’ on support for education system management.

The opportunity to tap into greater aid resources through the use of more coordinated aid delivery mechanisms (guided by clear and credible education sector plans) was a key driver in the development of the FTI.⁴¹ Within the FTI framework, the primary responsibility for coordination and resource mobilisation rests at the country level, where in-country donors are responsible for appraising the education sector plan jointly with the government; mobilising external resources as needed; and coordinating their support to minimise transaction costs and maximise impact.⁴² This country-level support is also supplemented at the global level through pooled funding from the expanded Catalytic Fund and the Education Programme Development Fund (EPDF) (to support technical assistance). The extent to which the FTI’s coordinated approach has led to an increase in donor resources for basic education is the subject of an ongoing evaluation (Cambridge Education et al., 2009).

In addition to the FTI, other forms of pooled funding mechanisms have emerged, such as delegated cooperation or silent partnerships. Delegated cooperation occurs when one donor acts with authority on behalf of one or more other donors. Silent partnership is a form of delegated cooperation when the ‘silent partner’⁴³ has limited or no presence in the education sector in the country (Koopman, 2005). It is intended to reduce the transaction costs for the recipient country by channelling additional resources through the financial management systems of the delegated donor. In Mali, for example, the Swedish and Dutch governments formed a silent partnership in which Sweden asked the Dutch to manage their education support in Mali using their existing cooperation programme with the government of Mali and taking advice from the Dutch education expert based in-country. This allowed the Swedish

41 The FTI was also inspired by other similar global compacts around debt relief and health. ‘One of the key strengths of both the Heavily Indebted Poor Countries (HIPC) programme and Global Fund to fight AIDS, Tuberculosis and Malaria was a major financing gap to achieve the goal and that there was a structure for a well-defined global compact to meet the need in question’ (Sperling, 2008).

42 ‘Unlike the Global Fund the FTI did not call for a single administrative bureaucracy or a pooling mechanism for resources. Rather the goal was that the FTI partnership would develop a single set of standards, a straightforward endorsement process, and a clear determination of the financing gap in a country; nations with strong education plans would then apply for an endorsement, and donors would sit around a single table and, using a set of comparable standards, would approve viable plans and then agree to support education in a coordinated way to fill the country’s financing gap’ (Sperling, 2008).

43 The ‘silent partner’ term is widely regarded as a misnomer as in many cases the partners are required to continue to provide technical input to the policy dialogue. The key saving is through the use of the delegated donor’s financial procedures.

International Development Cooperation Agency (Sida) to provide additional finance without having to establish a separate bilateral programme.

Examples of successful coordination of different types of aid also exist. In Niger, for example, Japanese technical assistance was linked to a World Bank loan. The ability to 'pool' or coordinate multiple instruments and disbursement channels is, according to some observers, one of the strong elements in the FTI: 'One of the under-appreciated virtues of the FTI is that it is a rare global development initiative that allows and coordinates both pooled and bilateral contribution' (Sperling, 2008). This approach addresses one of the concerns voiced by some interviewees that, while agreeing with coordination, for political reasons they needed to be able to demonstrate impact and take credit for the programmes implemented.

A number of challenges will need to be overcome to make further progress in aid coordination and division of labour. Respondents noted that, for division of labour to have a positive effect, it is important that sufficient education expertise exists in the local donor group, with the appropriate skills and experience to engage with the government in the ongoing policy dialogue. Another key challenge, which was highlighted in the Accra High-level Forum on Aid Effectiveness, is to find the right internal incentives for bilateral donors and multilateral agencies to 'take a back seat' in the sector and/or deploy their expertise for the benefit of the whole sector programme rather than just for their own organisation. Some critics have argued that the division of labour proposals do not take into account donor self-interest, the power relationship between donor and partner countries or the influence of political priorities on development cooperation (Schulz, 2007).

There is an urgent need to engage with non-DAC donors who are already supporting education programmes in developing countries or who might consider doing so. Coordination efforts are so far limited to a group of bilateral DAC donors and multilateral agencies (in particular the World Bank and the EC). A number of respondents noted that it is difficult for non-DAC donors (such as Arab funds) to engage with DAC donors on the Paris agenda, as the type of aid they provide is very different (e.g. heavily reliant on projects). Similarly, coordination and harmonisation between international NGOs and foundations, and between those groups and other donors, is weak. Further work needs to explore the potential of greater involvement of non-DAC donors in the education sector.

Finally, it was noted that coordination could be enhanced if there was clearer and more effective leadership in the education sector by an international organisation. As noted in Section 6, a number of coordination mechanisms were created under the EFA movement. However, as Packer (2007) describes, these are:

... at best loose coalitions of structures, mechanisms and initiatives that are not part of any central international arrangement with well defined relationships between and across particular international partners ... The FTI is a notable exception to this loose rule ... In part, this reflects the very broad EFA canvas so that different elements of its 'vision' attract different interest groups focussing on UPE, adult literacy, ECCE etc. It also reflects the outcomes of Dakar where a single agency – UNESCO - was given the mandate to coordinate and inform international work, rather than there being any proposals to develop a much more specific collaborative arrangement, learning from the lessons of the International Consultative Forum and from other international coalitions.

Some respondents in the survey felt that UNESCO had been successful in coordinating the EFA movement through global meetings and in monitoring progress towards the goals through its EFA GMR. But it is widely recognised that UNESCO has insufficient financial and human resources to carry out the broader global intellectual leadership role.⁴⁴ The absence of a strong global voice for education is almost certainly a significant factor in the relative lack of success in raising additional finance for the sector. There is a need either to strengthen

⁴⁴ As an illustration of this, UNESCO's total education sector budget is less than the donors have committed to the EPDF (the technical assistance fund within the FTI).

UNESCO's capacity or to create an alternative global platform⁴⁵ to play the normative moral suasion role and call all agencies to account for honouring their commitments in the way that the WHO does so effectively in the health sector.

5.2 New modalities of aid to education

In the past decade there has been a shift among many donors from project- to programme-based approaches, often using sector or general budget support to deliver finances more efficiently.⁴⁶ These approaches involve donors providing budget funds in support of a locally owned sector or national programme of development. The funds are generally provided to the government Treasury and thus mingle with domestic resources.

An interesting question for the purpose of this research is then how these approaches have affected funding levels to basic education. Because donor and domestic funds are combined, it is difficult to assess whether funding to basic education has increased (or not) through these modalities. Most donor agencies use a working assumption that approximately 20% of their GBS goes to the education sector.⁴⁷ More detailed information can be gleaned from trends in overall spending on education. The most comprehensive evaluation of GBS concludes that 'the most obvious effects of GBS on service delivery have been through increased expenditure and expanded services, most notably for education and health' (IDD & Associates, 2006). This is confirmed in an earlier study, which found that budget support had been accompanied by increased spending on education and basic education (Foster, 2004). It seems that the education sector, with its high recurrent costs, can benefit from budget support, as governments can potentially gain the fiscal space to increase their national education budgets.

Despite optimistic results in evaluations of budget support, however, respondents in our survey had some concerns about the impact of budget support on funding for basic education. Some interviewees felt that their ability to influence the government to prioritise basic education was more limited in the context of budget support. They expressed concern that budget support (or other types of programme support) does not always result in the effective use of resources. This is particularly important in countries where national capacity and/or political will to deliver education services are perceived to be weak (Rose and Greeley, 2006). Evidence from the FTI suggests that, while in the majority of countries government spending on education has risen along with external aid, in a few countries it has fallen, and in several it has not changed significantly, in a period with relatively widespread growth.

Clearly, there is a risk that donor funds crowd out domestic financing, thereby resulting in a zero sum game for the education sector. The FTI Catalytic Fund donors attempted – with limited success – to address this by reducing the Catalytic Fund allocation if they saw domestic investment in education dropping. The key challenge is securing accurate and timely data on domestic budget expenditures and linking this to increases in budget support to reward increased local effort (Rogerson, 2008).

45 The newly strengthened board and chair of the FTI might be one option for an alternative platform to take the lead on resource mobilisation for the education sector instead of UNESCO.

46 It should be noted that this trend is particularly strong among the European donors and the EC. The Danish government, for example, recently stipulated that sector budget support should be the default modality for support in the social sectors. However, several of the major donors in the education sector (US, Japan and France) and the main multilateral agencies (including the World Bank's IDA) still provide most of their support through projects or various forms of programme-based approaches.

47 It is obviously impossible to track the exact share of GBS that is going to any one sector, as once the funds enter the consolidated account they are fungible across all sections. Most donors and the GMR use this approximate figure based on the FTI benchmark of 20% of all government expenditure going to the education sector. DFID employs a more precise approach by monitoring the actual share of government expenditure going to education in countries where it is providing budget support.

Respondents acknowledged that declines in their own internal technical capacity were part of this concern. Bilateral donors had seen a decline in demand for education experts in countries where they provided GBS. A recent study for the EC points out that donors using GBS are much less involved in education sector dialogue in comparison with donors using other types of modalities. Education sector involvement when aid is provided through a mix of modalities is four times higher than when only GBS is provided (ten Have et al., 2008).⁴⁸ This increases the risk of donors losing contact with the policy dialogue in the sector and failing to conduct adequate monitoring to anticipate problems before they become too serious.

For different reasons, multilateral agencies such as the World Bank have also seen a significant drop in their number of education experts. This has owed largely to internal reorganisation and a move towards multi-sectoral operations, which shifted the responsibility for education dialogue to generalists and macroeconomists.⁴⁹ The net result of both this decline and the drop in the number of bilateral donor education experts is an overall fall in the capacity of local donor groups at the very time when this capacity is most needed.

5.3 Innovative financing mechanisms and engaging the private sector

A number of respondents noted that innovative sources of financing have the potential to generate much-needed increases in aid for the education sector as well as to create opportunities for experimentation and innovation in development finance. Innovative mechanisms were mentioned with respect to both raising additional funds as well as delivering aid. Some donors also felt that greater attention should be paid to the private sector, as both a source of funding as well as a potential channel for implementation.

The term innovative financing is used in different ways. In the broadest sense, it is used to describe anything that is new in terms of the way money is raised or delivered. More narrowly, it is used to capture the idea of leverage, for example techniques that have been used in health to catalyse investment through advanced market commitments, product development partnerships or broader public private partnerships. Here we refer to innovative financing in its broadest sense, but special attention is paid to leverage mechanisms in health (see Box 8).

The past decade has seen a rise in the number and variety of mechanisms to raise and channel aid. Many interviewees welcome this trend, as it is enabling donor organisations to operate in a variety of situations. DFID staff noted that, through the use of innovative tools, they are able to respond to differing levels of demand and capacity. For example, the Afghan Reconstruction Trust Fund (ARTF) in Afghanistan is a fund for the delivery of basic services that sits outside government, but it has a strategy to merge with government as capacity in government improves. The shift towards the use of multiple instruments was especially apparent in some of the DAC bilateral donor agencies (with a few exceptions such as Japan) and NGOs. Non-DAC donors (and to some extent multilateral banks) indicated they had much less flexibility in instruments. The Saudi Fund, for example, stated that it had limited options in terms of lending instruments, channels and partner organisations.

FTI as an innovative financing channel? Creation of the FTI has added innovative new dimensions to education aid, including greater harmonisation, improved assessment of financing gaps and new instruments (such as the Catalytic Fund and the EPDF) (see Box 7). The success of FTI as an innovative financing mechanism has been the subject of much debate in the education community. Sperling (2008) points out a number of weaknesses.

48 This was measured through a survey asking donors whether they had staff available in country to engage in education sector dialogue.

49 The World Bank's Education Strategy Update (2005) notes that the number of education sector staff declined from 228 and 185 between 1999 and 2005. The decline continued to 168 in 2008 (World Bank Education Department).

These include the exclusion of fragile states; lack of long-term and predictable funding; slow disbursement of funds from the Catalytic Fund; lack of clarity on the financing gap; insufficient internal capacity; and lack of public awareness. He proposes a new and strengthened global education fund that would build on the FTI. This would maintain multiple channels of disbursement (a strength of the FTI), promote a single unified global coordination process, have an independent secretariat, provide clarity on the financing gap and build mutual trust (Sperling, 2008). It should be noted that some of the governance issues raised in the Sperling paper are already being addressed through, for example, the introduction of an independent chair and establishment of a board of governors.

Box 7: FTI as an innovative financing mechanism?

The most important innovations introduced by the FTI were the introduction of a framework to improve the quality and consistency of the country-level endorsement process (FTI Indicative Framework) to assure the quality of the education sector plans and the establishment of the notion of a 'virtual fund', which was designed to provide additional financing in line with the Paris Declaration principles. The virtual fund could include all bilateral and multilateral sources of financing for education, as long as they were directed to support activities within the education sector plan.

The FTI donors also established two new multi-donor trust funds – the Catalytic Fund and the EPDF. The Catalytic Fund was originally intended to provide bridge funding for countries that had only a limited number of donors but it was subsequently expanded to include all FTI countries with endorsed education plans. The EPDF was designed to help countries to prepare plans and support capacity development and knowledge-sharing activities.

Both funds are managed by the World Bank and, as such, are subject to standard World Bank project procedures. This has caused some delays in disbursement as well as some difficulties in joining existing pooled financing arrangements.

Nonetheless, both funds have the potential to promote innovative financing in the education sector. The FTI donors have agreed a set of guidelines for the Catalytic Fund which encourage the use of budget support or pooled funding arrangements wherever local circumstances allow (FTI Catalytic Fund Modality Guidelines). If applied, these guidelines have the potential to catalyse significant improvements in the effective use of all aid to the education sector. This could be further leveraged by strengthening the links between the Catalytic Fund and World Bank IDA financing for the education sector in some form of blended financing or 'buy down' arrangement.

The EPDF also has the potential to become an innovative source of support for capacity development in the education sector, including support for long-term institutional development. The first phase of EPDF activities were almost entirely implemented by the World Bank but donors are considering options for the next stage of the EPDF which widen the range of implementing agencies and strengthen local ownership of the activities in order to maximise the benefit to the country (FTI, 2008a).

A number of respondents noted that innovations seem to have been more successful in the health sector (in the broad and narrow sense), generating large commitments to funds such as the GFATM, the GAVI Alliance, the International Finance Facility for Immunization (IFFIm), Advanced Market Commitments and the solidarity levy on airline tickets. Respondents noted that the education sector could learn from the success of these mechanisms. In a recent meeting of the leading ministerial group on solidarity levies for development, the French Minister of Foreign Affairs urged his colleagues to focus innovative financing on other sectors, including education.

Box 8: Innovative financing for health

The health sector has led the way in developing **innovative approaches to raising financing** for interventions relating to combating the spread of HIV and AIDS, immunisation, child and maternal health and other programmes in the sector. Two major global health programmes: **GFATM** and the **GAVI Alliance** have been leading actors in the development and implementation of programmes to raise more long-term predictable aid for the sector.

UNITAID, which is primarily financed by a levy on airline tickets, is a drug purchase facility intended to make HIV/AIDS, malaria and tuberculosis (TB) treatments more affordable. It works in partnership with other organisations to purchase drugs, distribute them and negotiate large price reductions.

The **IFFIm** is a very large facility funded by government-guaranteed bonds issued on international capital markets. The funds raised are used to establish the most urgently needed immunisation programmes in the poorest countries.

The **Advance Market Commitment** for pneumococcal vaccines is a pilot project based on a partnership contract between donors and pharmaceutical companies. It ensures that research on pneumococcal vaccines moves forward and that, once the research is completed, the vaccines will be sold at prices that the target population can afford.

More than **\$1.7 billion** have already been raised. Nearly \$1.2 billion were raised in the first IFFIm bond issues and UNITAID has committed more than \$500 million. UNITAID raises more than \$300 million per year and the IFFIm plans to raise \$4 billion over 20 years. In addition to these funds, \$1.5 billion has been put up under the Advance Market Commitment for pneumococcal vaccines.

Source: Leading Group on Innovative Financing for Development (2009).

Much is still unknown in terms of whether and how innovative financing mechanisms could be used in the education sector and further research and evidence of successful approaches are needed. Respondents highlighted that innovative financing (in particular in delivery) would be important to scale up aid to basic education in fragile states. Some respondents emphasised that this will require donors to work more flexibly. A senior manager at UNICEF pointed out that *'innovative financial approaches will require donors to take slightly higher risks but at the same time also develop risk mitigation strategies'*. UNICEF's support for basic education in Liberia is an example of such an approach. Liberia was rejected for Catalytic Funding in 2007 (despite being FTI endorsed) because it was unable to meet the minimum requirements of the donors for a credible strategic plan covering three years. UNICEF developed a form of 'accompanied budget support' in which the government systems were used to procure the funds. Additional accountability structures were also set up. The government is now coming up with a spending plan that is to be approved by an independent advisory board. Similar examples of 'innovative approaches' in other fragile states are starting to emerge (see Dolan, 2008 for examples in Afghanistan and the DRC).

The debate around the role innovative financing also includes the discussion of the role of the private sector. Traditional donors remain the dominant form of aid, but the aid landscape is changing rapidly and private flows are becoming increasingly important and may overtake the public sector in terms of development contributions in the future (Kharas, 2007). The private sector can support the financing of basic education in multiple ways, either more directly through philanthropic contributions or more indirectly through investing in delivering education.⁵⁰

A majority of respondents agreed that the private sector could provide additional resources for basic education and that opportunities to attract private funding to the sector should be further explored. Some noted that education had so far received very little attention from the corporate and even the foundation sector.⁵¹ **The motivation for the private sector to provide finance to the education needs to be further explored.** Some

⁵⁰ In addition to engaging in policy dialogue and advocacy.

⁵¹ With a few exceptions, such as the Ford Foundation, which has been supplying scholarships and university support for decades. The initiative by the Hewlett and Gates Foundation was also noted.

companies interviewed in Phase I noted that investing in primary education is beneficial to them, as it provides opportunities to educate their potential workforce.

However, opinions on whether the private companies should engage in delivery of education were much more mixed. While some felt that the private sector should engage in the delivery of basic education, a number of interviewees were critical of the idea. Education is a fundamental human right, which should be provided under the responsibility and control of government, not only its regulation and finance but also its provision. There is also a concern that public–private partnerships (PPPs) will not bring in significant additional funding (Draxler, 2008). Overall, it seems that the debate around whether the private sector should be engaged in the delivery of education has made it difficult to make progress on finding ways to further engage the private sector in contributing to education financing.⁵²

PPPs are one example of private sector engagement in delivery, which has been widely debated. Following the Monterrey Consensus in 2002, moves to expand partnerships in basic education have gathered strength (World Economic Forum, 2004). The Global Education Initiative (GEI) of the World Economic Forum (WEF) was established to raise awareness and support education reform through multi-stakeholder partnerships, including private partnerships (Cassidy, 2007). Many national education plans now include some language on privatisation or PPPs (GCE, 2008). Respondents noted that private enterprises could play a role in developing innovative IT solutions, providing expertise (e.g. in programme management) or piloting certain programmes. Increased competition among public and private institutions may also provide more incentives to improve quality (World Bank, 2006). Interviewees acknowledged, however, that there were perhaps fewer commercial opportunities compared with other sectors (such as, for example, health) and there may be a greater role for the private sector at other levels of education, such as adult literacy and vocational training. It was also apparent that, despite a growing literature on PPPs in education, the empirical evidence and the level of knowledge about their functioning and results are still quite weak and many question their benefits.⁵³ Some donors expressed a desire to learn more about PPPs in other sectors. A recent World Bank report provides an overview of the state of knowledge but recognises that there is a need for (more) rigorous evaluations of PPPs (Patrinos et al., 2009).

There is a need to further explore the potential modalities for the private sector to get engaged in education, either in the form of philanthropy or as partners in the implementation. Initiatives by the WEF and some bilateral donors (e.g. UK's Business Call to Action) will be important in this context.

5.5 Other issues: Fragile states and recurrent costs

5.5.1 Fragile states

As noted in the context section, aid allocations are skewed towards 'well-performing' or non-fragile states that can effectively 'absorb' aid. Conflict-affected fragile states 'receive only one-fifth of total aid to education, despite being home to half of the world's out-of-school population' (Dolan, 2008). The FTI has also been criticised for failing to support children in fragile or emergency situations.⁵⁴

⁵² We are grateful to Karen Mundy for pointing this out.

⁵³ The bulk of literature about partnerships in the social sector concerns the health sector. Education as a topic of its own is not prominent, although literature on partnerships in other sectors such as labour, infrastructure, farming and extractive industries includes education as a component (Draxler, 2008).

⁵⁴ Sperling (2008) gives two reasons why funding for fragile countries is limited. First, provision of education is often overlooked by the humanitarian assistance community that traditionally focuses its efforts on 'life-saving' interventions. Second, governments in fragile situations often cannot meet the multiple tests of political will, technical capacity and the promise of high performance resulting in 'trust gaps' that prevent donors from committing significant new resources.

Scaling up aid to basic education will require donors to find ways to operate effectively in fragile states. Innovative financing mechanisms and greater involvement of the private sector provide opportunities. More information on 'alternative' aid modalities successfully applied in fragile states is needed. Examples of successful engagements are emerging, however, and demonstrating that innovative solutions are possible even in the most challenging contexts (see Dolan (2008) for examples in Afghanistan and DRC).

5.5.2 Aid for recurrent costs and long-term predictable finance

Since teacher salaries account for an estimated 60% of the total financing gap for primary education, it is clear that further scale-up of aid to basic education will be possible only if donors are willing to finance recurrent costs in addition to capital costs. Only 17% of total aid to basic education is spent on teacher salaries (GCE, 2009). About 20% of Phase I respondents felt that aid (and loans in particular) should not be used to finance recurrent costs such as teacher salaries and should be used only for 'investments'. There are signs that views are changing, however, and an increasing number of donors are open to long-term financing of basic services including education. Severino and Ray (2009) point out that

... by aiming for (MDG) targets that are out of reach from the neediest countries' public authorities, the international community thus accepts to substitute itself to some states in the provision of basic social services through long-term financial transfers ... This change of philosophy implies a real revolution for the development community, which very few states have fully apprehended. The efficiency of a programme is no longer evaluated on the capacity of its recipients to emancipate themselves of international transfers through economic growth, but through the sole improvement of the targeted populations' basic living standards.

This trend will likely have positive effects on education financing.

Recurrent cost financing also requires long-term predictable aid. However, most aid still is short term in nature and tends to be volatile, which is thought to hamper investment in education (Bourguignon et al., 2008). Aid volatility is particularly high in fragile states (Levin and Dollar, 2005). The lack of long-term predictable funding is impeding the capacity of recipient governments to plan and implement programmes to scale up primary education. This could be addressed by innovative financing approaches allowing for frontloading of funding. The IFFIm is an example of an innovative structuring mechanism for realising future aid commitments to introduce more reliable and predictable aid flows for immunisation programmes and health system development (Ratha et al., 2008).

6. Donor capacity and organisation

Key findings:

- The capacity of donor agencies in the education sector is decreasing owing to restructuring efforts and cost savings in donor agencies as well as the move towards programmatic approaches.
- Decentralisation and disaggregation in donor agencies limits agencies' capacity to prioritise particular sectors.
- Initiatives such as sharing of education expertise across agencies and setting of spending targets may address these constraints.

The survey highlighted a number of aspects related to the internal organisation of donor agencies that are affecting scale-up of aid to basic education. In this section, we discuss two issues: internal capacity and the structure of the organisation. In many ways, the internal organisation of donor agencies affects basic education in the same way as it does other sectors. However, some issues related to internal capacity seem to be unique to the education sector. The structure of the organisation and the way decisions are made affect aid allocations in general but are relevant to education to the extent that it interacts with other factors discussed in this report. For example, advocacy efforts (discussed in the next section) will need to be organised differently in agencies that are highly disaggregated and or decentralised.

6.1 Weak capacity in donor organisations

Our case studies illustrate that the internal education expertise of a number of donor organisations has significantly weakened, including of agencies that focus specifically on providing technical assistance.⁵⁵ USAID, for example, currently has 31 education officers, compared with 90 10 years ago. Internal capacity was mentioned as one of the reasons why Senator Nita Lowey is currently not pushing for a bigger increase in support for basic education.⁵⁶ DFID has 30 education advisors, about 1% of total staff, and one-third of those are not working on education (having moved into more generalist positions). Several relatively new donors (e.g. Spain and South Korea) also have few sector specialists. In order to scale up aid to basic education and address challenges such as improving educational standards, reaching the marginalised and bringing programmes to scale, greater internal capacity will be needed.

There are several reasons for the current lack of and decline in expertise. First, bilateral donors in particular have been forced to cut back on staff as part of national government cost saving exercises at the same time as they are increasing their overall programme investment. This trend is likely to continue and possibly grow as the pressure to reduce government expenditure in the face of growing deficits in donor countries resulting from the current financial crisis. Several foundations and NGOs also mentioned that their boards want them to do more with less. In addition, the decentralisation of operations in many donor agencies has resulted in a transfer of staff from headquarters to field offices. However, education experts have not been routinely deployed in the field and access to central technical support may be limited. Finally, the shift from education projects to multi-sectoral operations, in particular the shift toward budget support, has tended to reduce technical staff in bilateral and multilateral donor agencies. Education sector dialogue is increasingly handed over to generalists and macroeconomists, who manage budget support operations. The

⁵⁵ This observation has also been made in a number of other studies. See, for example, Fredriksen (2008); Cambridge Education et al. (2009).

⁵⁶ Although there are plans to at least double the number of education experts in USAID in the next two years.

implications of this shift are currently not clear. Experts have warned that possible gains in terms of improved focus on macro and inter-sectoral issues could be offset by a worsening of education-specific issues, owing to the lack of specific technical support in this area (Fredriksen, 2008).

There is an urgent need to make better use of the scarce resource of high-quality development education expertise. New approaches, including the use of expert resources across agencies, should be explored in this context (see Box 9).

Box 9: Education expertise – making better use of a scarce resource

The attempt to improve the division of labour among EU member states is one part of the collective effort to address this issue. EU member states have agreed to work together in developing countries and to share expertise across agencies in order to provide more effective support to partner governments. As a first step, the EC has conducted a mapping exercise in the education sector to identify where there are gaps in coverage and to inform discussions with EU donor countries about more strategic deployment of education experts.

The EU division of labour exercise is a worthwhile endeavour but will make a relatively small contribution to the demand for high-quality education expertise, owing to the fact that most bilateral donor organisations are dominated by generalists and have only a small number of experts in each sector. DFID currently has about 35 education advisors, compared with around 100 advisors in governance.

A more important source of expertise lies within the multilateral and UN agencies working in the education sector. UNESCO and UNICEF each have over 300 education specialists and the World Bank had over 170 education specialists and economists working in the education sector in 2008 (but note this is also significantly less than the 225 in 1999). These agencies contain a wealth of knowledge and experience of education policy analysis and development; of supporting education programmes in developing countries, including in difficult governance environments and fragile states; and of linking education to broader economic and social development strategies.

Unfortunately, as the Accra High-level Forum on Aid Effectiveness noted, these agencies currently lack the incentives to encourage their staff to work across organisational boundaries for the benefit of the overall sector development programme. The rewards and management incentives for most staff are still tied closely to the interests of their own organisation and there are few rewards in carrying out the difficult and time-consuming tasks of collaboration with other donors and providing effective support to enable country leadership.

This problem could be resolved by changing the internal incentives to reward staff and managers for the development and implementation of high-quality national education sector plans *irrespective of the financial commitments or involvement of the individual organisations*. In this way, experts from the World Bank, UNICEF, UNESCO and other multilateral agencies would be able to add significant value to the overall planning and policy process and make a substantial contribution to increasing overall donor capacity in the education sector.

6.2 Donor organisation

The internal organisation of donor agencies has an important impact on the way decisions are made about aid allocations and the degree to which, for example, central prioritisation will have an influence within the organisation. Two aspects of internal organisation seem to be particularly important (as they were often referred to as contextual factors by interviewees): the degree of centralisation and the degree of aggregation of organisations. While country strategies and budgets generally include some form of headquarter approval and in-country consultation, the degree of autonomy given to donor country offices varies considerably. Similarly, while some donors' assistance is managed largely by a single agency, others are more disaggregated – with multiple aid agencies and/or significant roles given to ministries outside foreign affairs and finance.

6.2.1 Degree of decentralisation

Although there is a clear trend towards greater decentralisation among bilaterals and multilaterals (OECD, 2008a; 2008b), DAC donors continue to vary in the degree of authority given to country offices. Several DAC donors have taken steps to increase the decision-making authority of country offices. This authority typically involves freedom to allocate funding across sectors within a maximum given country/budget allocation (decided at headquarter level). However, for some this decentralisation is countered by explicit headquarter strategies and thematic spending targets. There is also a measure of variation among international NGOs and foundations: some have regional and/or country offices with delegated authority; others are based entirely in headquarters. The decision-making processes of non-DAC and corporate donors tend to be highly, if not fully, centralised.

Spain – centralised: Following initial in-country consultation with both recipients and implementers, Spain's current country strategies are finalised and approved by headquarters through an extensive validation process coordinated by AECID (Ministerio de Asuntos Exteriores y de Cooperación). In addition to country strategies (which are for the time being very broad), country offices are guided by a master plan, sector strategies and specific spending targets, such as the commitment by Parliament to allocate 8% of bilateral aid to basic education. Decisions on funding to NGOs – a key channel of Spanish bilateral aid – are made at headquarters.

UK – decentralised with a clear central strategy. UK foreign assistance is relatively decentralised. Country ceilings are determined centrally but sector allocations are made by country staff through the country assistance plans. However, while country offices have considerable discretion over sector allocations, they are also subjected to a spending target generated by the political commitment to spend £8.5 billion on basic education over 10 years. As such, country offices are under a degree of pressure to help the government achieve its target by identifying opportunities to scale up support to basic education. This pressure is, however, tempered by competing headquarter priorities and the UK's commitment to Paris Declaration principles such as harmonisation and ownership. Several country offices, such as Uganda, do not directly support basic education.

World Bank – decentralised. The World Bank has a relatively high level of decentralisation. Although there is a clear commitment to poverty reduction and the MDGs, the Bank has no formal strategic framework that specifies the priorities of the organisation. And while country assistance strategies are reviewed and approved by the Board of Directors, the Bank places great emphasis on a country-led approach to development. It should be noted, however, that even within largely decentralised organisations, central guidance is not impossible. For example, the Bank has proven to be responsive to directions of the President (e.g. recent response to the food crisis and the financial crisis) as well as evidence and evaluation (especially when supported by the Board). Another example in the education sector relates to the IEG report on education, which noted that less than 10% of World Bank projects mentioned learning outcomes and led to the Bank's refocusing on quality of education.

6.2.2 Degree of disaggregation

Donors also differ in the number of actors involved in aid allocation and decision making at headquarters. For example, Japanese, Spain and US ODA is administered by a number of ministries. In contrast, UK aid activities are concentrated in DFID. In some donor countries, for example Spain, sub-national authorities such as regions, districts, provinces and municipalities also provide foreign assistance (OECD, 2005). Several large international NGOs are also disaggregated. In particular, NGOs such as Save the Children, Plan International and ActionAid consist of both an international alliance and affiliated national organisations. Save the Children, for example, has 27 national organisations. Although they share a common mandate, these national offices often have their own governing board and run their own field programmes. As a result, the relative priority given to each sector varies

by national organisation. For example, Plan International Norway gives a relatively high priority to basic education.

Japan. Japan's ODA is administered by 13 central ministries and agencies including the Cabinet Office. Although the majority of the budget falls within the Ministry of Foreign Affairs and the Ministry of Finance (29% and 64%, respectively), the remaining departments play a key role as well (see Table 6.1). For example, in addition to the Ministry of Foreign Affairs, JICA, now including the Japan Bank for International Cooperation (JBIC), and the Ministry of Education, Culture, Sports, Science and Technology (MEXT) both provide bilateral assistance for education. To enhance coherency across agencies, a number of reforms to the ODA system have recently been taken. For example, the Council of Overseas Economic Cooperation was established in 2006 to serve as the strategic decision-making body. In October 2008, JICA and JBIC were merged to create the 'new JICA'.

Table 6: Disaggregated ODA in Japan – ODA budget by ministry and agency, FY 2008, yen 100 millions

	General account budget	Project budget
Cabinet Office	26	26
National Police Agency	30	30
Financial Services Agency	133	133
Ministry of Internal Affairs and Communications	913	913
Ministry of Justice	225	225
Ministry of Foreign Affairs	440,729	440,753
Ministry of Finance	174,155	961,177
Ministry of Education, Culture, Sports, Science and Technology	40,539	40,539
Ministry of Health, Labour and Welfare	9,361	10,848
Ministry of Agriculture, Forestry and Fisheries	4,541	15,759
Ministry of Economy, Trade and Industry	28,314	38,758
Ministry of Land, Infrastructure, Transport and Tourism	801	801
Ministry of the Environment	406	1,376
Total	700,173	1,511,339

Source: Yoshida (2009).

UK. In contrast to the above examples, decisions on ODA in the UK are concentrated within DFID. DFID has been a separate department within the UK government since 1997, and the then new Labour government enshrined in legislation that the department's funds could be used only to alleviate poverty and support development. In recent years, the Foreign and Commonwealth Office and the Department of Defence have worked closely with DFID on development programmes in post-conflict countries. There is a high level of accountability to Parliament for DFID's programme, with regular written and oral questions posed by MPs.

6.2.3 But what does it mean for basic education financing?

The complexity of decision-making processes in most development organisations makes it extremely difficult to ensure that policy priorities are delivered. There is an inevitable tension between priorities set at the top level in donor organisations and the need to respond to changing needs on the ground.

The experience of the UK, the Netherlands, the US and (most recently) Spain would indicate that setting a spending target is an effective way for elected representatives to ensure that financial allocations match their policy priorities. One interviewee mentioned that, given the organisation's highly decentralised approach, education could not have maintained its position in the organisation without the explicit spending target. However, such spending targets are often strongly resisted by senior officials (as well as staff on the frontline), who see them as reducing their ability to respond to changing circumstances and are afraid of the risk of segmentation of donor budgets and consequent loss of flexibility to respond to country demand.

The structure of organisations also has important implications for advocacy to increase support for basic education. In highly decentralised or disaggregated organisations, advocacy efforts will need to be directed towards a variety of stakeholders. In a centralised context, it will be important to identify the key decision makers and design a targeted strategy.

7. Evidence and advocacy

Key findings:

- The degree to which evidence is important in allocations of funding varied considerably across organisations. But evidence plays a role in decision making in almost every organisation.
- There is a need for various types of evidence, including: evidence on need, funding gap, learning, impact on other development indicators, etc.
- The debate on measuring results in terms of quality or quantity is affecting the cohesion of the argument for funding basic education.
- Education could benefit from a greater use of impact studies and a new (visionary) proposition paper.
- Advocacy organisations have strengthened considerably in recent years but are competing with strong campaigns in other sectors. Their effectiveness could be strengthened by greater use of evidence, greater engagement of grassroots organisations and focus on different institutions within donor governments.

In recent years, there has been an increased focus on measuring results to justify aid and monitor commitments made by both developing and developed countries at the Dakar Forum. The MDGs have added a sense of urgency. This has coincided with the emergence of a growing advocacy movement that is using this evidence to make a case for basic education. Evidence and advocacy seem to play an important role in donor decision making, in particular for foundations and NGOs, as well as multilateral agencies. The role of evidence and advocacy was emphasised much more frequently by respondents located in headquarters than those in country offices.

7.1 Generating evidence

Results are increasingly measured at a number of different levels, including at the output, outcomes and impact level (see Table 7). Donors are under increased pressure from parliaments or boards to demonstrate effects on the ground.

Table 7: Evidence in education – from inputs to impact

Level of evidence	Examples of indicators
Need/required inputs	Funding gap
	Number of children out of school
Outputs	Number of schools built
	Number of teachers trained
	Number of children enrolled
Outcomes	Level of literacy and numeracy
	Performance of instructional methods
Impact	Growth (and poverty)
	Maternal/infant mortality
	Incidence of HIV/AIDS

The degree to which evidence is perceived to be important in the allocation of funding to basic education varies considerably across organisations (and even within organisations). The type of evidence required and collected also varies across agencies, and even within donor agencies. For example, a 2007 Government Accountability Office (GAO) report illustrated the various output measures collected by US agencies involved in basic education

financing.⁵⁷ What is clear, however, is that evidence in its various forms plays a role in the decision making of almost every organisation.

Table 8: Results reporting in US agencies supporting basic education

Department	Results measures
USAID & Department of State	Students enrolled in primary school Students completing primary school Adult learners completing basic education
Department of Labor	Children removed or prevented from exploitive work Countries with increased capacity to combat child labour
Department of Agriculture	Number of mothers, infants and schoolchildren receiving daily meals and take-Home rations through the McGovern-Dole International Food for Education Program
Department of Defence	Number of schools built or renovated in Iraq, Afghanistan and the Horn of Africa
Millennium Challenge Corporation	Broad Rate of Reform for Investing in People calculated through changes in: total public expenditure on health; total public expenditure on primary education; immunisation rates; girls' primary education completion rates.

Source: GAO (2007).

There was near general agreement among respondents that education needs stronger data generation and analysis. Some respondents also pointed out that the health sector had a much stronger evidence base and a more vibrant and innovative literature on results of health interventions. And this explained to some extent why health had been so successful at attracting funding. The education literature was perceived to be '*less exciting*', with fewer breakthroughs and solutions to specific problems. It should be noted, however, that data on education have improved significantly. The EFA GMR, which was introduced in 2002 to address the issue of the lack of reliable data, is widely regarded as having made a significant contribution to improving the quality of data in the education sector.

Interestingly, at a time where the global community moved towards a greater emphasis on development results (as part of the aid effectiveness agenda), the education community (with strong encouragement from the advocacy community) has placed increasing emphasis on a human rights-based rather than a needs- or results-based justification for support for basic education. Some interviewees noted that the former approach was not effective and had no traction in their organisation. Others (often from foundations) admitted that, while their support for education was based on philosophical and moral arguments, evidence was still needed. For example, more detailed data were needed to make more detailed choices on the type of programmes or interventions needed.

Evidence on need is an important factor in the decision making of organisations across the board. Evidence on illiteracy rates in Mali (among the highest in the world) was mentioned as a strong determining factor in USAID's decision to fund basic education. Greater needs in secondary education (as a result of successes in primary education) are influencing a shift towards support for the sector among some donor agencies. Equally, the lack of evidence on need has led donors to provide relatively limited support to marginalised groups. Evidence on need has in many cases had positive effects on the allocation of funding for education, but interviews also highlighted that recent progress in access to primary education has led some donors to withdraw from the sector.

A number of respondents felt that the data on the funding gap in education were unreliable and an insufficient guide for funding allocations. Data on the financing gap has varied considerably (see context section) and the discourse around the financing gap, for example within the FTI, has been confusing (Cambridge Education et al., 2009). The lack of

⁵⁷ Note that the report was critical of the fact that US agencies engaged in international basic education failed to measure results at the outcome level (see further below).

clarity in the financing gap owes to use of different definitions of basic education at the country level and disagreements about the costs of often more expensive interventions in marginalised groups. This is contrasted with the greater availability of and consensus around information on costs and financial needs in the health sector. There was a feeling that there is an urgent need to re-look at the costs of education, as previous estimates had not sufficiently accounted for newly emerged challenges in education such as improving the quality of education. Interviewees did note, however, that there was a need to move away from a focus on trying to raise more foreign aid to fill the funding gap towards a greater emphasis on effective use of existing resources and galvanising domestic resources. The education sector could benefit from a more robust technical agency or network to support financial analysis, possibly modelled on the WHO Commission on Macroeconomics and Health. The economic and financial case for education is generally made only by the World Bank, and further analysis of domestic financing and aid flows is needed.

The sector has been wrapped in a polarising debate around whether education results should be measured in terms of quality rather than access.⁵⁸ One respondent noted that *'education specialists have been caught between what comes first and now both come first'*. It was noted that the debate has a negative effect on the cohesion of the argument for funding education. Some felt education experts were too focused on quality and failed to recognise trade-offs (in terms of cost) between education quality and access. As countries expand access to education, there will inevitably be a decline in the average quality of education attainment, as children who were previously given no education come into the system. This pattern and difficult trade-off decisions have been followed by every industrialised nation. The recent strong focus on the need to improve the quality of education – and specifically a focus on one aspect of measuring learning outcomes – has been strongly driven by the Bank following criticisms about its lack of attention to learning in the 2006 IEG report. It also seems to have been influenced by the (somewhat irrelevant) debate in the US about Bush's drive to improve domestic US education through the No Child Left Behind programme. This raises the question whether an ill-informed and excessive focus on quality without acknowledging the trade-offs could result in a backlash and a reduction in funding, as donors get the impression that all of their investment in education has been wasted because *'children aren't learning anything'*. A Ugandan government official pointed out *'that it was easy to quantify results in the beginning (and there was lots of donor interest) but now the focus is on quality and that is much more difficult to demonstrate – and takes much longer to materialise. Donors now want to see quality issues addressed before they fund more.'*

Respondents also noted that, while education professionals often argue for measuring quality, or at least a mix of access and quality, politicians often respond to more basic measures of access.⁵⁹ A Spanish NGO said it had found it difficult to advocate for quality education and noted that quality is much more difficult to sell to domestic constituents (for example national parliaments). Another respondent noted that the education community should learn from occasions where the education sector has been successful at raising funding, such as in emergencies, often involving measures of access rather than quality.

Most respondents agreed, however, that greater attention should be given to learning outcomes and its determinants, as UPE cannot be achieved without major improvements in quality (Fredriksen, 2008).⁶⁰ But there are multiple practical and technical difficulties in measuring outcomes directly, and doing so in a consistent way over time and/or a way that is comparable across countries. This inability to attribute ultimate results (as against education throughput and completion of cycles) to domestic and external support has been noted as

58 The move towards quality was influenced partly by successes achieved in terms of access to education in some parts of the world (e.g. East Asia and Latin America).

59 This is to some extent demonstrated by the US GAO report, which indicated that US agencies had been unsuccessful at measuring learning outcomes over a time period where funding had increased.

60 The percentages of developing and transition countries carrying out at least one national learning assessment have risen dramatically: from 28% of developing and 0% of transition countries in 1995-1999, to 51% of developing and 17% of transition countries in 2000-2006 (Benevot and Tanner, 2007)..

one of the factors that may have limited resource allocations to the FTI. However, there has been a much stronger drive to focus on these issues recently. The FTI partnership has committed to developing new components of the indicative framework to provide a benchmark for improving learning outcomes in FTI-endorsed countries.

Demonstrating the impact of education on other (popular) development causes is key in further galvanising support for the sector. The evidence on rates of return in the education sector by Psacharopoulos and colleagues is perceived to have had an important effect on the World Bank's and other donors' decisions to support basic education in the 1990s (Psacharopoulos, 1995; Pasacharopoulus and Patrinos, 2002). Equally instrumental was the work by Larry Summers on return of investment of educating girls (Summers, 1994). More recent work on the effect of secondary education on growth has led to a shift of attention to post-primary education (see Box 10).

Overall, this survey pointed out that further work is needed to demonstrate that basic education is critical for development and that more needs to be done to provide the basic education foundation for future economic growth. One commentator to this paper stated that education is a *'motherhood and apple pie issue'* – everyone agrees that it is a good thing but no one takes the actions necessary to ensure that the goal of universal education is met. Respondents questioned whether public opinion in the North is sufficiently aware of the broader development implications of uneducated populations. Education lacks the crisis element that can help to generate large scale responses in a short space of time in other sectors. Survey respondents recommended to link education outcomes more strongly to economic growth, health indicators and critical issues of the day (e.g. national security). One respondent noted that it is important for the education community to think innovatively about the wider development effects: *'There is a real opportunity to think innovatively. For example, IT and softbooks may be the way forward. This will be attractive to donors and could draw in the private sector. Lack of use of paper could be connected to environmental causes.'*

The education sector could benefit from greater use of impact studies. An important factor in producing credible evidence at the level of outcomes or impact is the extent to which evaluations are able to attribute outcomes to specific interventions. Much progress has been made in this area through the use of randomised control trials. For example, Bettinger (2006) and Kremer (2006) show that experiments make possible valid comparisons among education interventions because randomisation establishes equivalent participant and non-participant groups for comparison. Randomised controlled experiments can, therefore, produce the most credible evaluation of programmes, including their cost effectiveness. Bettinger (2006) notes that experiments such as that used to study the school-based health programme remain underutilised, although they provide highly credible results. As the research of these authors makes clear, with more reliable information from such experiments, education reformers can focus efforts and resources on the programmes that have been found to be most effective.

Box 10: Prioritising education – moving from primary to basic to post-basic?

In the past few years there has been a gradual shift in attention away from a narrow focus on primary education towards other levels of education and a more holistic view of the education system. Questions have been raised about the imbalance in the support for different levels of education and EFA goals. While important progress has been made towards UPE, progress has been uneven towards the other five EFA goals. It is thought that giving priority to EFA goals other than primary education would enhance the overall effectiveness of education (Fredriksen 2008). Recent studies have also stressed the urgent need to develop secondary education in Africa, both to respond to increasing demand and to develop the skills needed by the economy (Verspoor et al., 2008). Poverty research has also favoured increasing funding for post-primary education. The Chronic Poverty Report, for example, points at the critical importance of secondary education (in addition to primary) for employment, self-employment and improved human development outcomes (CPRC, 2008). This further increases competitive demands on limited available funds. Overall, it has been noted that segmenting education aid by type or level on the basis of some a priori boundaries set by international

agreements is damaging to the overall EFA and MDG impact, and likely to be harmful to efforts to increase funding to education Rogerson, 2008).

Other evidence. Stakeholders also indicated that more data are needed on how education and development outcomes are achieved. For example, work by Bruns et al. (2003), which showed what successful EFA countries had in common, laid the basis for the establishment of the FTI (Cambridge Education et al., 2009). Clearer evidence is also needed to demonstrate the impact of different aid modalities and in particular sector and general budget support (Riddell, 2007). Stakeholders also noted that further evidence of the impact of aid is missing. Current calls for donors to fill the funding gap assume that the aid is effective, although the evidence is not unanimous. The existing literature on aid effectiveness in the education sector is limited and draws heavily on the general aid effectiveness literature, with only limited attention to effects of aid in specific sectors. A disaggregated analysis of aid to different levels of education shows a small but positive effect of aid to basic education (Michaelowa and Weber, 2007).

A need for new goals? A number of stakeholders stressed that the narrow focus in EFA and MDGs on basic education is counterproductive. Basic education should be examined as part of a broader system (including other levels of education and other development sectors). Reasons for this are also explored in the literature (Lewin, 2009).

Respondents noted that the education sector needs to come up with a new proposition about the impact of education, modelled on the Stern Review on climate change, for example, which was hugely influential (it demonstrated, for example, that action on climate change could be good for business). This visionary paper would link education to the big issues of the day: What contribution can education make to alleviating climate change? How can education help countries emerge from the financial crisis? How can education help to create stronger, more secure and more democratic states? How can education contribute to the achievement of the other MDGs, especially in health and gender? These are the big questions that the sector will need to be able to answer in order to make the case for greater investment.

7.2 The role of advocacy organisations

Decisions to scale up aid to education are influenced not only by the evidence generated but perhaps more importantly by the way the evidence is presented and used in raising public awareness and support. Global campaigners and civil society have played an important role in advocating for the UPE target. Numerous education coalitions have emerged in over 50 countries in the past decade, which now form the backbone of the GCE. GCE's annual Global Action Week generates substantial media coverage in donor and developing countries across the world. It has also developed a very effective advocacy tool – The School Report Card – which 'grades' world leaders on their achievements in providing support to basic education.

Education campaigns and lobby groups have had to compete, however, with strong campaigns in other sectors. For example, education has not been able to generate the same attention and resource mobilisation as the health sector (Sperling, 2008). Proposals have been made for the FTI to make a more compelling case for support for education (Rogerson, 2008).

Stakeholders pointed at a number of differences in health and education advocacy:

- There is a lack of political attention to education as demonstrated by the relative lack of political 'buzz' associated with FTI activities. Major players (such as high levels of the US administration pre-Obama, Gulf countries and the private sector) have had relatively little involvement in FTI education campaigns. Education needs to be made

politically more attractive. Initiatives such as the campaign around the 2010 World Cup are trying to address this issue.

- Education needs more *aggressive* and *critical* voices, such as Steven Lewis and Jeffrey Sachs in the health sector. Advocacy and high-level personalities associated with education are perceived to be too 'soft' on non-performers. One respondent mentioned that '*when promises are broken, there is no political pain*'. A key bilateral donor pointed out that health advocacy groups create much greater hassle than education groups.
- The health sector was perceived to be more successful at using strong evidence in asking for support. While the overall case for education investments is long established and well documented (see previous section), buy-in from non-specialists and the political community in several donor countries is weak. Research into the causal link from education to growth is still contested and further empirical evidence is needed.
- The health sector has been more successful at enlisting support from a variety of groups outside the sector, such as for example the faith community in the US. The use of technology in the health sector was also considered to be a key factor in attracting support, in particular from foundations and the private sector.
- Stakeholders in several key donor countries, including Japan and France, indicated that the NGO community is stronger in health than in education.

Some of the constraints of global advocacy are a direct result of the limited evidence available. Stakeholders indicated that there is no consistent clarity as to what kind of education is needed. Advocacy efforts are too much focused on the amount of funding and too little on its effectiveness. Finally, it was noted that advocacy efforts are too focused on basic education to the exclusion of other levels of education and support for broader and related development objectives. Interviewees noted that advocacy groups could play an important role in increasing awareness on the link between education and the broader development agenda and key topics of the day. A recent Economist report⁶¹ underlined the potential opportunity (or threat) offered by the declining fertility rates in Africa and 'population bubble' of the 0 – 14 age group which will work its way through the system over the next decade. Education has a critical role to play in helping to maximise the contribution of young people to the new greener economies which global leaders are seeking to promote. Advocacy efforts for education should include key global meetings on these issues such as the upcoming Climate Change Conference in Copenhagen.

Stakeholders highlighted that education advocacy is at times too ideological. There tends to be a strong emphasis on budget support as the 'approved' approach for support in the sectors. According to one respondent from a key bilateral donor agency, this has discouraged donors with a high emphasis on project support from engaging in the sector. Similarly, other stakeholders noted that advocacy groups are reluctant to explore involving the private sector in education.

A number of foundations and international NGOs feel the education sector could benefit from stronger advocacy efforts and involvement of the grassroots in recipient countries. Policy and advocacy at the national level is difficult and CSOs are not sufficiently attuned to accurately understand and voice concerns of citizens. Donors, government and technocrats are engaging in discussions while citizens are left out. One respondent also felt that current international advocacy efforts are too focused on global platforms, while there is a need to enhance the voice of grassroots reform movements. The role of local NGOs in holding partner governments and donors to account was a central theme in the 2008 GMR.

Advocacy efforts will be more effective if they focus on different departments and fractions within donor governments. As discussed in the previous section, interagency coordination and communication are often weak and different parts of government need to

⁶¹ Economist Aug 29 – Sept 4: Africa's Population: The baby bonanza.

be targeted in advocacy efforts. For example, apart from targeting aid agencies and prime ministers' offices, advocacy should also be directed at chancellors or ministries of finance. Equally, messages should be targeted at top as well as lower levels in donor agencies (where most of the decisions are made). Finally, Spanish advocacy groups noted that their efforts influencing the opposition party paid off when the opposition party came into government.

8. Absorptive capacity

Key findings:

- Absorptive capacity is the most widely discussed factor in the scale-up of aid to basic education. But evidence suggests that capacity constraints are less important than might be expected.
- Constraints generally relate to institutions and human resources. The capacity to develop credible plans has improved significantly but capacity of education ministries and at local levels remains low.
- More attention should be given to systems of accountability at the micro level as they can play an important role in monitoring whether funds are used effectively, in turn increasing donors' confidence.
- Macro constraints are mentioned less frequently, except by advocacy organisations.

Of all factors influencing external financing of education, the capacity of recipient countries to absorb sizeable amounts of aid has been discussed most widely in the literature (see Heller and Gupta, 2002 and Clemens and Radelet, 2003 for early discussions). Various factors have been identified that could potentially limit absorptive capacity, causing declining marginal rates of return and, ultimately, limiting the effectiveness of increased aid flows in reaching the MDGs. Some have argued, however, that limitations in absorptive capacity should not be an obstacle to the scaling-up of aid, provided efforts to improve capacity are undertaken simultaneously (UNESCO, 2006).

Overall, evidence from our survey suggests that, while recipient capacity constraints are important, they are by no means the most significant factor determining the allocation of aid to education for most donors. Interestingly, and perhaps not surprisingly, however, absorptive capacity issues were more frequently mentioned at the country level (by government as well as donors) than at the headquarters level. The importance of capacity issues also varies significantly from country to country. For example, absorptive capacity was the main constraint to scaling up aid to basic education in the Mali country case study (see Box 11). But it was much less of an issue in Uganda, where local capacity was perceived to be sufficient (although there are clear opportunities for improvement – particularly at the district level and in terms of quality). A number of respondents mentioned that weak capacity does not affect their decision to engage in basic education; lack of capacity may even encourage it, but it could affect the size of the investment. Most agreed, however, that there are ways to address capacity issues and one can '*programme around them*'. Capacity issues were mentioned relatively more frequently by recipient governments, non-DAC donors and advocacy organisations.

The literature discusses absorptive capacity constraints in the education sector at three levels: macroeconomic constraints; institutional and human resource capacity constraints (meso level); and demand- and supply-side constraints (micro level) (Rose, 2007).⁶²

The survey shows that constraints to scaling up aid to basic education generally include concerns related to institutional and human resource capacity (meso level) and to some extent to systems of accountability (at micro level). The main concern of donors is that funds will be absorbed and used effectively by these institutions. This requires having strong public financial management systems in place, including transparent and efficient budget systems and high-quality accountability mechanisms at central and local

⁶² In-depth analysis of absorptive capacity constraints in the education sector is still very limited. Bourguignon and Sundberg's analysis (2006), which is based on a simulation model to achieve the MDGs, is probably the most comprehensive. However, alternative historical analyses of country experiences could potentially provide stronger evidence (Rose, 2007).

levels. A strong ministry of education and functioning and competent administration are needed to formulate plans and policies. Aid flows can also create high demand for the physical and human resources that are necessary for the delivery of services but in short supply. These scarce resources could include talented government or administrative staff, qualified teachers, schools, roads, etc.

Box 11: Absorptive capacity in Mali

Weak capacity of the Malian government was identified as a key constraint to scaling up aid to basic education by a majority of interviewees, including donors, government agencies and CSOs. Capacity is considered to be low in public financial management as well as implementation of projects, leading to delays in fund disbursements. Three main problems were identified:

- **There is a lack of technical expertise of ministry staff**, high turnover (resulting in loss of results achieved by capacity-building programmes) and weak management, resulting in difficulties preparing action plans and the medium-term expenditure framework (MTEF) required by sector budget support donors before disbursement of funds.
- **Coordination and governance across government agencies are weak.** Three ministries (MEBALN – Ministère de l'Éducation de Base, de l'Alphabétisation et des Langues Nationales, MESSRS – Ministre de l'Enseignement Supérieur et de la Recherche Scientifique and MEFP – Ministère de l'Emploi et de la Formation Professionnelle du Mali) are in charge of implementing one programme, the Education Sector Investment Programme (PISE), which renders implementation and monitoring difficult as responsibilities are blurred.
- **There is a lack of decentralised implementation capacity**, resulting in delays in project implementation. In addition to a suspected lack of support to the decentralisation process within the government, sector budget support donors are considered to be partly responsible for the lack of capacity at local level. These donors have decided to route funding of primary schools through the ANICT (National Investment Agency of the Local Authorities) rather than entrust local communities with this responsibility in conformity with the decentralisation policy. This has impeded the strengthening of government and local authorities' delivery systems. It also contributed in slowing down PISE II implementation by reducing the Ministry of Finance's control over funds, slowing down the effective decentralisation process and impeding local communities taking responsibility over their own budget.

While weaknesses in capacity are a concern to donors in further scaling up aid to education, it should be noted that capacity has improved considerably. Respondents noted that the government had developed a sound education sector development strategy and implementation plans, which played an important role in donors' decisions to support to the sector. Improvements in government planning and budgeting had also encouraged several donors to provide education sector budget support. Sector budget support is seen as an opportunity for donors to strengthen the government's capacity in sector planning, public financial management and programme implementation.

Source: Mali country case study.

While institutional and policy constraints are not necessarily specific to education, they might be emphasised because of the size of the education sector, its complexity and the proportion of government resources allocated to it compared with other sectors. Basic education is inherently distributed over many thousands of cost centres (schools) and relatively small individual expenditures, complicating logistics compared with other sectors such as, for example, infrastructure. Capacity concerns were particularly important in fragile states, where basic education needs are extensive.

A number of specific observations from interviews are worth noting:

- **There is fairly broad agreement that countries' capacity to develop credible education plans has improved significantly.** Some noted that the education sector has much stronger plans than other sectors. Support for the development of country plans was a key focus in the Dakar commitments and has also been central to the activities of the FTI. Through its endorsements, the FTI was intended to provide a kind of confirmation of a country's absorptive capacity. However, it is not clear whether this sufficiently lifted the absorptive capacity barrier for donors. Preliminary

data of the FTI evaluation suggest that endorsements may have a positive, if delayed, effect on aid flows to basic education (Cambridge Education et al., 2009).⁶³

- **The capacity of education ministries and at local levels is perceived to be generally weak.** One interviewee noted, for example, that the planning division of the Ministry of Education in Nicaragua, responsible for the development of education sector plans, consists of two people. Donors in Mali commented that staff in the Ministry of Education had no expertise in the sector and that there was a high turnover rate (undoing the effects of capacity-building efforts). Decentralisation has further complicated the capacity problem. Capacity at local levels to adequately manage funds is very weak and highly variable. One respondent in a key multilateral agency noted that the donor community had not been able to address this issue. This would require much closer collaboration between the education sector and public sector reform programmes.
- **Organisations working with local NGOs and other implementing agencies** found it sometimes challenging to identify partner agencies with sufficient capacity (including staff and expertise) as well as the right programme focus.
- **Systems of accountability at the *micro* level are key components of countries' capacity to deliver and maintain high-quality education services.** This has not been sufficiently recognised by the donor community. This relates to concerns about capacity at the school level, as identified in the study by Rose (2007). The capacity to deliver high-quality services and access and use funds effectively is often weak. Accountability mechanisms at local levels need be developed and strengthened to enable to monitor service delivery.
- **Capacity constraints are influenced by donor operating practices.** Respondents felt that donors can operate in ways that lessen the burden on recipients, by for example using allocation procedures and funding modalities that are more transparent and less time consuming. Some respondents also pointed out that partner capacity could be enhanced if donors gave more long-term, predictable aid (which would, for example, make it less risky for recipient governments to train and hire teachers). Overall, there was a strong feeling that more long-term and predictable aid was needed in order for recipient governments to be able to scale up their investments in education. Rose (2007) also points at the influence donor practices and operations have on recipient countries' absorptive capacity.

Absorptive capacity issues at the macro level were much less frequently mentioned.

These have been discussed extensively in the literature and relate mainly to the possibility that large and sudden funding increases may provoke a Dutch disease effect, causing an appreciation of the real exchange rate, which could potentially undermine the competitiveness of the export sector. Basic education service delivery has one of the lowest, if not the lowest, contents of imported and tradable goods of any sector, so using foreign aid to massively fund non-tradables (e.g. teachers) could create absorptive capacity difficulties in some contexts, compared with, say, large-scale imports of drugs or vaccines. Aid increases can also cause labour market pressures, by increasing demand for skilled labour and driving up wages (Bourguignon and Sundberg, 2006).

The potential for Dutch disease effects was rarely mentioned by donors as a constraint to scale-up. However, advocacy organisations were particularly critical of the effect of macroeconomic constraints (imposed by the IMF) on countries' ability to spend on education (in particular on teacher salaries), in part to control for these effects. According to activists, this issue is not well known or understood in the donor community, which may explain why it did not feature much in the interviews with donors organisations. Up to a few years ago, the IMF attached wage bill ceilings as conditions to its loans. According to advocacy groups, wage bill ceilings are no longer imposed but other macroeconomic and budgetary targets still prevent governments from increasing the wage

63 'In aggregate the data reveal a slight drop in aid commitments to basic education in the year following endorsement, followed by a sharp rise in the second year' (Cambridge Education et al., 2009).

bill. This prevents increases in education investment and so indirectly the ability of governments to absorb money for education. The GCE (2009) points out that the global crisis is an opportunity to review the macroeconomic policies entrenched for decades, as part of the overhaul of the global financial system. There is a need for a change in mindset, in which education is no longer seen as a consumption good (because it is mostly made up of recurrent spending) but as an investment and factor of growth.

9. Recipient demand

Key findings:

- Recipient demand is comparatively less of a constraint to scaling up external funds for basic education but it can be an important motivating factor. When demand for basic education is strong, this demand increases the likelihood of donors funding basic education. In contrast, lack of demand is less likely to deter donor from allocating aid to basic education – particularly bilaterals, foundations and NGOs. However, lack of demand for basic education loans was mentioned as a constraining factor by a number of multilaterals.
- Demand for education financing, including basic education, is often perceived by donors as high. However, the degree of demand varies by country and stakeholder. Demand for education financing is countered by demand for funding to other sectors, and sub-sectors.
- Donors appear more likely to respond to demand when it is in line with their own priorities, comes at a time when additional donor resources are available and is presented in a well-thought-out and consultative strategy.

9.1 Demand for basic education financing is strong

Given the current emphasis on ownership, a number of respondents listed the desire to align with countries' strategies as a key factor influencing donors' aid portfolios. According to respondents from both Phase I and Phase II, recipient demand has a direct impact on the likelihood of donors scaling up support to basic education. In the majority of cases, demand was listed as a positive influencing factor. Demand for basic education financing was felt particularly by donors with a comparative advantage in education and/or offering grants.

It is important to note that the degree of responsiveness to demand varies and a number of donors indicated they are paying increasing attention to need as a factor influencing their allocations. Needs-based allocations have become more important, given the growing attention to fragile states, where governments and/or civil society are often not able to express demand effectively. A few interviewees indicated that their organisation would fund key interventions, such as increased female enrolment, even if such interventions were not prioritised by a recipient government.

Interviewees perceive recipient demand for basic education to be high. Proxies used to gauge demand generally support this perception. In Phase II, demand was frequently cited as a key factor encouraging a scale-up of aid to basic education. The importance of demand was particularly noted by non-DAC donors and recipient governments. These findings are supported by Phase I interviews, in which approximately a majority of respondents agreed that *'the majority of their partner countries/organisations consistently ask for more support for primary education'*. According to respondents in both phases, recipients (both governments and implementing organisations) recognise the importance of education for poverty eradication, economic growth and equality. In addition, according to several NGO interviewees, education is a top priority for communities and parents in both fragile and non-fragile states. In fact, according to several respondents, it is the number one demand. Demand was generally perceived to be higher in Africa, LICs and/or countries with low primary enrolment rates.

There is ample evidence to support respondents' perceptions that recipient governments and civil society prioritise basic education. First, several governments have enacted specific

policies intended to increase access to, and enrolment in, basic education. For example, the Presidents in Uganda and Kenya both promised their countries UPE and, according to the GCE, 14 countries have abolished fees for education since 2000 (2008). Second, the majority of national development strategies, particularly first generation PRSPs, list education – including basic education – as a key priority. This prioritisation is echoed in most education sector strategies (particularly first generation strategies, e.g. Uganda’s 1998-2003 Education Sector Investment Plan (ESIP) and Mali’s first PISE). Third, (at least for countries with data) the majority of developing countries have increased the share of GNP and government budgets allocated to education since Dakar (UNESCO, 2008; GCE, 2008). Madagascar and Oman, for example, allocate 25% and 31% of public expenditure to education, respectively (UNESCO, 2008). By 2008, 18% of Mali’s total national budget (including investments) and 31% of the national recurrent expenditure went to education (Government of Mali, 2009). With regard to basic education, the 2009 GMR finds that countries with low levels of post-primary enrolment tend to allocate higher proportions of their education budget to primary education. Fourth, surveys such as the Uganda Participatory Poverty Assessment Project have identified education as one of the highest priorities of the poor. Similarly, the elimination of school fees in countries such as Ethiopia, Lesotho, Tanzania and Zambia resulted in an immediate increase in enrolment rates (UNESCO, 2008), implying that parents are eager to send their children to school when such an opportunity is presented.

It is important to note, however, that a few respondents believed that this demand is influenced in part by a perception that there is a strong interest among donors to support basic education (i.e. partners are more likely to demand funding for sectors that they believe donors are eager to fund).

Box 12: Question for future research

Both interview responses and data on recipient government spending suggest there is strong demand for external support to basic education. Yet, as detailed in Section 2, while aid to education and basic education has increased in absolute terms, the share allocated to this sector and sub-sector has remained fairly stable. This implies one of the following:

1. External support for basic education is indeed a top priority for recipients but donors are not fully responding to this demand (for reasons that may have to do with the influencing factors laid out in previous chapters).
2. Demand for aid to basic education is no higher than demand for aid to other sectors and sub-sectors.

Hypothesis 1 has serious implications for the Paris Declaration principles, including the commitment to mutual accountability and increased alignment.

The form of demand responded to varies by donor. As made clear from interviews, donors gauge recipient demand in a variety of ways. DAC and non-DAC donors appear particularly responsive to government demand. Of these, respondents most frequently referred to national development strategies and direct requests for support (e.g. during missions or through funding proposals). Political commitment and the allocation of domestic resources were less frequently cited as indications of demand. Respondents from NGOs and foundations placed particular emphasis on the importance of grassroots demand. Although less frequent, the priorities of civil society were also raised by several DAC donor and corporate interviewees as a factor influencing allocation decisions. In general, as illustrated in Box 13 on Uganda, donors appear more likely to respond to demand when this is in line with their own priorities, comes at a time where donor resources are increasing and is presented in a well-thought-out and consultative strategy. This implies that recipients wanting to increase aid for basic education should prioritise basic education in their own strategy documents. It also suggests that a scale-up of aid to basic education by DAC and non-DAC donors is more likely if there is deep-rooted and broad-based support for basic education in recipient countries and that a scale-up of aid to basic education by NGOs and foundations is more likely if parents and communities fully appreciate the benefits of educating children – and are able to voice this.

Box 13: Demand for basic education in Uganda

The history of donor support to basic education in Uganda is a clear example of the positive impact that broad-based demand can have on donor funding. From this case study, the following lessons emerge:

- In the late 1990s, basic education was high on both the government and donors' agenda; this overlapping of interests allowed for a rapid scale up of aid to the sub-sector.
- While donors respond to demand, demand alone may not be enough to trigger a scale-up of aid. Prerequisites such as developing a strong sector strategy or implementing reforms may be required.
- Donors prefer demand to be expressed in the form of a sector strategy rather than a political announcement.
- A lack of recipient demand can be overridden when there is a major political prerogative from donor headquarters (in the case of Uganda, funding to health and the war-torn North is a top priority for many donors).

Donor support to basic education in Uganda can be broken into three phases: the scaling-up phase (1997-2003); the levelling of support phase (2003-2007); and the current opportunities for a potential increase (2008-onwards).

1997-2003: This was a period in which recipient demand, donor prioritisation and funding needs were all high. Of these, demand served as the key catalyst for scaling up funds to basic education. Demand for basic education funding came from all quarters of the government, ranging from the President's announcement of free primary education for all as part of his election campaign to the government White Paper on education and the first ESIP.

However, it is important to note that demand alone would likely not have resulted in as large an increase of funding. Rather, it was recipient demand for funding to an area experiencing strong donor support and to an area with clear funding needs that resulted in the magnitude of the funding increases observed. HIPC debt relief also helped to make this scale-up possible.

2003-2007: This was a period in which funding to basic education stabilised. A lack of demand for aid overall, resulting from macroeconomic concerns of the Ministry of Finance, and withdrawal of the commitment to additionality (i.e. that an increase in donor funds will lead to an overall increase in support to the sector, rather than a reallocation of current resources to other sectors) contributed to this. However, it is important to note that, despite government concerns about aid, external funding for other sectors, most notably health, continued to increase during this time. This may be an indication that some sectors are seen by donors to be so important that 'lack of demand' did not have an effect on their funding to them.

During this time, government prioritisation for secondary education also increased, as evidenced by the second Education Sector Strategic Plan and the announcement of Universal Secondary Education by the President. Some donors have responded to this shift in focus by providing aid to secondary; others have chosen to remain exclusively in basic education.

2008-present: Basic education remains an area of demand (perhaps particularly in the North) and the Ministry of Finance's stance on 'no additionality' is today largely talk. However, within the education sector, government attention has moved towards secondary and, within the development strategy as a whole, government attention is moving towards growth and productive sectors. In addition, the Ministry of Finance is pushing the Ministry of Education and donors to improve efficiency before they increase funds to basic education. According to one government official, while demand for basic education funding remains high in the Ministry of Education, lack of government demand outside the Ministry is the number one constraint to a scale-up of funds.

9.2 Possible constraints

According to respondents, while demand for basic education is high, this demand is to some extent offset by demand for financing to other sectors and sub-sectors, including secondary education. While some donors are less responsive to this shift in focus – as indicated above – several interviewees (particularly from DAC and non-DAC multilaterals) listed lack of demand as a constraint to scaling up funds. A number of respondents also noted that, while clearly there, in many cases grassroots demand for education lacks a strong voice, particularly in fragile states.

Although demand for basic education is generally high, the level of demand is lower in some countries and communities. Where there is a lack of demand but a clear need, some donors have responded either by providing funds to basic education regardless of demand or by working to stimulate demand through community awareness. Other donors have responded either by providing funds to sectors with clearer demand or by supporting basic education elsewhere. The response of this latter group of donors, although laudable for ownership reasons, is a potential deterrent to scaling-up of aid to basic education – particularly in fragile states.

Demand was generally perceived by respondents to be lower in Central Asia, MICs, fragile states and countries with relatively high primary enrolment rates. Demand was also perceived to be lower in communities that placed less emphasis on female education and/or had fewer employment opportunities for graduates. Several interviewees also warned that lack of results in some schools could deter parents from enrolling their children. These differences in perceived demand are confirmed by data. While the median developing country allocates 4.4% of GNI to education, spending remains low in a number of countries; the Central African Republic (CAR) and Bangladesh, for example, allocate 1.4% and 2.6%, respectively. Similarly, while the median developing country allocates 16% of the government budget to education, several governments – e.g. Chad (10%) and Pakistan (12%) – allocate considerably less. In general, spending is lower in South and West Asia (15%). Finally, while the percentage of government resources allocated to education has increased in many countries, it has decreased in others (e.g. Congo) (UNESCO, 2008).

Even when there is strong demand for basic education, the degree of demand for funding experienced varies by donor. Interviewees from five of the DAC donor agencies surveyed felt their organisation was less likely to receive requests to fund basic education because their comparative advantage or historical focus lies elsewhere (suggesting recipients direct their demand to those agencies they perceive are interested in and/or best able to supplying it). Similarly, several DAC and non-DAC respondents cited their organisation's provision of loans and/or counterpart funding requirements as a deterrent to recipient demand; according to these respondents, governments prefer to fund basic education through grants. Several interviewees also stated that, even if their organisation provides grants and has a strong background in basic education, the level of demand for funding will still be conditional on the type of support needed. Not all donors are willing to fund recurrent costs and 'softer' inputs such as teacher training and curriculum development.

Demand for post-primary education funding is increasing, particularly in countries that have made considerable progress towards UPE. Recipients are also requesting support for programmes outside the sector. For donors responsive to demand, this has potential adverse impacts on the likelihood of a scale-up of aid to basic education. According to respondents, recipient governments – and to some extent communities and parents as well – are increasingly emphasising the need for a whole of sector approach to education. This is evidenced by a number of second generation sector strategies which – while continuing to emphasise the importance of basic education – place increased importance on secondary education (e.g. Uganda's 2004-2015 ESIP and Mali's second PISE). Similarly, UNESCO reports that countries with high secondary and tertiary enrolment rates tend to allocate a lower percentage of the budget to primary (UNESCO, 2008). And a

few years after their UPE announcements, the Presidents in both Kenya and Uganda have announced free secondary education.

Respondents also emphasised that there is strong government and civil society demand for external financing outside the education sector. In fact, only a minority of those interviewed in Phase I felt that there was stronger demand for basic education funding than funding for health.⁶⁴ While basic education is seen as important, it is one of many priorities.⁶⁵ There is also evidence to suggest prioritisation of social sectors – including education – in some national plans has waned in recent years (Manning, 2009). For example, governments in Uganda, Mali and Sierra Leone have placed increased emphasis on productive sectors such as infrastructure and agriculture.

Lack of demand for basic education financing owing to aid predictability and dependency reasons was mentioned by a few respondents, and the literature also suggests that this may be the case for education. The education sector – as noted above – allocates a high proportion of funding to recurrent costs (e.g. civil servant salaries). Given this, aid predictability and long-term financing are considered to be crucial in the education sector (Rose, 2007). Yet, despite recent progress towards the Paris Declaration indicators, aid remains highly volatile and short term (Bourguignon et al., 2008). Further research is needed to understand recipient governments' – particularly those of the Ministry of Finance – perspectives on the use of aid (especially concessional loans) for basic education.

64 26% of respondents disagreed with the statement '*In the majority of your client (developing) countries, demand for primary education funding is weaker than demand for funding for health*'.

65 As an anecdote, in addition to free primary and secondary education, the President in Uganda has promised citizens access to free basic health services.

10. Conclusions and recommendations

The analysis presented in this paper highlights six factors that are influencing basic education financing. These factors are highly interrelated and conclusions about their relative importance should therefore be interpreted with caution. However, based on calculations of simple frequencies (of the times factors were mentioned) and qualitative judgements based on numerous in-depth interviews with people within and outside donor organisations, some factors do seem to be more important than others. Overall, the analysis indicates that prioritisation of basic education, evidence and advocacy and the aid architecture present the biggest challenges to the scale-up of financing for basic education. This is followed by constraints related to demand, recipient capacity and donor capacity and organisation. In terms of factors that have motivated donors to engage in basic education so far, prioritisation and demand for financing were perceived to be most important. Improvements in architecture also had positive effects, followed by existing evidence and advocacy and improvements in recipient capacity.

There are several developments that may offer opportunities in 2010 to mobilise substantial new resources for basic education:

- The GCE 1 Goal Campaign, linked to the World Cup in South Africa and aiming to urge all donor countries to honour their commitments to scale up support for education;
- The FTI replenishment campaign, which aims to mobilise additional funds for education plans in FTI countries from bilateral and multilateral country programmes as well through the FTI trust funds;
- The US proposal for a global fund for education to mobilise additional resources for basic education, which complements and builds on the FTI and helps to fill the gaps, particularly in fragile states and conflict countries;
- The potential establishment of a mechanism to support education programmes in conflict affected areas.

The key challenge will be to make the most of these opportunities to present a strong evidence-based case for increased resources for basic education, in spite of the difficult financial circumstances that are likely to affect all donor countries over the next few years. We present a number of strategies or remedies related to the factors identified in this study, which proponents of basic education could adopt to increase support for the sector.

10.1 Capturing the global stage

This study clearly shows that prioritisation of basic education in donor organisations is an important prerequisite for scale-up of financing, and the engagement of leadership and key decision makers is often key factor. Several respondents commented on the general lack of top-level political leadership to champion basic education (with one or two exceptions). There appears to be a willingness in the new US administration to take on this leadership role, which could offer the best opportunity for a decade to secure a step change in financing for the sector. There is an urgent need to engage in a substantive dialogue with the US government and other key stakeholders to review the proposal to establish a global fund for education and to explore ways in which it can be made complementary to the FTI and other ongoing initiatives to mobilise resources in the education sector.

Opinions of leaders are based partly on their backgrounds and individual interests, which are hard to influence, but also on other factors, such as the evidence available and the opinions

of other key decision makers. **This study clearly suggests that there is a need for a renewed platform to capture support of high-level political and/or corporate leaders.**

The education sector has so far not been able to capture sufficient high-level support. Its annual High-level Group meetings have typically not involved attendance of government ministers, heads of major companies or other global opinion leaders. The education sector could identify a core group of global champions, who could be a driving force behind a global effort. This would ideally include a combination of world famous academics, political leaders and corporate leaders. In addition to capturing higher-level political engagement, interviewees emphasised the need to strengthen grassroots advocacy and accountability mechanisms. Advocacy at global level could be further strengthened by greater engagement and advocacy from the bottom up.

10.2 Making a case for education

The role of evidence and advocacy organisations in making a case for education was also emphasised. Evidence on results or the impact of investments in basic education, and in particular their effect on other development indicators, seemed especially important.

A key issue identified by several respondents to the survey was the need for a renewed ‘visionary paper’ which would present a powerful case for increased investment in basic education and demonstrate its importance to the challenges of the day. Major reports, such as the Brundtland Commission report on environment, the Stern report on climate change and the earlier Delors report on education, have proven able to make a real difference. These papers were supported by robust analysis and a panel of high-level experts (with global influence). For example, the Stern Review benefited from the high political profile of the Intergovernmental Panel on Climate Change (IPCC) as well as the world-class technical capacity of the authors. The paper could complement and build on the current GMR, which provides high-quality monitoring of progress towards EFA goals but has not been designed to provide the vision and political clout needed.

A semi-permanent body to provide rigorous economic and social analysis of the education sector on a rolling basis could also potentially strengthen education’s place in the international arena. Some respondents in the survey indicated that the relatively small size of the global education ‘knowledge network’ may have been a factor (both cause and effect) in the lack of profile of education in international development policy debates. The education sector does not have an equivalent to bodies such as the WHO’s Commission on Macroeconomics on Health or the IPCC to promote the sector at the highest political level and to draw attention to key issues that are falling between the gaps. The lead UN agency in the education sector – UNESCO – has severely limited financial and human resources and has concentrated on the tasks of global coordination and monitoring, although recent interventions at the UN General Assembly and the promotion of key messages from the GMR have begun to garner greater attention to the education sector (see Packer, 2007).

It is necessary to **resolve the perceived confusion around quantity and quality** of education. Equally, the current muddle around the relative importance of primary, basic and secondary education also needs to be resolved. There may be a need to revisit the single focus on basic education. Messages to support (basic) education could be more effective if they were based around one consistent message and funding gap. The case for education could also be strengthened by **linking education more clearly and rigorously to other development causes** – in particular, causes that are attracting the attention of donors (or are currently ‘in fashion’). For example, evidence on the relation between education and economic growth, the environment and population growth could be presented more forcefully.

10.3 Expanding the tent: New partners and approaches

Issues related to the raising and delivery of financing for basic education (or aid architecture) were identified as key constraints to education financing. Respondents also identified a number of opportunities in this area. They can be divided in two categories: 1) increased use of new financing partners and approaches (discussed in this section); and 2) greater coordination in aid delivery.

So far, the education sector has also not really benefited from recent **innovative thinking to raise and deliver financing for development**, already successfully used in the health sector. The sector could learn from successful innovative instruments in the health sector, such as IFFIm and approaches applied by the GFATM. A review, looking into the application of mechanisms applied in the health sector to education, would be helpful in this context.

The preliminary report of the evaluation of the FTI identified some areas of concern, relating in particular to the performance of the FTI trust funds. These concerns need to be addressed and problems with the disbursement of the Catalytic Fund need to be resolved in order to avoid damaging the overall effort to raise financing for the education sector.

The GCE, in partnership with FIFA (Fédération Internationale de Football Association), the UK government and others, has also launched a campaign linked to the 2010 World Cup in South Africa to draw attention to the global need for more support for education. The CGD is promoting an innovative version of performance-based financing for education to reduce the transaction costs and increase the focus on results in the education sector. The March 2010 Market Place Forum on Innovative Financing in Chile could provide an opportunity for education donors to promote these and other ideas for innovation in the sector.

This raises the broader question as to whether the education sector should explore the advantages and disadvantages of greater use of so-called 'vertical' (or virtual) initiatives, which are used more extensively in the health sector. This is a controversial issue. Some donors are strongly in favour of such approaches; others are against or undecided. Our report does not take a position on this issue other than that it would be useful to explore whether there are options to maximise the benefits of a vertical approach (including, for example, the ability to 'talk up' an issue in international fora, appeal to politicians and donor tax payers and harmonise at the international level) while at the same time minimising disruption to country-level processes by ensuring that finances are channelled through local systems and respect country ownership to the greatest extent possible.⁶⁶ The International Health Partnership potentially provides an example of an approach that 'raises funds vertically, but delivers horizontally'. Lessons learnt from this approach may be useful for the education sector.

Another key issue identified by survey was the **need to reach out in a coordinated way to the 'non-traditional' donors** who have not so far invested in any significant way in the education sector, such as non-DAC donors and foundations. Newly emerging donors in Asian and Arab countries showed strong interest in supporting basic education, motivated by their perception of education's role in their own development histories and/or their faith backgrounds. It was also clear from conversations with donor agencies that very few relationships currently exist between DAC and non-DAC donors. Non-DAC donors have not really been part of donor dialogues around the EFA agenda.

Private foundations (and corporations) are an equally **promising source of new financing** for the education sector in the short to medium term. Several large foundations⁶⁷

66 For a more detailed discussion of a potential application of this approach to the education sector, see Bermingham (2009). Issues and Options for the Global Fund for Education (forthcoming).

67 For example, Gates Foundation US charter schools programme and Ford Foundation university links and scholarships programmes.

provide support to interventions in their own domestic education sectors and to higher education programmes in developing countries but to date have not invested at scale in basic education programmes in poor countries. Respondents to this survey ascribed this lack of support from foundations at the global level to a combination of 1) a perception that there was little that they could add in the sector because the provision of basic education was principally a responsibility of local governments and 2) a lack of scope for the innovation or technical paradigm shifts that the private sector introduced in health and climate change. One notable exception to this has been the support provided by the Hewlett Foundation to innovative approaches to raising the quality of education in developing countries. It may be worth seeking to increase the scale of this intervention as well as seeking further opportunities to influence other foundations to increase their support for the education sector by promoting innovation and a focus on results. There may need to be adjustments to the presentation of the investment objectives for the sector in order to meet the needs of foundations that are accountable for results.

Finally, there is a need to further review the potential **role of the private sector in provision of basic education**, which is still the subject of considerable debate. On the one hand, there are those who feel that private sector partnerships provide innovative solutions in environments where public institutions are unable to meet the needs. On the other hand, there are those who are bound to the concept of education as a public good and a human right, and who believe that the public goods must be provided under the responsibility and control of the government. Work in this area is already ongoing, examining the application of PPPs in education,⁶⁸ but further empirical evidence about their functioning and impact is needed. The UNESCO and WEF Partnerships for Education Initiative (PfE) offers a useful platform to promote new multi-stakeholder partnerships that may help deliver effective private sector contributions to EFA.

10.4 Enhancing effectiveness of aid delivery

Respondents noted the improvements on aid effectiveness in the education sector. This will be an important part of the case for more financing for education. Donors and partner countries should collect further data on progress against the Paris Declaration indicators in the education sector in order to provide a strong evidence base for these claims.

It was emphasised that coordination could be further strengthened. There is an urgent need for a **stronger global platform** that is able to include all players in the education agenda. One option would be to strengthen the UNESCO High-level Group by setting up a smaller commission involving high-level political and corporate leaders, as noted above.

Greater opportunities for donors to enter **collaborative partnerships** are also needed. Many donors noted they would be able to scale up funding if they had access to silent partnerships or other kinds of collaboration. Experiences of successful partnerships need to be identified and shared.

Finally, a number of **organizational challenges inside donor agencies need to be addressed**. A core challenge for a number of donor organisations is to combine central priorities with highly decentralised decision making and increased emphasis on country ownership. This relates to the much broader question related to the combination of vertical and horizontal financing approaches raised above. Some donors (such as the UK and the Netherlands) have attempted to combine a central target with a country-led approach. Another challenge relates to the shortage of education expert capacity in donor

68 The World Bank is currently rolling out a multi-year programme to examine the role of PPPs in education. The results of the first phase were published in a report on the role and impact of PPPs in education (Patrinos et al., 2009).

organisations. Further experimentation with new approaches to share expertise across agencies could be helpful in this context.

10.5 Strengthening recipient capacity and demand

Our study confirms the findings of other studies that the scale-up of basic education depends in part on the **capacity of country governments to absorb additional aid**. Interviewees pointed out, however, that capacity in principle should not be an obstacle and that, with the right programme design and capacity building efforts, aid to basic education can be further scaled up. Respondents felt that donors have not been able to develop effective approaches to support capacity building. This point has also been emphasised elsewhere: ‘support for capacity building has been an integral part of development aid since its inception, ranging from education-sector specific interventions to large-scale civil service reforms. However, as a rule, this type of aid has seldom succeeded in creating sustainable capacity. The limitations of this type of support are well known’ (Fredriksen, 2009).

There is an urgent need to address this issue, as large numbers of out-of-school children are living in fragile states with significant capacity issues. Capacity building in education ministries or other implementing agencies needs to be given higher priority.⁶⁹ Donors need to improve the coordination of technical support and address gaps in technical expertise across the donor community. Technical skills in donor agencies to bring programmes to scale, operate in fragile states and apply innovative approaches to education need to be reviewed and strengthened.

Apart from building capacity in government institutions, respondents also indicated that there is a need to **strengthen demand for high-quality education through local accountability mechanisms**. This would involve strengthening grassroots organisations to enable them to sensitise the general public about their rights to education and, in turn, create pressure and demand for high-quality delivery of education services. There is a need to better inform governments about the importance of education to development. This could be done through regional platforms, such as the Association for Development of Education in Africa (ADEA), which is bringing together ministers of education and finance to discuss education.

69 Many LICs have significantly improved their capacity to conduct high-quality macroeconomic policies over the past 10-15 years, which demonstrates that successful capacity building can be done. It requires donors to give as high priority to the Ministry of Education as to the Ministry of Finance (Fredriksen, 2008)..

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Annex 1: Prioritisation of basic education

Agency	Overall Donor Strategy	Is BE Key in Current Strategy?	Is There an Education Specific Strategy?	Is There a Spending Target?	How Has BE Prioritisation Changed Over Time?
AKF	Core strategy focuses on improving rural development, health, education, civil society and the environment.	Yes	Education is highly prioritised, accounting for roughly 1/3rd of total spending. Roughly half of this is typically spent on basic education.	Not at the HQ level, but there are targets at the country level. For example, in Tajikistan AKF aims to raise and spend \$5 million over 6 years.	AKF has historically led the development and support arm of AKDN's education efforts. More recently new funding has been strongly linked to BE although this has not particularly affected the volume of aid to other parts of the education portfolio. AFK's de facto priorities are also partially dependent on its co-financing donor partners' priorities.
Children's Investment Fund	Primarily concerned with improving children's opportunities.	Yes	Aims to improve educational quality in areas where there is currently limited funding or potential for innovative new forms of funding.	No	Basic education has always been a top priority.
DFID	The MDGs guide overall strategy.	Yes	DFD is focused on ensuring access to basic education by 2015. There is some concern that this general goal does not reach country level plans.	Education is part of a 2006 commitment to spend 50% of all future bilateral aid on public services to poor people. Furthermore, it is spending £8.5 billion to achieve the goal of universal basic education. Internally this top level target is then reached through coordination of country level spending strategies.	Education has been a priority since a 1997 white paper. Spending has been increasing to meet the EFA target and because of political support from the Labour Government.
Dubai Cares	Promote sustainable development through philanthropy and focus on access to primary education in developing countries	Yes	All DC work targets basic education, either explicitly or through implicit contributions, e.g. water and sanitation.	No - except that current DC endowment of \$925.6m is all intended to support basic education	BE has been the exclusive priority of DC since its founding in 2007.
EC	The European Consensus on Development (2005) is the common EU strategy for external policies, including development..	Yes	Education strategy is driven primarily by the MDGs and EFA.	Yes - 20% of the EC's development budget should be allocated to basic social services, including basic education. However, there is no such target on development funds channelled outside the EC budget like the EDF.	Historically, the EC has been more focused on infrastructure projects since its financial tools are adapted to the investment needs of such projects. However, there is an increased attention brought to social services, though they tend to be supported indirectly through general budget support operations. This aid mechanism is now a key priority for the EC.
France Gov	During the 3 year period beginning 2007, Agence Française de Développement (AFD) heavily focuses on achieving the MDGs, especially EFA and gender equality. However, AFD's overall strategy is increasingly focusing on Global Public	Yes	AFD develops general education sector strategies, the latest covering 2007/09. It sets the objectives of French aid in the education sector, and specifically covers basic education.	Yes, UK-France Summit goal of (US) \$800 million by 2015 on increasing primary education enrolment. Yet, there is a general agreement that this target will never be met on time, but rather serves as a motivator to scale-up aid to basic education.	The education sector became a clear priority for AFD following the major reform of the French aid system under which the education portfolio was transferred from the MFA to AFD.

	Goods which do not include education.				
IDB	The IDB mission set out in its new vision document is to 'promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering people'.	Yes - but not a core element and subjugated in practice to post-basic education and infrastructure projects.	Universalising education is one of the IDB's '9 strategic thrusts'. A new education sector strategy is under development and should be published in June 2009.	No	Spending continues to be focused in practice on post-primary education infrastructure, although there is greater articulation of the importance of basic education.
Japan Gov	Set in the Overseas Development Assistance (ODA) Charter (2003). The Overall objective of aid is to "contribute to peace and development of the international community and thereby secure Japan's own security and prosperity." Japanese ODA has to be considered in context of foreign policy. Charter identifies 4 priority issues: poverty reduction, sustainable growth, addressing global issues and peace building.	Not core element - It is part of its poverty reduction objective to "give priority to providing assistance to such sectors as education, health care and welfare".	There is no overall education strategy, but strategy for basic education is set by (1) education in ODA charter; (2) education in Medium Term Policy; (3) Basic Education Growth Initiative (BEGIN), speeches and thematic guidelines (within JICA). Difficult to adhere to strategy due to disaggregated nature; basic education prioritised by some parts of government only; currently strongest in JICA	No	Increased interest in basic education, in particular in JICA.
OFID	Focuses on assisting recipient governments' development aspirations largely via loans.	No	Education is mostly encompassed in the relatively small social grants program.	No	The social grants program was started in 1996.
OSI	OSI is guided by George Soros' 'open society' philosophy. Specifically, rule of law, education, public health, anti-corruption, human rights, and an independent media.	No - Basic Education is not part of OSI's strategic priorities however it is recognised as an element to build an open society.	Yes - there is an education strategy and programme. OSI has 5 education specific programs as of 2007. One of which is aimed at early childhood education.	No	Originally OSI was not focused on BE, but on higher education. In 1990s early childhood education gradually became more important but questions were raised about its perceived lack of results and sustainability. In 2005, the education programme was nearly closed down but a strategic paper demonstrating the link between basic education and open society influenced the decision to continue to support the sector.
Plan International	Child development is central to Plan International's mission.	BE accounts for almost half of education spending.		No	Education has always been a focus of Plan, especially basic education. Specific priorities, however, are largely determined by individual country demand.

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Saudi Fund for Development	The stated objective of SFD is to 'support the development efforts of developing countries by providing soft loans'. Priority is given to least-developed, low-income countries.	No	Not explicitly -- although the Saudi Government has recently committed US\$ 500m to basic education through EFA.	No	There has been little change in practice in terms of projects approved, but Saudi Gov't engagement with EFA may increase BE priority for SFD as an administrative agent.
Save the Children	Save the Children is primarily engaged in providing crisis assistance to children. Education is seen as part of disaster response.	Yes	Yes, 'Rewrite the Future' is Save the Children's first global level initiative and brings all Save the Children head offices under a common strategy. Country offices will also make strategies specific to the individual needs of the country, but aligned with global strategy.	\$450 million by 2010	Education has always been a major priority, and with Rewrite the Future' as Save the Children's first global initiative, it is clear that education remains the highest priority. Save the Children specifically targets conflict or post conflict areas so there has always been a focus on these types of situations.
Spain Gov	2004-2008 and 2009-2012 Master Plans emphasise multilateral aid and the MDGs.	Yes	Education is discussed under the 'basic social services' section of the Master Plan. There is also a specific education strategy document, which makes specific reference to EFA goals and the Dakar framework for Action.	8% of bilateral ODA to basic education.	Since the early 2000s, Spanish aid has increasingly focused on MDG-related services. As such, within the education sector, the focus has shifted towards BE. Historically, large shares of education sector funds were allocated to higher education and vocational training. To a lesser degree, this continues today, due to entrenched interests and the time lag between a change in policy and change in action.
UNICEF	Provides long-term humanitarian and developmental assistance to children and mothers in developing countries. The current Medium Term Strategic Plan (MTSP) is influenced by the MDGs as well as the UNICEF mission statement and Convention on the Rights of the Child. It was noted that these need to be balanced with country priorities, strategic partnerships, operational experience and country conditions	Yes	Basic education is one of 5 focal areas of UNICEF's Medium Term Strategic Plan. There is an education strategy for 2006-2015 which provides a broad vision as to how UNICEF can work with partners to achieve education and gender equality	No explicit target but attempts 20% of outlays to be for BE.	Education has long been prioritised as a human right. Basic education received increased emphasis because of the MDGs.
World Bank	The World Bank's overall mission is "to alleviate world poverty". It is understood that education is a central element in this. There is no overall bank strategy. Current priorities are set out in speech by President Zoelick and include: 1) poorest countries; 2) post-conflict/fragile states; 3) MICs; 4) global public goods; 5) Arab World; 6) Knowledge & Learning	No	Yes - 2005 Education Sector Strategy Update (of 1999 strategy). A new strategy is being prepared. 2005 strategy includes focus on EFA and MDG, however also additional emphasis on "education for knowledge economy" (secondary, tertiary and lifelong education).	No	Initially basic education infrastructure was emphasised. 1990-early 2000s: focus on primary and then basic education (including system development); strong support for EFA agenda and Jomtien and Dakar conferences; established EFA-FTI with other donors. Now greater emphasis on education for knowledge economy, shift towards secondary, tertiary and science education.

US Gov	US Foreign Assistance Act (1961) provides framework for foreign assistance. Expansion of aid legislation through numerous statues including for example US Leadership Against HIV/AIDS Tuberculosis and Malaria Act of 2003; Millennium Challenge Act of 2003.	No - strategy is very broad including at least 140 priorities The Joint Strategic Plan prioritises education, with a particular focus on the Muslim world as well as achieving the MDGs.	Yes. In April 2005, USAID issued an education strategy that prioritizes the broad education objective with specific focus on primary and girls' education.	No	Funding for BE dropped in 1996, however re-introduced in 2000 through congressional earmarking. Increased focus on basic education due to (1) to efforts of congresswomen Nita Lowey; (2) foreign policy interest, link between education and terrorism. In conjunction with the State Dept., the Joint Strategic Plan for Fiscal Years 2004 to 2009 for the first time included education as a strategic goal.
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Annex 2: Factors constraining scale-up of financing

Agency	Prioritisation & Leadership	Evidence & Advocacy	Demand	Recipient Capacity	Architecture	Internal organisation and capacity
AKF	<p>AKF priorities depend on its financiers' aims, which are often driven by political considerations that do not favour education.</p>	<p>Limited evidence of basic education's effectiveness. Allocations of co-financiers for AKF projects are strongly linked to results.</p> <p>Education lacks quick identifiable results.</p> <p>Weak advocacy – esp. insufficient NGO coordination of advocacy (at country level).</p>	<p>Demand for education in Africa is high, but low in Central Asia, particularly for female education.</p>	<p>Lack of capacity, decreases size and pace of programs.</p> <p>Afghanistan has too much funding and not nearly enough capacity leading AKF to turn down funding.</p>	<p>Difficult to find funding/co-financing for education in some countries, whilst unable to absorb in others (Afghanistan)</p> <p>Politics and donor engagement with countries determines (often suboptimal) volumes and delivery mechanisms in education.</p>	
Action Aid US	<p>Despite AA international focus on BE, not a focus for AA US</p> <p>Doubts as to whether AA could build a (national) domestic constituency for education that could be linked to developing country movements (linking social movements has been a AA focus – although it is now being phased out)</p> <p>Perception of limited ability to add value given existing advocacy work by GCE</p> <p>Lot of foundations already work in education (although focus is domestic)</p>				<p>AA is moving away from service delivery to advocacy (with more limited ability to add value?).</p> <p>Attempts to engage private sector (AA international) have not been successful.</p>	
AED		<p>Due to its success in raising its profile, BE is increasingly scrutinized. Need more evidence on impact & effectiveness. Need easy straightforward message, better presentation, fit for broader audience.</p> <p>Need for better sharing of knowledge & ideas on what works.</p>			<p>AED is mainly implementing agency, depending on donors (foundations, bilaterals, multilaterals).</p> <p>Limited interest in BE among foundations, feel this is the role of government</p> <p>Limited success in engaging the private sector</p>	
Children's Investment Fund		<p>Weak country level evidence.</p>		<p>Incorrectly assessing the level of capacity can negatively influence a project's progression.</p> <p>Capacity in education is tougher to address than in health. It is more about social change, less scientific.</p>	<p>Donor overcrowding. CIFF looks for opportunities where there are not too many donors and added value is highest.</p>	

DFID	<p>Decision-making discretion at country level, so it's hard to ensure that a priority is turned into actual funding.</p> <p>Will a Conservative Government maintain New Labour's commitment to education?</p> <p>Education is not a 'life saving activity' like health</p> <p>Politicians are attracted to sectors where step change can be achieved e.g. through innovation & techn.</p>	<p>Hard to find evidence on quality, relation exists between learning (quality) and growth</p> <p>Lack of evidence based, coherent and compelling story that can be communicated beyond the sector. Narrative often controversial (quality versus quantity)</p> <p>Hard to attribute an outcome to specific funding.</p> <p>Stronger evidence in health, simpler & visible solution. Health advocacy is stronger.</p>	<p>Weak country level NGO demand.</p> <p>Weak demand is created by weak capacity (at government and society level).</p>	<p>Recipient governments lack capacity.</p> <p>Lack of private sector capacity relative to health. Fewer opportunities to use private sector</p>	<p>Increasing budget support makes increasing spend on education more difficult. Results become more difficult to measure.</p> <p>Needs new innovative channels of financing.</p> <p>Not much attention to multilateral budgets.</p> <p>Education inextricably linked to government, makes financing more difficult.</p> <p>Not much discussion/influence of allocations to multilaterals.</p>	<p>There is reduction of education professionals</p> <p>Reduction of numbers of country staff overall.</p>
Dubai Cares		<p>In principle, a lack of articulated need would represent a constraint on DC funding to basic education, but that has not yet occurred in practice.</p>			<p>Lack of implementing agency capacity to absorb high levels of funds. Since DC is not cash-limited in terms of spending ability and since there is no particular shortage of identified need for support to basic education, the greatest constraint is a lack of disbursement mechanisms (i.e. implementing partner NGOs) capable of using the scale of funding available from DC.</p>	
EC	<p>Historically, education is not a sector of concentration for the EC. EC has developed stronger expertise in infrastructure.</p>		<p>Demand from partner countries to the EC most often orientated towards large investment-intensive projects.</p>		<p>EC prioritizes BS which makes earmarking funding to education difficult.</p> <p>Code of conduct/division of labour among EU members could lead to EC focusing on other sectors than education where it can add-value</p>	<p>Limited number of education experts both at headquarter and country level. Review currently ongoing.</p>
France Gov	<p>Competition from other sectors. Global Public Goods approach limiting priority given to education. Attention shifting to climate change, food security, water shortages.</p>	<p>Few performance indicators. Link with economic development needs strengthening.</p> <p>Sector budget support has 'dematerialized' the impact of funding, making the case for education harder to sell.</p> <p>Communication easier and stronger in other sectors such as health.</p> <p>Lacks strong advocacy groups and weaker than health (French doctors). No strong NGO leadership on education.</p> <p>MFA focus on sectors with visible impact</p>			<p>Education only funded through grants: limited resources, limiting interventions</p>	<p>Programme and sector budget approach has lead to de-specialization of agency's programme leader (fewer education experts).</p>

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IDB	<p>BE competes for funds with post-primary education and other human development priorities. 53% of education sector financing is directed to tertiary, 17% to primary.</p> <p>Lack of a distinctive education sector strategy. Education part of social services.</p> <p>IDB aims to balance its portfolio, between countries and sectors.</p> <p>IDB projects focus on hardware in form of civil works, construction, equipment etc.</p> <p>The financial crisis has increased requests for support from MICs and may reduce the funding available for BE in LICs.</p>		<p>Lack of demand as expressed by specific project proposals or presented more generally in country development plans.</p> <p>Increased demand for post primary as progress has been made in primary.</p>		
Japan Gov	<p>Reduction in overall aid budget and increased competition.</p> <p>High level prioritisation or guidance is ineffective in guiding Japan's approach to education in practice due to disaggregation and country-level approaches.</p> <p>Lack of consistent education strategy. BEGIN only focused on basic education, not taken into account by other gov. agencies</p>	<p>Greater focus on results given more limited resources.</p> <p>Lack of evidence on good practice, need more emphasis on link between education and growth.</p> <p>Education advocacy is weak in Japan</p>	<p>Other areas are often demanded more by recipient governments. Though demand may be influenced by supply and perceived prioritisation.</p> <p>Loans, a large part of Japan's ODA, are rarely requested for basic education.</p>	<p>Mostly bilateral, rarely pool funds because this requires negotiations with MOFA. Need innovative approaches to combine grants (technical assistance) with loans.</p>	<p>Japan's ODA is implemented by 13 central ministries including the cabinet. Coordination and coherence is challenging. Internal capacity is limited.</p>
OFID	<p>Education is not an explicit priority.</p> <p>Education is largely dealt with via grants. The grant program is only 1.5 to 1.8% of OFID's funding.</p>	<p>Lack of evidence that education projects are sustainable.</p>			
OSI	<p>Basic education is not a priority among top leadership (including George Soros), but a means to other priorities.</p> <p>Basic education competes with other priorities that have been established for a long time.</p>	<p>Evidence is not very strong relative to health. Advocacy efforts are too high level.</p> <p>Lack of strong grassroots pressure on government to take responsibility (in turn affecting demand).</p> <p>Evidence needed on specific aspects of education e.g. what kind of education is needed and what works.</p>	<p>There is demand but it does not have a voice. There is a lack of grassroots movements to claim rights to education and strengthen right to demand.</p>	<p>ESP is interested in alternative approaches. Too little interest in education sector in this. Need to explore alternative channels, including private sector, faith-based and community based organisations. However some field based staff were critical of private sector and noted basic education is responsibility of the state</p>	
Plan International		<p>Lack of reliable evidence on learning and of necessary skills within specific country contexts.</p> <p>NGOs ineffective at voicing needs of citizens. Citizens left out of debate on education. Policy is de-linked from demands of population.</p>	<p>Demand often comes from perceptions (communicated by NGOs) that are not grounded in actual circumstances.</p>		

Saudi Fund for Development	<p>Education competes with many other priorities.</p> <p>The dominant focus of SFD support tends to be infrastructure, with the sector focus as a secondary concern.</p> <p>SFD aims to balance its portfolio, between countries and sectors.</p> <p>Priority is influenced by objectives of greater regional integration and the labour market, favouring post primary and vocational training.</p> <p>Grant component is committed by the King and administered separately. Basic education is not priority for grant aid.</p>	<p>(Evidence is not a constraint although organization is becoming more result oriented and decision making is becoming more evidence based)</p>	<p>Lack of government demand for non-infrastructure education projects. There may either be a simple lack of demand by governments for education sector support, or it may be that loans are not the instrument preferred by governments for basic education</p> <p>SFD support largely consists of loans There is a lack bankable projects in basic education</p> <p>Lack of inclusion in country development strategies, which is a criterion for SFD decision-making.</p>			
Save the Children		<p>Little evidence on quality.</p> <p>Insufficient communication to broader audiences.</p> <p>Health has more quantitative and more easily applicable evidence.</p>	<p>Very country specific. Can be either government or teacher/teacher system problems.</p> <p>Lack of absorption hinders deploying new aid and creates waste.</p>			
Spain Gov	<p>Support is for MDGs in general, not just basic education.</p> <p>Because strategies are prepared in a highly consultative manner, prioritisation of a single sector is difficult.</p>	<p>There are advocates for other sectors and sub-sectors as well</p>	<p>The goal is to make future country strategies more responsive to recipient country demand. Whether this will have a positive or negative effect on the scale up of aid to BE is unclear.</p>	<p>The large share of funds allocated through businesses and universities makes a reallocation of current resources to BE difficult.</p>	<p>Lack of capacity will make a 'rapid scale up' of aid in 2011-2012 (as currently planned) difficult</p> <p>Entrenched interests make it hard to re-allocate resources to BE</p>	
UNICEF	<p>Perceived lack of high level support for basic education Lack of leadership including from other UN agencies</p> <p>Lack of strong lobby at executive levels</p>	<p>Debate over focusing on quality or quantity.</p> <p>Hard to understand impact of education.</p> <p>Health advocacy is often more effective.</p>	<p>Perceive lack of demand. This may be linked to effective promotion.</p>	<p>Lack of capacity (national plans and capacity in education ministries). Particularly missing in fragile states.</p>	<p>Difficult to form partnerships with other institutions.</p> <p>Lack of innovative solutions. Lack of strong global coordination or platform</p>	<p>Lack of skills to bring programmes to scale; operate in fragile states.</p>
US Gov	<p>Limited broad based support for basic education. There is no real constituency.</p> <p>Education for All Act in 2005 was introduced to congress but not passed.</p> <p>However basic education has grown in importance due to foreign policy relevance.</p>	<p>Not clear whether results matter. 2007 GAO report showed it is not an issue within US aid programme. However respondents noted there is a need for evidence of the link between education and development.</p> <p>Advocacy is not sufficiently effective because of (1) a lack of alignment around needs; (2) lack of involvement of outside stakeholders (e.g. faith community); (3) lack of political pain when promise is broken</p>	<p>Weak institutions and governance but not sure whether it affects scale up. Capacity at higher levels is generally ok but lower levels are weak. US project approach aims to address capacity issues.</p>	<p>Lack of involvement of private sector. Lack of innovative financing channels - application of GFATM in education?</p> <p>Allocation not based on need or demand; heavy emphasis on limited number of countries with foreign policy interest.</p>	<p>Education support through various departments including USAID, Department of Defence, Agriculture etc.</p> <p>Internal capacity in USAID is weak but there are plans to increase number of experts.</p>	

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World Bank	<p>The bank is highly decentralised and priorities are determined at the country level.</p> <p>Perception of plenty of funding and that the Bank does not need to focus on education because it is now handled by FTI.</p>	<p>Evidence has shifted Bank's focus to education quality and secondary education.</p> <p>Insufficient evidence of learning outcomes.</p> <p>Insufficient clarity around funding gap estimates.</p> <p>Lack of evidence on successful interventions.</p> <p>Advocacy community is perceived as too ideological (e.g. with respect to private sector involvement, international standard testing, use of certain aid modalities).</p>	<p>Often lack of demand (in particular for loans), though Bank actively tries to cultivate.</p> <p>More demand for secondary education.</p>	<p>Often a lack of scaling up capacity.</p> <p>Lack of accountability systems to sustain education systems.</p> <p>Education ministries can be weak.</p>	<p>Lack of 'smart' and selective harmonisation partnerships.</p> <p>Lack of focus on using existing resources more effectively.</p>	<p>Little expertise and tools to build country capacity; education subsumed under other projects and programmes with no education expertise</p>
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Annex 3: Factors motivating engagement in education

Agency	Prioritisation & Leadership	Evidence & Advocacy	Recipient Demand	Recipient Capacity	Donor Internal Organisation & Capacity	Architecture
AKF	Basic education was a priority of the foundation's founder Aga Khan and his religious group, Isamali Islam. Helping to meet EFA objectives is also crucial.		Recipient governments generally favour education.	Act as a funder with high capacity governments, but implements projects when government capacity is low.		Has to find donors that are willing to fund its activities. Has positive relationships with recipient governments.
Actionaid US	Education is priority for AA international.	Advocacy movement is gaining strength. Coalitions are emerging, attractive to be part of this (however also questions about added value)				
AED	Education is one of AED priorities, started as NGO working on education only.	Advocacy has strengthened, initially advocacy was too nice.				
Children's Investment Foundation	Basic education has been a high priority since its founding.	Not much evidence, though they do work with academic researchers (for example at MIT) to come up with micro-econometric data. Weak evidence is not in itself a deterrent.	Tends to work with governments that demand basic education. Focuses on demand from civil society groups in recipient countries.	Lack of capacity is not a deterrent, but it is a consideration for grant proposals.		Looks for countries without donor overcrowding. Works with other foundations and the World Bank, but rarely donor countries.
DFID	MDGs and EFA crucial for overall strategy. New Labour political prioritisation is key. Foreign Office promotes as a terrorism prevention measure. Perceived as good value for money.	Increased monitoring has boosted evidence and therefore the justification of basic education programs. Advocacy is fairly affective as UK civil society groups have strong connections to recipient country groups.	Sees strong demand from recipient countries, especially from families.			Uses a wide range of financing channels. Including budget support, pooling aid with other bilateral donors, and special basic services funds.

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Dubai Cares	<p>Basic education is DC's exclusive priority.</p>	<p>Analysis conducted by DC shows that basic education in developing countries remains under-resourced, despite international pledges.</p> <p>Evidence of country-level need identified by NGO partner organisations is a strong influencer of spending allocations. Thus need and advocacy in combination are effective motivating factors.</p>	<p>Demand is important, but DC tends not to respond to requests from governments. In many cases DC has been able to act when other external funders are withdrawn or redirected their assistance.</p>	<p>DC does not work directly with governments or through government channels. It relies on NGO implementing partners. Their articulated credibility and demonstrated capacity for implementation are critical influences on funding allocations.</p>
EC	<p>EC committed to achieve MDGs.</p> <p>Supports EFA and FTI Catalytic Fund.</p>		<p>EC country strategies are developed with partner countries. EC's interventions are aligned with the demand expressed by recipient countries, balanced by evidence on needs.</p>	<p>EC is moving towards general budget support whereby it provides direct support to education budgets and push for a minimum level of spending for education).</p>
France Gov	<p>Priority emphasised by:</p> <p>MDGs and commitment to allocate 0.7% of GNI to ODA</p> <p>Participation of France in international initiatives such as the FTI</p> <p>Commitments made at the UK-France summit.</p>		<p>AF's interventions are facilitated in countries with well structured and developed education sector strategies since it also allows AFD to be aligned with commitments made to support sector-wide approaches and government ownership.</p>	<p>Program-wide assistance in line with Paris Declaration commitments on harmonisation and ownership.</p>
IDB	<p>IDB's commitment to human development guides its overall strategy and implies a priority for support to the education sector. The importance of education in the Islamic faith also influences the priority of the sector.</p>	<p>Performance of past IDB projects in a particular country may influence future funding decisions, but it is not the dominant factor.</p>	<p>Demand from recipient governments is a key element of project development and the strongest factor influencing IDB funding allocations. This includes making sure that projects are consistent with, and contribute towards, the government's overall development plan.</p>	

Japan Gov	Increased prioritisation driven by global agreements such as MDGs and EFA; interest from PM and foreign minister also important		Strong demand for technical cooperation but not for loans	Requires countries to allocate own funding. Works with countries with robust economic and fiscal positions. Finding complementary partnerships are important for Japan to scale up its assistance.	Strategic and transparent use of grants (including technical assistance) and loans would also help increase funding. Good partnerships are instrumental e.g. cooperation between Bank and JICA in Niger
OFID		Evidence from UN institutions has a strong impact on funding decisions.		OFID's members are largely developing countries that have extensive experience with development issues. Can help countries develop proposals if they are individually unable to.	Grants largely used for projects co-financed with UN bodies.
OSI		When OSI has been involved in education, it has been because of evidence of its effectiveness at achieving an 'open society'. Note OSI is in favour of a broader approach to education, including basic and higher education.	OSI responds to need and opportunity. The education programme in South Africa was established because there was a perceived gap in assistance related to education advocacy. Field staff indicated the majority of countries ask for education.		Education is primarily responsibility of government but could be helped by greater engagement of private sector.
Plan International	Basic education has been a high priority for all of Plan's history. Other sector funding is contingent on how it will impact education.		Perceives a strong demand from community and government level.	Capacity influences approach, not whether or not programs are created.	Work closely with local and national governments, but growing focus on national level.
Saudi Fund for Development	Organisational mandate prioritises education, especially its role in promoting human development. Influenced by other donor governments, especially the UK.		Demand from recipient governments in accordance with their country development plans is crucial for project funding decisions.	Focuses on government's ability to propose and implement projects with a likely developmental return on government's investment.	
Save the Children	Education is a priority of the global Save the Children movement.		Families show strong demand for quality and appropriate education.		
Spain Gov	The Government in power supports both scaling up total aid and funding the MDGs; Parliament has committed Spain to allocate 8% of bilateral aid to BE	There are a number of education advocacy groups and that have a close relationship with the	The goal is to make future country strategies more responsive to recipient country demand.	Lack of internal capacity has led Spain to channel large shares of aid through NGOs and multilaterals. Many Spanish NGOs focus on BE, as do several of the	Decision to channel a high % of funds through multilaterals has resulted in Spain being one of the largest FTI supporters

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		Government. There is also strong public support for aid.	Whether this will have a positive or negative effect on the scale up of aid to BE is unclear.		multilaterals Spain supports.
UNICEF	Education has been a key element of UNICEF's mission from the beginning. It is prioritised because it is a basic human right. Medium Term Strategic Plan is based on the MDGs and EFA.	Two opportunities to improve the case for basic education including: - 2015 will provide an opportunity for a broad policy review - Exploit inter-linkages with other development causes.	Recipient government demands drive programs.	Perceives improving government capacity.	Success is dependent on strong partnerships with government as well as other donors
World Bank	Priorities are driven by (1) World Bank president (Jim Wolfensohn); (2) MDGs and EFA as well as (3) analytical work including evaluations.	The Bank's own evidence has heavily influenced its decisions to support primary education, education quality and now secondary education. Rights based approach has no traction in the Bank	Demand often drives program decisions, due to the decentralised nature of World Bank decision-making.		Could pool money and have joint management to scale up. Has money available for new relationships with good partners.
US Gov	Increased focus on basic education due to (1) efforts of congresswomen Nita Lowey; (2) foreign policy interest, link between education and terrorism. Possible further scale up under Global Education Fund (supported by Sec of State Clinton; President Obama)		Demand is strong for certain type of assistance including infrastructure and commodities; US does not support recurrent costs		