

Reviving the Global Education Compact: Four Options for Global Education Funding

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ABSTRACT

In early 2008, the new U.S. administration indicated willingness to lead a renewed effort to mobilize and channel development assistance to support education in developing countries. As a candidate, President Obama publicly stated his desire for the United States to make a significant commitment to education and promised to capitalize a \$2 billion global education fund. The commitment to global education was restated by Secretary of State Hillary Clinton and by Congresswoman Nita Lowey in her capacity as Chair of the Foreign Operations Appropriations Committee.

The action since then? Disappointing. The high-level U.S. political commitment has eroded, partly because of a lack of clear vision in the education community on how best to use potential support. This paper argues that we cannot continue with business as usual in the face of the vast financing needs in the sector. The current funding arrangements have demonstrated limitations, and many believe that a new aid architecture is needed to ensure that any new funding would be used for the right programs in the right countries and yield the right results. In this paper, I describe the framework for a better “global education compact” between donor and recipient nations, and four possible arrangements to mobilize and allocate development assistance for education. I highlight the advantages and disadvantages of these options—all with the motivation of informing decisions that must be taken by the United States and other G-20 countries if donor commitments are to be met.

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¹ Senator Obama’s speech to Clinton Global Initiative annual meeting, September 2008. See <http://www.c-spanvideo.org/program/281354-2>.

WHERE ARE WE IN GLOBAL EDUCATION?

The global education movement was given a renewed impetus at the start of the new millennium with a commitment by the international community at a High-Level Forum in Dakar, Senegal, to help all countries to achieve the goal of Education for All by 2015. This included commitments to ensure that every child has the opportunity for a quality basic education; to remove the disparity between girls and boys at every level of education; to increase opportunities for early childhood education and lifelong learning; and to halve the number of adults that lack basic literacy skills.² Two education targets—universal primary education and gender parity at all levels—were also included in the UN Millennium Declaration of 2000. Over the past decade, there have been numerous summits and high-level meetings at which these commitments have been restated. But progress on the ground—particularly around effective financing—has been very mixed. In 2002, the World Bank along with several bilateral donors (not including the United States) launched the Education for All–Fast Track Initiative (FTI) to help countries to move faster toward the MDG primary education goal. The initiative was hailed as a “historic step” at its launch by James Wolfensohn, then president of the World Bank, and was intended to make a substantial contribution to scaling up support to the education sector. Unfortunately, as the recent evaluation has shown, the FTI has failed to live up to these high expectations.

In spite of the disappointing lack of increased support from donors, it has to be said that developing countries as a whole have made remarkable advances in the education sector over the past decade—especially with regards to increasing primary education enrolment rates. Many developing countries have expanded primary school access to a level that took nearly a century in industrialized nations.³ For example, Benin increased its net enrolment rates in primary school from 50 percent in 1999 to 80 percent in 2007. Yemen—one of the world’s poorest countries—increased the enrolment in primary school from 2.3 million in 1999 to 3.2 million in 2005, with the majority of the increase being girls.⁴ This is all the more remarkable given that populations in some poor countries continued to grow rapidly, increasing pressure on school places. This achievement should be celebrated even if—as seems likely—many countries fail to reach the Millennium Development Goal target of universal primary education by 2015.

The aggregate success, however, hides less encouraging trends in some of the poorest countries and among marginalized populations. Growth in access has been uneven—72 million children worldwide still do not have a primary school place. The majority of those children are from poor, rural, underserved communities in the least developed countries—and the majority are still girls.⁵ In addition, many of the children who do attend school are taught in large classes by poorly

² UNESCO Education for All Framework for Action. See http://www.unesco.org/education/efa/ed_for_all/framework.shtml

³ Michael Clemens, “The Long Walk to School: International Education Goals in Historical Perspective,” CGD Working Paper 37 (Center for Global Development, 2004), <http://www.cgdev.org/content/publications/detail/2754/>

⁴ UNESCO, Education for All Global Monitoring Report (GMR) (2010). See <http://www.unesco.org/en/efareport>.

⁵ *ibid.*

motivated teachers who are frequently absent.⁶ As a result, millions of children leave primary school without basic literacy and numeracy skills.

The story gets worse as children get older. Four hundred million children still do not receive any secondary schooling.⁷ Secondary enrolment is particularly low in sub-Saharan Africa, where less than a quarter of young people have the chance to continue their education beyond primary school. The situation for girls continues to be worse for than it is for boys. The gender gap grows as girls and young women attempt to progress to secondary school and college. Given the personal, social, and health benefits that result from educating girls to secondary level and beyond, this can only be described as an egregious waste of talent and resources.⁸

The limited data on education in countries affected by conflict and instability indicate that the situation is dire. Some studies estimate that as many as 50 percent of out-of-school children live in areas affected by conflict or natural disasters. Yet the education sector continues to fall between the cracks of humanitarian aid and development assistance. Education programs in the UN Common Appeal Plans are frequently underfunded to the tune of 80 to 90 percent.⁹

WHERE HAVE ALL THE FUNDERS GONE?

Major, and worsening, shortcomings can be seen in the level and direction of donor funding for education (see Box 1).

Box 1: Trends in Financing for Education

Despite its prominence in the Millennium Development Goals, education has failed to receive adequate financial backing from the developed world. In particular, two trends are problematic:

There is a gap between policy statements and financial commitment to basic education (Fig. 1). Despite the global policy commitment to basic education and the MDG target of UPE, basic education consistently received less than half of aid commitments to education from 2000 – 2008. This is in large part due to the policy of several bilateral donors to allocate a substantial proportion of their education aid to scholarships in their home countries as well as continuing investment in higher education programs in developing countries. (UNESCO GMR 2010).

Aid for education is not targeted to the poorest countries (Fig.2). Consistently less than half of aid to basic education is allocated to the least developed countries. Given the greater relative need in these countries for educational, this trend severely undermines global progress. Such a pattern also means chronic underfunding for education programs in fragile states and conflict affected countries

⁶ Jishnu Das et al., “Teacher Shocks and Student Learning: Evidence from Zambia.” Available at <http://www.cgdev.org/doc/event%20docs/MADS/Habyarimana%20-%20Teacher%20Shocks.pdf>.

⁷ UNESCO GMR 2010

⁸ “Inexcusable Absence Q&A with Marlaine Lockheed: Why 60 Million Girls Still Aren't In School and What to do About It,” <http://www.cgdev.org/content/article/detail/1423602/>.

⁹ Save the Children, *Last in Line, Last in School: How Donors Are Failing Children in Conflict-Affected Fragile States* (2007), http://www.savethechildren.org/publications/rewrite-the-future/RTF_Last_in_Line_Last_in_School_report_FINAL.pdf.

Box 1, continued

further disadvantaging the most unstable populations. This failure of the global allocation system to prioritize countries with the greatest need poses a significant risk to the achievement of the education Millennium Development Goals.

Fig.1: Insufficient aid is committed for basic education

Total commitments to education and basic education, 2000-2008

Source: OECD-DAC

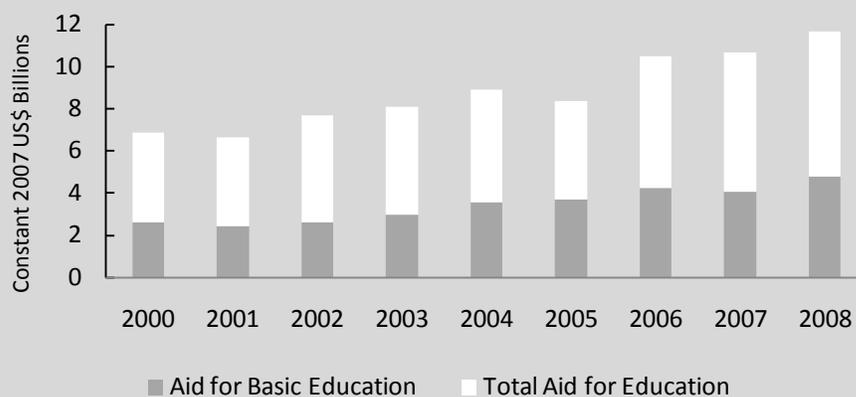
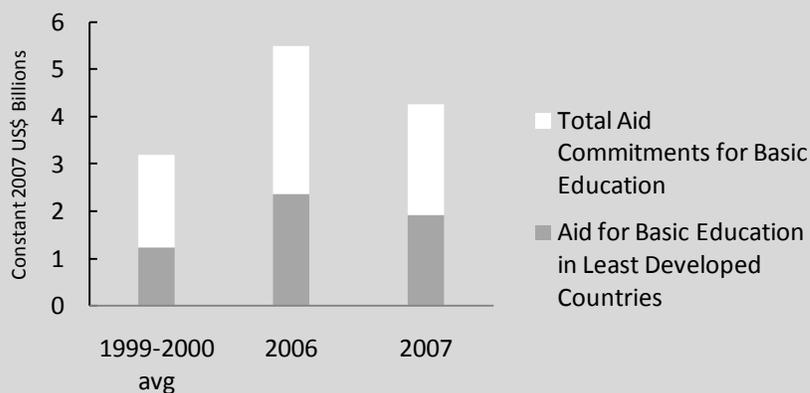


Fig. 2: Aid for basic education is not well targeted

Aid commitments for basic education in LDCs

Source: OECD-DAC



Bilateral aid commitments to education have fallen in recent years after a rapid rise in the first half of the decade. Total aid commitments to education in 2007 were approximately \$12.1 billion—only slightly above the 2004 commitments.¹⁰ With a few exceptions, bilateral donors

¹⁰ UNESCO GMR 2010.

have not delivered their promises to provide significant increases in long-term predictable financing for the sector. Aid for basic education has been even more disappointing. Some donors, such as the UK, the Netherlands, Spain, and the United States,¹¹ have made significant increases, but overall aid commitments for basic education have declined from a peak of \$5.6 billion in 2004 to \$4.3 billion in 2007.¹² In relative terms, despite the repeated rhetorical commitments to the education goals, basic education is often the last in the line of ODA allocation: financing for basic education in low-income countries received on average only 5 percent of total sector allocable aid from 2005–07.

The multilateral picture is not much more encouraging. The World Bank is the largest multilateral investor in education in developing countries, but the Bank’s direct investment in basic education in Africa, as well as in its technical capacity to support programs in the sector, has declined over the past few years. The World Bank provided leadership after the Dakar meeting by launching the Fast Track Initiative and has played multiple roles within the FTI partnership from its inception. However, the Bank has faced serious criticism in recent years over the implementation of the program, most pointedly around delays in disbursement of funds and disruption to local donor coordination efforts.¹³ The board of the FTI is undertaking a major reform process in order to respond to these criticisms and to transform it into a more effective global mechanism to support education in developing countries.¹⁴

What accounts for the apparent lack of support for the education sector from leading bilateral and multilateral donors? A recent report by the UK-based Overseas Development Institute concluded that the key factors affecting donor reluctance to increase aid to basic education included a lack of prioritization of the sector at the political and senior management levels; the lack of evidence and effective advocacy; and weaknesses in the international aid architecture.¹⁵ The lack of sustained high-level leadership to secure additional support for the sector has also been identified as a key factor. In many ways, the education sector suffers from the “motherhood and apple pie” syndrome—everyone agrees that it’s important, so no one gives it the attention needed to get the job done.

¹¹ The U.S. commitments to basic education have risen to nearly a \$1 billion in 2009–10. This is a substantial increase (from a low base), although it still falls far short of what many advocacy groups consider a fair share of the overall financing need given the size of the economy.

¹² UNESCO GMR 2010. All figures are constant US\$(2007).

¹³ FTI Mid-term Evaluation Report (2009), <http://www.camb-ed.com/fasttrackinitiative/>.

¹⁴ See UNESCO GMR 2010 for examples.

¹⁵ Liesbet Steer and Cecilie Wathne, “Achieving Universal Basic Education: Constraints and Opportunities in Donor Financing,” Consultation Draft for UKFIET Conference (ODI, 2009), <http://www.odi.org.uk/events/2009/10/29/2046-background-paper-liesbet-steer-cecilie-wathne-achieving-universal-basic-education-draft.pdf>.

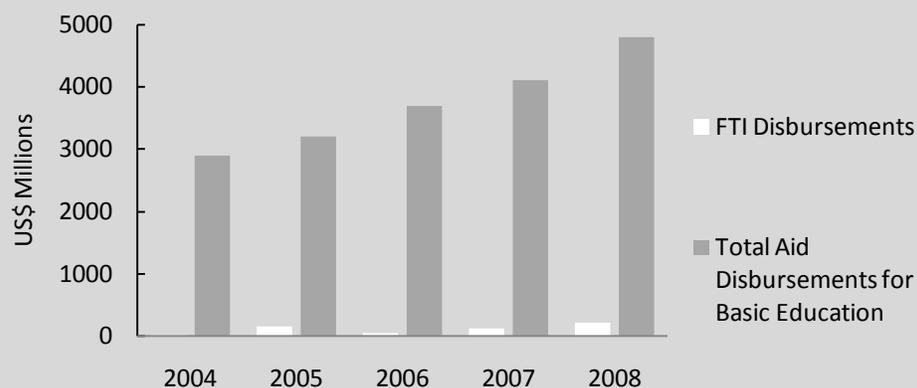
Box 2. The FTI is failing to fill the funding gap

The FTI directly disbursed approximately US\$126 million in 2007 and just over \$214 million in 2008 from its major trust fund—the Catalytic Fund. This represents less than 10 percent of total aid to basic education in each year. The initiative has led to some increase in bilateral and multilateral aid to education in FTI countries, but overall it has not met expectations with regards to mobilizing additional finance and it has made only a small contribution to filling the estimated \$16 billion global financing gap.¹ As such, the failure of the FTI to rise to the challenge of providing large-scale additional resources to support basic education in the poorest countries remains a chronic concern.

Fig. 3: Mobilizing Aid for Basic Education

Contribution of FTI to total disbursements for basic education

Source: OECD-DAC (2009d), FTI Catalytic Fund Annual Status Report 2009



WHAT'S NEEDED AT THE GLOBAL LEVEL? OUTLINES OF A RENEWED GLOBAL EDUCATION COMPACT

In 2009, Gene Sperling and others at the U.S. Coalition for Basic Education proposed a new “global education compact,” which would embody a set of commitments on the part of donors related to funding levels and practices within the programs they fund, and corresponding

BOX 3: TOWARDS A GLOBAL EDUCATION FUND.

The debate on the global education compact was given renewed impetus at the start of 2009 with the publication of an influential paper by Gene Sperling (Chair of National Economic Commission in the Clinton administration and former Chair of the Global Campaign for Education, United States) which argued strongly for a new Global Education Fund which would build on the successes and address the weaknesses of the current global education architecture, in particular the FTI.

For Sperling, the key components of the new Global Education Fund would include the following:

- **A single unified process** to provide all countries with the support they need. For countries affected by conflict or with weak governments, this would require a progressive framework to build trust over a period of time and allow countries to build capacity and gradually take control of running their own education systems.
- **A stronger independent secretariat with broad organizational ownership.** Sperling argues that the creation of an independent entity to support the global education compact would allow greater space for existing core partners such as UNESCO and UNICEF to take a more active role.
- **A stronger focus on both coordinated bilateral contributions and a stronger, better-managed pooled fund.** Sperling argues for taking a combined approach to increasing funding to allow donors to contribute through their preferred channel but also strengthening accountability to ensure that both donors and developing countries are delivering on their commitments: “The goal of the Global Education Fund is to coordinate all channels of disbursement—whether national donor agencies, multilateral organization, foundations, or the private sector—within the national education plan” (p.6).
- **Increases in the level and duration of funding.** Sperling also argues strongly for a more robust and independent mechanism for assessing the real financing needs for developing countries to deliver a good quality education to all their children. The Global Education Fund should aim at “dramatically and systematically increasing the level and duration of funding” for education (p.6).
- **Building mutual trust for a global compact—including funding promises, accountability, and a focus on learning outcomes.** Sperling promotes the notion of a true compact between donors and the developing countries they seek to support by proposing a stronger system of mutual accountability. In this system, donors are held accountable for honoring their commitment that no country with a credible strategy would fail to reach its education goals for lack of financing and where developing countries are held accountable for managing financing effectively and achieving demonstrable improvements on key education indicators, including learning outcomes.

BOX 3, continued

- **New name, new brand, new launch.** “A new name to describe the strengthened global architecture on education is not inconsequential. If Global Education Fund is not acceptable, there should be an alternative name that clearly communicates its mission to the world, such as the Global Compact for Education. However, even with a better name, a newly reformed and rebranded initiative must garner the support of a critical mass of heads of state, particularly those in the G8, in coordination with support from heads of state from low-income countries” (p.6).

Source: Gene Sperling, "A Global Education Fund: Toward a True Global Compact on Universal Education ," A CUE Working Paper (Council on Foreign Relations, 2009), <http://www.cfr.org/publication/18051>.

commitments on the part of the governments of countries receiving support. The compact would be based on the foundation of genuine partnership and mutual accountability. Developing countries would play their part in leading the process of developing and implementing sound education sector plans. In return, donors would provide increased levels of assistance in a more predictable and effective manner.

Using Sperling’s proposal as a point of departure,¹⁶ I suggest practical actions that, if followed, would greatly improve the chances of success of any future global education effort:

1. Focus on the achievement of **better results in the education sector** rather than on organizational structures and inputs. The real measure of success of the global education compact will be the number of young people who leave school with the knowledge and skills they need to thrive in modern societies.

The new compact should shift the focus away from project inputs and instead help countries to do three key things better:

- Promote innovation to improve results
- Improve measurement to track their progress
- Conduct independent evaluation to learn lessons from what has worked—and what has not

Improving education—even in rich countries—is difficult and takes time. Donors and funding agencies need to be realistic about the pace of improvement in developing countries. They must also resist the temptation to focus on what is easy to measure rather than less tangible but equally important “soft skills.” Basic reading and mathematical skills are essential—but so too are problem solving skills, the ability to interact with one’s peers, and a sense of self-esteem. For many young people in poor communities, they will be the first generation in their families to complete a full course of formal schooling. This is an achievement worth of celebration in itself.

¹⁶ Gene Sperling, "A Global Education Fund: Toward a True Global Compact on Universal Education ," A CUE Working Paper (Council on Foreign Relations, 2009), <http://www.cfr.org/publication/18051>

Improvements in the quality of education require interventions in complex systems. Governments need to make improvements simultaneously in areas such as teacher education, curriculum development, testing and learning assessments. Time and sustained financial and political commitment are needed to achieve a lasting improvement in the learning achievements of an entire population.

The results framework for the new global education compact should set realistic but challenging targets which take account of the unavoidable time lag between expansion of an education system and improvements in education outcomes. Countries should be supported rather than penalized if the initial results fall short of expectations. Donors and funding agencies should—to the greatest extent possible—take a hands-off approach to support in order to allow local government and accountability mechanisms to work more effectively.¹⁷

2. **Support the local policy dialogue.** All important decisions on education policy, plans, and program implementation must be taken at the country level as part of the dialogue among the local government, local stakeholders and their donors and other development partners. The global education compact must strengthen and support national systems and minimize the disruption caused by external interventions. This is a fundamental principle of the FTI that should be maintained. The country case studies for the FTI evaluation indicate that many countries have already established groups to bring together local government representatives and their development partners.¹⁸ The new global education compact should build on this foundation and take pains not to add new program preparation and appraisal processes.

3. For developing countries to take full leadership of their education systems, they need to **develop capacity at all levels in the education sector.** This can only be achieved through long-term institutional capacity development in teacher training, management development, monitoring and evaluation, and other key areas. Governments also need to build capacity in research so that they can assess progress and conduct new policy analysis in the education sector. A significant proportion of external assistance continues to be allocated to external technical assistance, which, while it may be valuable in itself, does not necessarily build local capacity.¹⁹ The new global education compact should promote the development of local institutional capacity and require all technical assistance programs to demonstrate progress in the strengthening of institutions and education systems.

4. The strengthened global education compact should ensure real opportunities for equal voice and representation for developing countries, NGOs and private-sector organizations through **more open and inclusive governance structures.**

The FTI board continues to be dominated by bilateral donors and multilateral agencies. This contrasts strongly with other institutions such as the Global Fund to Fight AIDS, TB and

¹⁷ Nancy Birdsall and William D. Savedoff, *Cash on Delivery Aid* (Washington, D.C.: Center for Global Development, forthcoming).

¹⁸ FTI Mid-term Evaluation Report.

¹⁹ Working Party on Aid Effectiveness, OECD/DAC. "Aid Effectiveness: A Progress Report on Implementing the Paris Declaration" For the 3rd High Level Forum on Aid Effectiveness in Accra, Ghana, September 2-4, 2008.

Malaria, which have recently become more open to participation and leadership from non-OECD donor countries, private-sector organizations and foundations.²⁰

In addition to strengthening the voice of developing countries, a new governance structure could provide more opportunities for G-20 countries to play an active role. A recent report on financing for basic education found that the education sector had largely failed to extend the base of its support beyond the traditional donors in part because of this lack of openness as well as a perceived absence of a culture of innovation in the sector.²¹ This contrasts with the success of the health sector in mobilizing significant new resources and expertise from the private sector and in opening dialogues to include non-government and civil society organizations.

The new global education compact should build a much broader base of support from a wider range of countries in order to make it the first development deliverable of the G-20 grouping.

5. A strengthened global education compact should **include measures to address education issues that are inadequately addressed by the current international aid architecture**, including the following:

- (a) Targeting population groups that are culturally, ethnically, or geographically marginalized.
- (b) Giving priority attention to girls in primary schools as well as later levels of education. Dedicate particular attention to girls from marginalized communities.²²
- (c) Improving the quality of education at all levels, in particular by recruiting, training, and retaining high-quality teachers
- (d) Supporting education programs in countries affected by conflict.
- (e) Continuing support for the primary sector but moving beyond primary to support the achievement of the other Education for All goals including early childhood education; improving secondary and vocational education; and extending adult literacy programs.
- (f) Collecting better data at the national and subnational level in order to monitor progress on education outcomes.

6. Finally, a renewed global education compact should **promote innovative approaches to financing for education**. The development of alternative sources of financing is likely to become increasingly important as aid budgets come under pressure in most donor countries.²³

²⁰ For example the governance structure of the Global Fund gives equal representation to donors, developing countries, and NGO constituencies and includes significant participation from several major private-sector organizations.

²¹ Liesbet Steer and Cecilie Wathne, "Achieving Universal Basic Education."

²² Lewis and Lockheed have found that up to three-quarters of girls out of school come from marginalized minority groups. See Maureen Lewis and Marlaine Lockheed, *Inexcusable Absence: Why 60 Million Girls Still Aren't In School and What to Do About It* (Washington, D.C.: Center for Global Development, 2007), <http://www.cgdev.org/content/publications/detail/11898/>.

²³ Past financial crises have generally resulted in a decline in ODA, and the education sector seems to have been particularly badly hit. See David Roodman, "Does Aid Crash During Crises? A Sharper Look," CGD Views from the

Innovative approaches to raising and delivering financing for education will mitigate the risk of a negative impact on the sector of continuing shortfalls in aid from traditional sources. The education sector should learn from innovative approaches to financing in other sectors such as the French Solidarity Tax for health, the International Financing Facility bond for immunization managed by the GAVI Alliance, and the German development assistance earmark from the carbon emission cap-and-trade scheme.²⁴

The most promising initiative to date in promoting new ideas to *deliver* finance more effectively the education sector has been the Cash on Delivery Aid proposal. COD Aid entails providing aid in return for achieving verifiable improvements in agreed outcomes—in this case the rates of completion of a test at the end of primary school.²⁵ The proposal has received several expressions of interest from developing countries to participate in a pilot, but it has met with caution from most donors and seems to be suffering from the tendency of innovation aversion in the sector which was identified by the ODI study.

The new global education compact should create space for innovation and risk-taking not only in terms of raising and delivering finance but also to find new answers to the challenges of securing substantial and sustainable improvements in education outcomes that do not necessarily require full time formal schooling.²⁶

A BETTER ARCHITECTURE FOR EDUCATION AID

The volume and use of aid dollars for education can be improved by building on the foundations of the existing architecture—in particular the Fast Track Initiative. Four policy options are discussed below:

Option 1: Continue the incremental reform of the existing aid architecture with operational adjustments to the FTI to improve its performance but without any significant change in the institutional and governance arrangements.

Option 2: Transform the FTI to make it a more effective global mechanism to support system-wide reform in education and to promote aid effectiveness across the whole sector. This would require changes in the governance and management arrangements to make it operationally independent of the World Bank and thereby allow much greater flexibility in the delivery of finances.

Option 3: Establish a new Global Fund for Education modeled on the Global Fund to Fight AIDS, TB and Malaria. This option—the most ambitious—would require high-

Center Blog (May 13, 2009), <http://blogs.cgdev.org/globaldevelopment/2009/05/does-aid-crash-during-crises-a-sharper-look.php>.

²⁴ The Leading Group on Innovative Financing for Development, December 16, 2009, <http://www.leadinggroup.org/rubrique97.html>

²⁵ Birdsall and Savedoff, *Cash on Delivery Aid*.

²⁶ John S. Daniel, *Mega-Schools, Technology and Teachers* (Routledge, forthcoming).

level political attention to secure the additional finance and overcome technocratic conservatism within the existing system.

Option 4: Establish a new Global Education Financing Facility as a “virtual fund” to raise the levels and improve the effectiveness of all external financing in the sector. This would require an independent entity to monitor the delivery of aid commitments but would not necessarily require a Global Fund–sized operation.

The options are not intended to be definitive nor are they necessarily mutually exclusive. Most of those consulted during the preparation of this paper said that there was a need for transformative change of the existing arrangements.²⁷ Several people thought that it might be possible to combine Option 2 and Option 4 to turn the FTI into a more effective global pooled fund *plus* a mechanism to improve monitoring of other bilateral and multilateral aid in the sector. Finally, there was a widely held view that reform of the FTI alone would not be sufficient to address the serious and substantive concerns raised by the mid-term evaluation of the FTI.²⁸

Box 4: Mid-term Evaluation of the Education for All–Fast Track Initiative.

In 2008, the FTI Steering Committee commissioned a major independent evaluation to assess the effectiveness of the initiative in supporting progress towards the MDG goal of Universal Primary Education. The evaluation carried out extensive interviews over 12 months with key stakeholders at the global level and conducted eight country case studies and eight desk studies. The evaluation report was presented to the FTI Board in December 2009.

The evaluation team drew the following conclusions:

1. **The FTI’s aims were and remain important.** The reasons for investing in basic education remain valid and there is a continuing need for efforts to increase and improve aid for education, as the FTI was intended to do.
2. **The FTI has made positive contributions.** The most significant contributions made by the FTI were adjudged to be providing an important and inclusive global forum for discussion of education issues; keeping EFA and universal primary education on the global agenda; and reinforcing the focus of education donors on the importance of supporting the country-level process.
3. **Overall, however, the FTI’s contributions have fallen short of its ambitions and of its reasonable expectations.** With respect to resource mobilization, the evaluation team concluded that results have been disappointing, globally and in most countries. The FTI’s contributions on filling other gaps relating to policy, data, and capacity were also felt to have fallen short of what could reasonably be expected from a major global initiative.
4. **FTI has considerable strengths . . .** These included broad support from most major OECD-DAC donors and a willingness to be self-critical and to learn from experience. The evaluation also praised the original concept of the FTI of providing more streamlined support to a single national education sector plan linked to broader development strategies and government budgets.

Box 4, continued

- 5. . . . but the FTI also has serious weaknesses.** The evaluation identified weaknesses in terms of design and implementation. It identified the multiple and potentially conflicting roles of the World Bank as a significant weakness. And it noted that the concept of the “lean” Secretariat had failed to take account of the rapid expansion of the initiative.

The evaluation also concluded that the FTI has remained a weak partnership, with weak accountability, and has not delivered a strong global education compact as it had intended. The FTI had also been non-strategic in its development—expanding the number of countries and the range of programs it was willing to support without making the necessary assessment of the financial and other resource implications.

Despite these considerable weaknesses, the evaluation team believed that there was a foundation to build on and they make several recommendations for strengthening and improving the FTI in order to deliver on its potential.

Source: FTI Mid-term Evaluation Report (2009), <http://www.camb-ed.com/fasttrackinitiative/>

Option 1. Support the ongoing reform of the FTI without making substantial changes in the institutional and financial management arrangements for the program.

The first option would involve continuing with the incremental reform process of the FTI. This would be the most easily achievable of the four options, as the reforms are largely technical and would not require significant high-level political will to implement. The reforms should be guided by the findings of the mid-term evaluation of the FTI.

This option would not entail any changes to the current institutional arrangements for the FTI; the Secretariat would remain within the World Bank and the Bank would retain the full management responsibility for all FTI trust funds. The main technical changes required are likely to include

- improving the disbursement of the Catalytic Fund;
- creating stronger synergies with IDA investments in education;
- and (possibly) opening the FTI Catalytic Fund to fragile states and conflict affected countries.²⁹

The main advantage of Option 1 is that it builds on existing reforms and should not therefore require extensive discussion to agree on priority measures. The FTI has already agreed on significant changes to its governance structure including upgrading the steering committee to a board of directors and adding two additional donors and the European Commission.³⁰ The FTI has also created a new non-executive chair position contracted by UNESCO to ensure independence from the World Bank. Lastly, the FTI resource mobilization effort has already

²⁹ FTI Board Meeting Minutes, September 2009.

³⁰ FTI Steering Committee Minutes, April 2009.

succeeded in securing provisional commitments from its existing donors of approximately \$300 to 400 million per year over the next three years.³¹

The main disadvantage of this option is that it does not offer a politically attractive “fresh start” and is therefore unlikely to secure high-level political support or bring significant new donors into the partnership. The continuing lack of independence from the World Bank may also prove a deterrent to new donors and private sector organizations that might otherwise be drawn into the partnership.

The other disadvantage of this option is that it misses the opportunity to re-launch the FTI in a new, more accessible form that is likely to win public support. The FTI “brand” has achieved only limited public awareness and much of the FTI discussion continues to be dominated by a relatively small group of mid-level technical insiders. The FTI has also been weakened in recent years by reputational damage caused by the significant delays in the disbursement of its Catalytic Fund and the limited use of the Education Program Development Fund beyond the World Bank. An incremental approach to reform may not be sufficient to restore confidence in the ability of the initiative to make a lasting contribution to the global education endeavor.

Option 2. Transform the FTI into a more ambitious global education initiative that is independent of the World Bank and implement substantial operational reforms to resolve the problems identified by the mid-term evaluation.

The second option would require a transformation to create a new FTI with an enlarged and independent Secretariat that was better equipped to respond to the demands of an expanded global program, including the large-population countries,³² and with changes to the financial management arrangements to enable the FTI to provide more flexible support including for fragile states and conflict-affected countries.³³

Establishing the FTI as a separate independent legal entity would require more effort and it may meet resistance from some partners with an interest in maintaining the status quo. However, it could also bring significant benefits by introducing greater flexibility and responsiveness to the needs of recipient countries. It would also increase efficiency by removing several of the conflicts of interest that were identified by the evaluation resulting from the multiple responsibilities of the World Bank.³⁴

The main objective of establishing an independent FTI would be to provide greater flexibility by allowing the FTI Board to select the agency best suited to deliver FTI support in any given country. This could include international and national NGOs, UN agencies, and other bilateral

³¹ FTI, “Proposal on Replenishment of the Education for All Fast Track Initiative,” Replenishment Task Team Report May 2009 (http://www.education-fast-track.org/media/library/Replenishment_Task_Team_Report_May_2009.pdf), and subsequent updates.

³² Ethiopia is currently the only large-population FTI country. As a whole, FTI countries include approximately 20 percent of the total primary-aged out-of-school population.

³³ Annex 1 contains detailed proposals on improving FTI financial management arrangements to make it more flexible and more accountable.

³⁴ FTI Mid-term Evaluation Report

donor agencies in “silent partnership” arrangements. It is likely that the World Bank would continue to be the supervising entity in a significant number of countries but it would no longer be the default choice. An independent FTI would be better placed to select the most appropriate member of the local education group to take on the responsibility of delivering FTI support in an effective, transparent, and accountable manner.³⁵

The second significant benefit of an independent FTI would be the creation of a clear and separate identity for the initiative in order to remove the confusion at the country level between the FTI and other education programs managed by the World Bank.³⁶ This separate identity would also help resource mobilization efforts as some donors (particularly from the private sector) will be more attracted to an independent entity. This move would also reduce the risk of internal tensions within the World Bank which are likely to result in 2010 as the Bank scales up efforts to raise funds for its own IDA programs.

Finally, an independent FTI is likely to be more attractive to new donors and private-sector foundations that may otherwise be reluctant to transfer finances to a large multilateral organization over which they have limited control. The evidence for this comes from the notable success of the Global Fund to Fight AIDS, TB and Malaria in attracting new financing from major foundations and a wide range of private-sector organizations.

The risk of creating an independent FTI is that the World Bank would reduce its involvement and the program would lose access to the organization’s expertise in education financing and system reform. This is not an inconsiderable risk and efforts would need to be made during the design phase to ensure that there is a continuing strong role for the Bank *qua* Bank within the FTI partnership. This may also require interventions in the World Bank board to give a clear direction on the expectations for Bank staff to provide technical support even if they are not directly responsible for managing FTI finances.

Additional costs would result from establishing a separate FTI secretariat with the necessary financial management, communications, monitoring, and evaluation expertise.³⁷ These costs could be limited by continuing to rely on the education expertise in other bilateral, multilateral, and UN agencies such as UNESCO and UNICEF and thereby keep to a minimum the number of additional technical staff required in the new secretariat.

Beyond the changes to the Secretariat, the establishment of an independent FTI would require a revision of the existing governance arrangements to make them more open and inclusive. The recent reform of the FTI Steering Committee (now called Board of Directors) increased the number of donor members and multilateral organizations without increasing the number of representatives from developing-country governments and civil society. The creation of a new

³⁵ It is possible for the FTI to choose an alternative supervising entity under the current arrangements for the Catalytic Fund. However, to date the Bank has agreed to the use of an alternative supervising entity in only one country (Zambia).

³⁶ This was identified as a problem by the members of several local donor groups in the evaluation country case studies.

³⁷ Currently, the FTI Secretariat has approximately 15 staff and an annual operating budget of around \$3 million per year. .

independent FTI would provide an opportunity to redress this imbalance by broadening the membership of the board to include a wider range of stakeholders and also significantly raise the level of lead participation to match the increased scale and ambition of the program.

Option 3. Establish a new Global Fund for Education modeled on the Global Fund to Fight AIDS, TB and Malaria.

Several stakeholders have called for the establishment of a new Global Fund for Education which builds on the FTI but puts in place a new institutional arrangement to address the concerns raised about the current management and fill the gaps not covered by the FTI.

Gene Sperling made a case for a global education fund to raise the overall level of ambition within the sector.³⁸ Sperling argued for special attention to be given to the needs of education programs in-conflict affected countries. The global education fund proposal has been given additional momentum by the publically stated support of President Obama, Secretary of State Hillary Clinton, and members of the U.S. Congress. The details and level of financial commitments and the balance between bilateral, multilateral, and multi-donor channels within a U.S.-led global education initiative remain the subject of considerable debate.³⁹ At the international level, this proposal has been supported by global leaders such as Archbishop Desmond Tutu, Mary Robinson, and Muhammad Yunus.⁴⁰ Oxfam's recently published assessment of the FTI also concluded that a Global Education Fund was needed to address the shortcomings identified by the evaluation.⁴¹

In the health sector, global programs such as the Global Fund and the GAVI Alliance have undoubtedly contributed to raising the global profile of health crises and securing significant new resources. Since its creation in 2002, the Global Fund has become the main source of finance for programs to address AIDS, tuberculosis, and malaria, with approved funding of US\$ 15.6 billion for more than 572 programs in 140 countries. It provides a quarter of all international financing for AIDS globally, two-thirds for TB, and three-quarters for malaria. For its part, GAVI seeks to raise \$4 billion over 10 years through the International Financing Facility for Immunization (IFFim) to provide long-term predictable financing to support immunization programs in developing countries.

If this option is chosen it will be important to learn the lessons from the early years of the Global Fund, particularly with respect to the challenges of integrating support into existing sector programs and avoiding fragmentation at the country level (see box 4). This has been especially problematic in the health sector, where global programs have focused on disease-related interventions without initially paying due attention to local priorities and to the broader systemic

³⁸ Gene Sperling, "A Global Education Fund."

³⁹ David Gartner, "A Global Fund for Education: Achieving Education for All," Brookings Policy Brief #169 (Brookings Institution, 2009), http://www.brookings.edu/papers/2009/08_education_gartner.aspx.

⁴⁰ See for example the letter to the G-8 from Archbishop Desmond Tutu, Muhammad Yunus, and Mary Robinson calling for the establishment of a Global Fund for Education, available at http://www.results.org/uploads/files/Global_Fund_for_Education_Letter_to_G8.pdf.

⁴¹ Katie Malouf, "Resourcing Global Education: How reform of the Fast Track Initiative should lead to a Global Fund for Education," Oxfam Research Report, January 19, 2010 (Oxfam International), http://www.oxfam.org.uk/resources/policy/education/downloads/rr_resourcing_global_education_180110.pdf.

BOX 5: LEARNING FROM GLOBAL HEALTH

1. Take proactive measures to strengthen and use national systems issues right from the start. The Global Fund, GAVI, and other global health programs were criticized in their early years for causing fragmentation in the health sector by focusing on disease-related outcomes and not strengthening the health systems that were needed to support effective interventions. The health sector has recently attempted to address these issues through interventions such as IHP+ and a systems window in GAVI. The education sector and the FTI has promoted a sector-wide approach to deal with systemic issues such recruiting and training teachers and improving local management of schools. The new global education compact should retain this approach wherever possible.

2. Build an open and inclusive governance structure that includes private-sector and NGO partners as well as representatives of the recipient countries with equal rights to shape policy. This has been one of the strengths of Global Fund and GAVI and has been a key factor in establishing a wide base of support both in terms of finance and expertise. The Global Fund gives equal voting rights to all of its constituencies including representatives of groups of people affected by the diseases.

3. Promote innovation and creativity to find new solutions to old problems. GAVI has been particularly successful in developing innovative approaches to raising finance for its immunization programs. These have included the International Financing Facility for Immunization—a global bond guaranteed by ten year commitments from donors which aims to raise up to \$4 billion on the international finance markets—and the Advanced Market Commitment scheme which aims to use donor funds to provide pharmaceutical companies a guaranteed future market for new products to encourage them to increase their investment in research and development.

4. Pay for results to improve performance. This is a key feature of the Global Fund and GAVI. Countries receive additional payments in return for verified improvements in results against an agreed benchmark in the funding proposal. The Global Fund has recently introduced a streamlined process for second- and third- phase funding as long as countries achieve satisfactory results in the first phase. This approach strengthens the accountability of recipients to a funding agency and of the funding agency to its donors.

5. Use multiple channels of finance to increase reach and manage risk of failing governments. The global health funds have the flexibility to channel their finances through non-government as well as government agencies. This widens the range of potential implementing agencies thereby increasing absorptive and disbursement capacity. The Global Fund uses a local Country Coordinating Mechanism to promote cohesion between government and non-government implementing agencies. The Global Fund also uses local private-sector finance firms to assist with the monitoring of funds.

Several global health programs have been successful in mobilizing substantial new resources for the sector. Innovations in financing for life saving, disease specific interventions have had a popular appeal to voters and tax payers in donor countries more than wider appeals for support to less well defined UN and multilateral agencies. There are however big disparities between programs and it seems that the ones with a clear focus on outcomes and a strong human rights message have been the most successful. However, the global health programs 'grew up' during a period of rapid growth in overall aid and this may not be replicable in the current financial circumstances. Nonetheless, the appeal of a global education initiative with a clear message on results, a drive for innovation, and a focus on the right of every child to a decent education has a good chance to appeal to existing and new donor countries with a history of investing in education for growth in their own countries.

requirements. This is not likely to be such a challenge in the education sector, which has relatively well-established sector-planning mechanisms already in place in most countries. This should put the sector in a strong position to support the integration of support from the global initiative as long as the delivery mechanisms are designed to promote alignment with existing systems.

A Global Fund for Education is likely to be the most politically attractive option to new donors and private-sector partners not currently involved in the FTI as it offers a marketable ‘new brand’ and an ambitious vision for change. The energy generated by a high-level political drive to establish a new initiative could also be used to create space for innovation and creativity on new approaches to improving learning and other groundbreaking measures to accelerate progress in the sector.

Finally, a new Global Fund for Education (GFE) could be structured to provide high-quality technical assistance to support local capacity development and provide impartial technical advice to government and local donor groups which was untied to finance or any particular national agency. A new GFE could be structured to provide additional support to local government agencies either through in-house expertise or through framework agreements with external agencies. This support should be provided in response to demand from the countries and should be available over an extended time frame (say up to 10 years) in order to make a lasting contribution to institutional capacity building. The GFE could also be structured to provide on-call support in specialist areas which could not be covered by the local donor group thereby addressing concerns raised by several donor agencies of a trend of falling in-house technical capacity to support the policy dialogue at the country level.

The main risk of this option is the considerable political effort that would be required to create a new global education institution. This will be particularly difficult—though not impossible—in the current economic climate. The new Global Fund for Education would also face competition for resources from other sectors with an equally strong case for increasing investment and resistance from some development theorists that are opposed in principle to the earmarking of aid to any one sector. There will also be concerns that a new organization would duplicate and overlap with the mandate of existing institutions such as UNESCO, UNICEF, and the World Bank.

It is unlikely that the Global Fund for Education could co-exist with the FTI; there would need to be a “friendly merger or acquisition” to avoid duplication or unproductive competition for support from the same donors to achieve the same objectives. This could be done in such a way as to emphasize the continuity with FTI and could be part of the response to the concerns raised by the evaluation. This will be particularly important for donors that have been closely involved with the FTI for many years and remain cautious about the Global Fund for Education proposal.

Option 4. Establish a Global Education Financing Facility as a virtual fund modeled on the financial coordination mechanisms in the climate change and food security sectors.⁴²

Several sectors have opted in recent years to establish a financing facility rather than create a new global fund to address the needs in their areas. The financing facility typically involves establishing a virtual fund comprising multiple sources of funding using a range of delivery mechanisms according to the preference of the donor organization and the recipient country. This option has the advantage of avoiding the costs of setting up a new organization and it also has the potential to leverage increased resources through the existing channels. The intended value added by the virtual fund is that it promotes better collaboration across organizations, reduces overlap, and improves overall effectiveness.

The virtual fund approach was an important part of the original concept of the FTI. The intention was that the first choice of support for education plans in FTI countries should be an increase in bilateral and multilateral education country programs.⁴³ The Catalytic Fund was intended to act as “bridging finance” in countries that had only a limited number of donors. In reality, the evaluation has found little evidence of the FTI’s success in mobilizing additional resources. Instead, the main focus has been on the Catalytic Fund, which appears in some cases to have actually crowded out other financing for basic education.

The key change that would be required to make the virtual fund option work effectively would be to establish an independent entity with the capacity to monitor all financing for the education sector and the mandate to publish annually the extent to which donors are delivering on their commitments. The Global Education Financing Facility would depend on peer pressure and mutual accountability rather than legal sanctions, but the operations of the OECD-DAC at the macro level has demonstrated that this approach can have a significant positive impact on donor behavior.

The financing facility could be smaller and less technically oriented than a full global fund, but it would need to be fully independent to ensure that its reports were accepted as impartial. In order to avoid conflict of interest, the entity should not be involved in the management of the Catalytic Fund or other major sources of program finances. It could instead be given a mandate (as with the GAVI fund and IFFim) to promote innovative approaches to financing for education and to act as a “venture capital” fund to stimulate creativity and risk taking.

The main advantage of the financing facility approach is that it can improve the quality of *all aid to education* rather than just focusing on a single channel. However, the difficulty of achieving this should not be underestimated. There is a significant risk that the virtual fund is never converted into real finance. Data on the delivery of all commitments will need to be collected by an independent body and given high prominence in DAC and UNESCO Education for All Global Monitoring Reports. Where necessary, donors and multilateral banks should be named and shamed for failing to deliver their commitments, and the focus of reporting should be on

⁴² See for example IFAD, “High-Level Task Force on the Global Food Security Crisis,” Report to the IFAD Executive Board (2009), <http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-38.pdf>.

⁴³ Education for All—Fast Track Initiative, “Framework” (2004), <http://www.educationfasttrack.org/media/library/FrameworkNOV04.pdf>.

quality of aid as well as on the quantity. In this way, a Global Education Financing Facility could make a significant contribution to improving the delivery of finance across the sector.

MOVE AHEAD OR SLIP BEHIND

Successfully strengthening the global education compact will require a significant investment of political will and a considerable effort to mobilize the additional finance. This will be doubly difficult in the current fiscal environment and in the face of competition from other urgent development priorities such as climate change and food security. It will be essential to consider carefully the costs and potential benefits of any changes to the existing international aid architecture in education before launching a process that will consume time and effort that could be better used elsewhere.

One commentator on the consultation draft of this paper expressed two prior conditions for any attempt at major change: The change must increase the likelihood of more finance for education. And it must improve the effective use of that finance to achieve better results.⁴⁴

This paper has presented four options for strengthening the global education compact, ranging from the conservative option of supporting the ongoing reform of the FTI to the more radical options of transforming the FTI into an independent and separate entity, or even establishing a new global fund for education or an equivalent virtual financing facility. The recently published mid-term evaluation of the FTI and the 2010 Global Monitoring Report have both identified several serious failings in this important global initiative, which might lead to the choice of the more radical options. Within the international community, consensus is growing about the need for substantial and transformative change both within and outside the FTI partnership.

The 2010 Global Monitoring Report sets out very clearly the dangers of failing to act. Education systems in developing countries have been hit by the double jeopardy of the financial crisis and the food crisis. Families in the poorest communities are having to choose between sending their children to school or saving the money for the next meal. The risk is that unless there are major reforms to the global education architecture and substantial increases in financial support to mitigate the impacts of these crises on the education sector, the fragile gains of the past decade will be lost and another generation of children will be consigned to a lifetime of exclusion. It lies within the power of decision-makers in the international development community to take steps to make sure this does not happen.

⁴⁴ Peter Colenso, Head of Human Development, DFID, during the ODI Consultation meeting, October 2009.

Annex 1: Towards a new and better FTI.

The following recommendations suggest changes in the management arrangements for the FTI and measures to improve the overall monitoring of bilateral and multilateral support that would transform the initiative into a more effective multilateral channel for increasing aid to education.

A. Recommendations for improving the operational effectiveness of the FTI Catalytic Fund.

A.1 Make the Catalytic Fund (or its successor) more independent of the World Bank. Bring the legal agreements for the trust funds into line with other global funds by requesting the World Bank to act as trustee and financial intermediary but not necessarily the managing agent for all FTI funds. The choice of supervising entity should be determined by the FTI Board in response to the recommendation from the local education group.

A.2 Streamline the governance of the FTI trust funds by merging the functions of the Catalytic Fund Committee and the Education Program Development Fund Committee into the FTI Board. The Board would be responsible for overseeing the implementation of the FTI trust funds to ensure that they are being used in line with FTI principles. The Board may delegate responsibility for detailed monitoring to a Finance Committee comprising representatives from donor and recipient countries.

A.3 Increase the predictability of financing from the Catalytic Fund by making three-year commitments to recipient countries plus a three-year extension, subject to satisfactory performance. Excess liquidity in the holding fund should be reduced by requesting binding pledges from donors in the form of promissory notes which can be called on as and when required.⁴⁵

A.4 Ensure full dissemination and implementation of the Catalytic Fund Modalities Guidelines to ensure that Catalytic Fund support is delivered through the most aligned modality. The funds should be delivered through sector budget or pooled fund support for a sector-wide program wherever possible. The local education group should be required to justify the use of a project modality that does not use local financial management systems and indicate what measures are being taken to strengthen them for future use.⁴⁶

A.5 Provide effective and independent support to the local education group in the preparation and implementation of FTI supported operations. This support could be provided by the Secretariat or an externally contracted agency. It may include providing additional technical assistance for the local education group in areas such as financial management and aid effectiveness where required. The Secretariat should also have the authority to directly contract

⁴⁵ The promissory note system is used successfully with IDA to minimize excess liquidity in that fund.

⁴⁶ This recommendation is in line with the commitments made by all donors and multilateral agencies in the Accra Agenda for Action on the Paris Declaration (OECD, 2009).

an independent local funding agent to ensure adequate fiduciary supervision at the country level. This recommendation will require additional financial and human resources for the Secretariat.

B. Recommendations for improving the monitoring of all bilateral and multilateral aid in FTI-endorsed countries.

B1. Improve the monitoring of all bilateral and multilateral aid for education in FTI countries through the establishment of an independent legal entity with the mandate to provide independent annual reporting on the performance all external financiers in the sector. The monitoring should be conducted in collaboration with the EFA Global Monitoring Report and the OECD-DAC Secretariat and should include reporting on aid effectiveness indicators as well as the delivery of pledged increases in aid for education.

B2. Strengthen the link between the Catalytic Fund allocation and other aid commitments to education in FTI countries. All donors and multilateral agencies should be required to submit their commitments to support the education sector as part of the application for Catalytic Fund support. The lead donor and supervising entities (if a donor agency) should be required to match the FTI allocation to reduce the risk of the Catalytic Fund crowding out other financing for the sector.

B3. Introduce a system of accreditation for all aid for the education sector in FTI countries. Only aid that is delivered in line with the principles of the Paris Declaration on Aid Effectiveness would be counted as contributing to the financing gap in the endorsed education-sector plan. This is likely to be a controversial proposal, but it could catalyse very significant change in donor behaviour. It would therefore need to be championed by the FTI leading donors such as the UK and other EU donor countries for whom the Paris Declaration is a strong policy guide.

B4. Improve the use of the Education Programme Development Fund (or its successor) so that it is used by a wider range of agencies to strengthen the capacity of the local government to design, implement and monitor the strategic plans for the education sector. A window of the Fund should also be set aside to support regional and sub-regional interventions to generate and share knowledge as this is currently seriously underfunded as a result of the country-based model.