

POLICY OUTLOOK



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FINANCING FOR ALL: HOW TO INCLUDE FRAGILE AND CONFLICT- AFFECTED STATES IN THE EDUCATION FTI

REBECCA WINTHROP

Fellow and Co-Director
Center for Universal Education at Brookings

SUSY NDARUHUTSE

Principal International Consultant
CfBT Education Trust

JANICE DOLAN

Senior International Consultant
CfBT Education Trust

ANDA ADAMS

Associate Director
Center for Universal Education at Brookings

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ABSTRACT

This policy outlook outlines seven ways that the Education for All-Fast Track Initiative (FTI) needs to evolve so that it can more effectively and consistently address the education needs of fragile and conflict-affected states. It builds on the analysis and general recommendations outlined for FTI reform in the UNESCO 2010 Global Monitoring Report (UNESCO, 2010), the independent FTI Mid-Term Evaluation (Cambridge Education, Mokoro Ltd. and Oxford Policy Management, 2009a) including the specific working paper focusing on fragile states (Dom, 2009), Oxfam's recent briefing note (Oxfam, 2010), a paper produced by the Center for Global Development (Birmingham, 2010), as well as work undertaken more generally on the role of donors in supporting education in fragile and conflict-affected states (Brannelly, Ndaruhutse and Rigaud, 2009; and Save the Children, 2009). However, this policy outlook focuses specifically on how any reform of the FTI needs to address the particular constraints it faces in providing effective support to fragile and conflict-affected states, rather than looking more generally at the overall reform needs of the FTI (although some of these issues are overlapping).

The seven recommendations to the FTI Board of Directors are:

1. **Create an inclusive “one process, one fund” model** by adopting a continuum approach that meets countries where they are, utilizing the Progressive Framework. Allocate funding based on need and reward good performance based on progress against mutually agreed, context-specific outcomes.
2. **Make the FTI's Catalytic Fund a financial intermediary fund that is independent of World Bank procedures** in order to improve aid effectiveness of the fund; to increase the ability to use modalities that can support recurrent costs; and to ensure appropriate, predictable and flexible support for fragile and conflict-affected states where the World Bank may not have country-level presence.
3. **Adopt a clear approach and guidelines for working with the best-fit-for-progress partner at country level.** While this will be the government in the majority of cases, in some fragile and conflict-affected states where it is not feasible to work in and through government systems, this may need to be others such as local government, international financial and education management agents, and non-state actors. The FTI should draw on good practice from the global health funds and their work with a range of partners at country level.
4. **Develop a roster of potential supervising entities** that work in fragile and conflict-affected states in order to increase flexibility with respect to having the best partner at country level act as supervisor of funds and thus be able to support recurrent and capital costs.
5. **Attract a larger group of existing bilateral and multilateral donors as well as the private sector and foundations** to provide significant additional volumes of aid to a revamped FTI that can support the sizeable education needs of fragile and conflict-affected states where there is often a very scarce or non-existent bilateral presence that can be scaled up.
6. **Support Local Education Groups to play a stronger role through early, frequent and long-term dialogue with country-level actors to both develop and implement their country-specific capacity development activities** through a comprehensive and integrated

approach to capacity development, with implementation support being particularly critical for education sector development in fragile and conflict-affected states. Diversify the providers of technical assistance beyond the World Bank and align capacity development support with other support being received through the FTI and other donors.

- 7. Expand the scope of the FTI to allow support of the whole education sector**, permitting each country to identify which strategies, levels and types of education should be prioritized. This is particularly important in fragile and conflict-affected states where youth can often miss out on educational opportunities. Not harnessing youth potential in a positive way could have a negative impact on future economic growth, social development and stability.

If the pending reform of the FTI does not address the issues affecting fragile and conflict-affected states outlined in this policy outlook, the FTI will not be able to evolve into the credible international aid architecture for education that it desires to be.

INTRODUCTION AND CONTEXT

The Education for All-Fast Track Initiative (FTI) was launched in 2002 as a global partnership toward the goal of achieving education for all (EFA). Working with donor and developing countries, international institutions and civil society, the FTI sought to coordinate action at the country level and to mobilize in-country bilateral donors (and later pooled funding) in order to deliver external support for “credible” education sector plans. In its initial selection of eligible countries, the FTI focused primarily on high-performing, low-income countries that could be put on the “fast track” to achieving universal primary education.¹

With this focus on “good performers,” the FTI was not initially designed to meet the needs of fragile and conflict-affected states. Despite a growing willingness to include these countries, many structural obstacles have made this effort uneven and fragmented, slow and at times non-functional, and ultimately not effective at consistently delivering aid at country level. It has struggled to reconcile its initial form with an expanding demand to include these countries. While the FTI was never meant to be equated merely with financing and access to funding from the Catalytic Fund, the reality for many recipient countries is that the financing element is what they see as a key motivation for their involvement. Furthermore, as no other global education initiative has emerged to cover the countries that did not meet the FTI’s initial standards, the moral obligation to find a way to support these countries has largely fallen to the FTI. While some fragile and conflict-affected states have been endorsed by their local donor group and supported financially by the FTI’s Catalytic Fund, many of these countries are on the more resilient end of the fragility/conflict continuum (such as Cambodia and Rwanda which are generally regarded as having successfully emerged from conflict; or Cameroon, Ethiopia and Kenya which are regarded as reasonably stable). Countries that are far less resilient and experiencing greater levels of fragility, such as Zimbabwe and Myanmar, may have received some initial support for capacity development, but do not currently have a path toward endorsement or access to the Catalytic Fund. Those countries that fall between the two extremes of the continuum have had uneven experiences, often with high transactions costs, such as Liberia.

“Not only is the FTI losing legitimacy externally due to the length of time during which the [Education Transition Fund] has been ‘imminent,’ but if a ‘solution for fragile states’ is to make an impact on the MDGs, time is running out before 2015. There is a risk that donors will lose patience and will decide to channel funding through alternative mechanisms if progress is not made.” (Cambridge Education *et al.*, 2009b: 224)

As the FTI Board of Directors² now considers how the initiative should strategically evolve to address the findings of an independent mid-term evaluation and other external pressures to reform development assistance³, it will be looking closely at how to approach fragile and conflict-affected states. Given the demonstrated need for increased and sustained educational support in many of these countries, it is clear that the next generation of the global education initiative should build upon successful elements of the existing FTI while leveraging and aligning bilateral and multilateral donor resources to support country-driven education reform in least-developed, fragile and conflict-affected states. In addition, it should be done through one fund with one process rather than a separate approach for fragile and conflict-affected states, as there are obvious disadvantages of having two separate funds, potentially managed under parallel structures, with questions regarding to which fund countries should apply.⁴

As detailed in our complementary policy outlook, *Education's Hardest Test: Scaling up Financing in Fragile and Conflict-Affected States*, children living in countries affected by conflict, fragility⁵ or emergencies are less likely to enrol, continually participate and complete their basic schooling than their peers living in more stable countries. Save the Children (2009) estimates that more than half of the world's out-of-school population (a total of 40 million children) live in these contexts.⁶

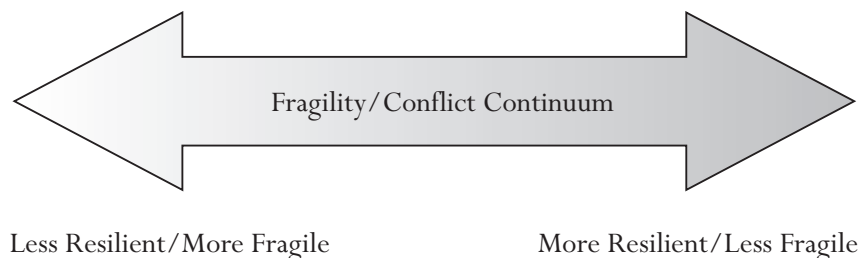
The international donor community has not adequately funded education in fragile and conflict-affected states. Despite being home to as many as half of the world's out-of-school children and carrying over half of the financing gap, these countries only receive one quarter of basic education aid (Save the Children, 2009). Moreover, there is great disparity in external development funding apparent across these countries: while Afghanistan, Pakistan and Sudan each have a substantial number of children out of school, the Democratic Republic of the Congo (DRC) and Eritrea have also demonstrated great need. However, since they do not currently represent the same level of global geopolitical importance for donors, they receive a fraction of the external education financing.

This disconnect between educational need and geopolitical forces is one of the core reasons why a multilateral global education initiative has an essential role to play in ensuring that fragile and conflict-affected states are not left out of the global education architecture and, more importantly, that the children living in these countries have access to a quality education. While over the last several years the FTI has made a clear effort to include countries in these contexts, its current form prevents it from doing so effectively.

PROMISING FTI FALLS SHORT FOR FRAGILE AND CONFLICT-AFFECTED STATES

Because of the form set up at its founding, including its eligibility requirements, organizational structure and funding processes, the FTI initially was not in a strong position to work with those countries that had insufficient capacity and/or willingness to develop a credible sector plan or scale up the delivery of education services. By 2005, however, a consensus had emerged that the FTI must develop an approach to working with these countries and the FTI has shown a growing willingness to include them. Despite this desire, the FTI's structural obstacles have made progress toward incorporating these countries into an expanded FTI slow and the FTI Partnership has not yet been able to fully deliver on that intention in a way that furthers the goal of effective aid.⁷

Some fragile and conflict-affected states have been FTI-endorsed and then supported by the Catalytic Fund. In general, these countries are toward the more resilient/less fragile end of the fragility/conflict continuum. Countries such as Cambodia, Rwanda and Timor Leste are generally considered to have successfully come out of conflict and are now relatively stable. Moving toward the less resilient/more fragile end of the spectrum, some countries have received capacity development funds through the Education Program Development Fund (EPDF), but none of these grants intended to help develop an education strategy have translated into endorsed sector plans and countries such as Zimbabwe and Myanmar have no current plans for endorsement, although this may also reflect their lack of demand for additional support from the FTI.



The most promising step toward including fragile and conflict-affected states as a whole into an expanded FTI emerged during the September 2008 Steering Committee meeting, when donors and UNICEF were tasked with developing an Education Transition Fund (ETF). This additional pooled fund would be managed by UNICEF and included initial contributions from the Netherlands, the United Kingdom, Spain, Australia and the European Union. However, these discussions were discontinued in July 2009 when the stakeholders' different expectations for the various roles and responsibilities within the fund could not be reconciled. The collapse of the prolonged negotiations was perhaps the most notable set-back in this process and again illustrated how the form of the FTI could not match its aspirations for function, including a lack of institutional independence and the inability to “speak with one voice” as the FTI Partnership in high-level negotiations, rather than as separate FTI partners (Cambridge Education *et al.*, 2009a).

The drawn-out process to develop a systematic approach for these countries has resulted in an uneven process and high transaction costs for those countries that can least afford them.⁸ For example, Liberia's Ministry of Education, in recovery after more than a decade of civil war, developed a strategic policy document accompanied by a one-year implementation plan that the FTI endorsed in 2007. However, the Catalytic Fund Committee denied its proposal for funding citing large gaps in the data, leaving the government without another funding option within the FTI process (Birmingham, 2009: 20-21). Eventually, the UNICEF-managed Education Pooled Fund was established with US\$17 million (US\$12 million from the Netherlands and US\$5 million from the Open Society Institute) and has demonstrated success with quick disbursement.⁹ However, no other donor has come forward to contribute to this multi-donor trust fund¹⁰, and Liberia's current estimated need is close to US\$70 million, leaving recent progress at risk of flat-lining and even backsliding (UNESCO, 2010).

KEY CHALLENGES TO ADDRESS AND THE WAY FORWARD FOR FRAGILE AND CONFLICT-AFFECTED STATES

KEY CHALLENGE 1: THE TENSION IN FTI'S MANDATE

Recommendation 1: Create an inclusive “one process, one fund” model by adopting a continuum approach that meets countries where they are, utilizing the Progressive Framework. Allocate funding based on need, but reward good performance based on progress against mutually agreed, context-specific outcomes.

Context

FTI's five guiding principles – country ownership, benchmarking, support linked to performance, lower transaction costs and transparency – strongly relate to aid effectiveness (FTI Secretariat, 2004). Its focus on high performing countries that could be put on the “fast-track” to achieving the education Millennium Development Goals (MDGs) has been seen as an embodiment of the international aid effectiveness principles that prioritize aid for good performers, as it is likely to be used more efficiently and effectively. This is particularly the case if the most aligned modality, budget support, is used.

Challenge

The tension is that those states with some of the greatest educational needs are often fragile and conflict-affected and amongst the poorest performers for whom budget support is not really an option due to high levels of fiduciary risk. In addition, the *Paris* and *Accra* principles on aid effectiveness are far from easy to apply in their fullness in many of these contexts, although the *Accra Agenda for Action* (OECD, 2008) does acknowledge the need for the adaptation of aid effectiveness principles in contexts of weak capacity and legitimacy. Thus, there is a tension between the aid effectiveness agenda which the FTI seeks to support, and its need to work in more difficult environments. As Bermingham (2009: 21) argues: “This tension – despite the best efforts of many FTI partners – remains unresolved.”

The exclusion of these countries begins with the two basic requirements for FTI endorsement: a poverty reduction strategy (PRSP or its equivalent) and a credible education sector plan that has been certified by the group of in-country donors. Those fragile and conflict-affected states that the FTI has supported have generally been those at the more resilient¹¹ end of the fragility/conflict continuum and those which have had the capacity to develop a credible education sector plan and a national poverty reduction strategy. A credible national education sector plan is expected to address key constraints to accelerating progress toward universal primary education and to situate those priorities within the broader education sector. Such a comprehensive plan requires a high-level of technical capacity and active participation from important stakeholders, which may be difficult to achieve in some less resilient fragile and conflict-affected states.

Way forward

If the FTI is going to support all countries through one fund with one process, then it will need to move away from the more prescriptive Indicative Framework and instead adopt an approach that supports countries along the continuum of development, where tools like the Progressive Framework can be utilized to guide dialogue within countries over time to develop context-specific credible interim or full education sector plans. This approach recognizes that fragile and conflict-affected states sit on a continuum with good performers seen as showing great resilience at one end of the spectrum and countries that are collapsing due to emergencies, natural disasters, conflict or political tensions at the opposite, least resilient end with a whole spectrum of countries that sit somewhere between the two extremes.

Based on this continuum approach and supporting countries along the Progressive Framework, good performance can be measured according to progress from the country's specific baseline context. Funding can be al-

located according to need, but rewarding good performance based on progress against mutually agreed context-specific outcomes. Recognizing that different countries are at different places along the continuum will mean that a mixture of supervising entities, and more flexible aid modalities and aid management arrangements may well be needed according to country context to support the transition toward greater resilience and development in a way that ensures the effectiveness of aid.

The way forward suggested here differs from the one previously considered by the FTI Secretariat when exploring the Education Transition Fund, and then proposed as one of two options to a new FTI Task Team (Scanteam, 2010). Those proposals focused on two separate funds – one for good performers that corresponds to the gold standard and another for fragile and conflict-affected states that relates to interim status. Having two windows or funds could lead to perverse incentives and make it difficult for countries to decide which fund is most appropriate to apply to for finances. However, more fundamentally, having a two-fund approach does not resolve the tension between the FTI’s mandate of supporting the aid effectiveness agenda and the increasing need to work in more difficult environments.

KEY CHALLENGE 2: MANAGEMENT OF THE FTI’S CATALYTIC FUND

Recommendation 2: Make the FTI’s Catalytic Fund a financial intermediary fund that is independent of World Bank procedures in order to improve aid effectiveness of the fund; to improve the ability to use modalities which can support recurrent costs; and to ensure appropriate, predictable and flexible support for fragile and conflict-affected states where the World Bank may not have country-level presence.

Context

In July 2008, the World Bank changed its procedures regarding Bank-managed trust funds in an attempt to reduce the risk of misuse of funds. This change required Catalytic Fund allocations to use one of the following two modalities: an investment operation (IO), which is effectively a project form that follows World Bank procedures but can support recurrent and development costs;¹² and a development policy operation (DPO), which is a budget support modality that can be earmarked and whose release depends on prior actions (Cambridge Education *et al.*, 2009c: 17). The quick disbursing operation (QDO) that could be harmonized and aligned to an extent with national procedures and used prior to 2008 was no longer permitted. Without the QDO as an available modality, it became more difficult to support pooled funds that were harmonized and aligned with national systems but did not follow the specific World Bank procedures (Cambridge Education *et al.*, 2009c: 15-16).

Challenge

This procedural change requiring that all trust fund arrangements in which the World Bank is the supervising entity (currently all but two countries) must follow internal financial management and procurement procedures has undermined country-level harmonization and alignment efforts amongst donors in many FTI countries and has also caused significant disbursement delays during 2008 and 2009.¹³ Where Catalytic Fund operations were planning to use existing analysis or financial arrangements at country level, if the World Bank had not already

pre-approved these arrangements, then additional analysis and appraisal work had to be carried out according to World Bank procedures before money could be disbursed (Bermingham, 2009: 12).

Delays have been occurring between aid allocation decisions and disbursements, mostly in the stage between making the allocation decision and officially signing the grant. In the case of Sierra Leone, this latter delay approached 1.5 years with the country having to wait a further 6 months before receiving its first disbursement (FTI Secretariat, 2008; FTI Secretariat, 2009a). It is fair to note that by the end of 2009, disbursement lags had diminished to 9 percent for grants approved since May 2007 and 12 percent for grants approved prior to May 2007, though the latter figure had been as high as 50 percent (FTI Secretariat, 2009a).

Counter to the FTI's intention to follow aid effectiveness approaches, this recent decision by World Bank management has actually showed examples that are a step backwards from the principles outlined in *Paris* and *Accra*. This has taken some countries further from harmonization and alignment, increasing transaction costs and the unpredictability of aid.

Way forward

The Catalytic Fund has the potential to be an important multilateral pooled mechanism in those fragile and conflict-affected states where there are few bilateral education donors with presence at country level. However, for it to be effective at committing and disbursing significantly larger volumes of aid, a critical step forward is for the Catalytic Fund to become a financial intermediary fund (FIF) at the World Bank, as is the arrangement for several major multi-donor trust funds, including the Global Fund to Fight AIDS, Tuberculosis and Malaria, the GAVI Alliance, the Global Environment Facility, the Carbon Fund, and the Heavily Indebted Poor Countries Initiative.¹⁴ In these arrangements, the World Bank provides specific administrative and financial services as the trustee responsible for investment management but with a limited fiduciary and operational role. This option would create a more balanced trade-off between balancing the risk of misuse of funds and corruption with the risk of paralysis due to complex procedures. It will improve its ability to put into practice aid effectiveness principles in fragile and conflict-affected states and to be able to use aid modalities which can support recurrent costs in an appropriate and flexible way in contexts where the World Bank may not have active country presence.

KEY CHALLENGE 3: FOCUSING ON NATIONAL GOVERNMENTS AS THE MAIN INTERLOCUTORS AND STATES AS OPERATIONAL UNITS

Context

Recommendation 3: Adopt a clear approach and guidelines for working with the best-fit-for-progress partner at country level. While this will be the government in the majority of cases, in some fragile and conflict-affected states where it is not feasible to work in and through government systems, this may need to be others such as local government, international financial and education management agents, and non-state actors. The FTI should draw on good practice from the global health funds and their work with a range of actors at country level.

The FTI works with national governments as the main interlocutors, especially since governments and the use of national systems are the main focal points in the present aid paradigm outlined in the *Paris Declaration* (OECD, 2005) and the *Accra Agenda for Action* (OECD, 2008).

Challenge

In contexts with either contested or extremely weak national governments, the central government is unlikely to be able to successfully lead or engage in the FTI process. Moreover, since budget support through national systems is likely to present too great a fiduciary risk, a project grant managed under World Bank procedures is the most probable modality, even though it is the least harmonized and aligned way to deliver aid, and one through which it is not possible to support recurrent costs.

Working exclusively with national authorities also makes it difficult to do cross-border work. This is a flaw in the form of the FTI that particularly affects fragile and conflict-affected states, where the educational needs of refugee populations are often best supported through consortia of state and non-state actors to ensure both refugees and returnees have their education needs broadly met. With tens of millions of displaced children and youth and given that the average time spent in refugee camps is now 17 years, it is clear that these refugees cannot simply be left out of the global education architecture pending their repatriation (Women's Commission, 2004).

Way forward

In those contexts where it is not feasible to work with and through government systems, the FTI needs to evolve its ways of operating to determine how best to work with other stakeholders such as local governments (as has been done by various non-governmental organizations (NGOs) in places like the DRC and Afghanistan) or even looking at engaging with non-state actors. This is not a new idea as such, and has been mooted by Brannelly, Ndaruhutse and Rigaud (2009) and Dom (2009) as well as in earlier documents (Magill, 2006). However, often partners could interpret that it is an either/or situation: *either* governments *or* NGOs, without thought about some other portfolio approach. The latter is important if the FTI is to consider disbursing sizeable sums to fragile and conflict-affected states, since many NGOs may have difficulty implementing national-scale programs with large annual budgets.

Thus, a two-fold approach is needed that firstly builds on good practice where NGOs have worked in consortia such as the Partnership for Advancing Community Education Program in Afghanistan or the Joint Initiative in Zimbabwe; and that secondly trials innovative approaches such as education and financial management agents partnering with civil society organizations that work alongside local and national government where possible to implement larger scale education reform.

To do this will require the principles of ownership, alignment and harmonization to be interpreted more loosely and applied somewhat differently than they have been thus far; this reform of current practice is something recognized in the *Accra Agenda for Action* (OECD, 2008) and in the *Principles for Good International Engagement in Fragile States and Situations* (OECD, 2007) but not yet fully reflected in the way the FTI does business at country level.

KEY CHALLENGE 4: SUPPORTING RECURRENT COSTS

Recommendation 4: Develop a roster of potential supervising entities that work in fragile and conflict-affected states in order to have more flexibility with respect to having the best partner at country level act as supervisor of funds and be able to support recurrent as well as capital costs.

Context

While the option of using alternative supervising entities to the World Bank for the management of Catalytic Fund allocations at country level is permitted – which would give greater flexibility in the choice of funding modality and the ability to support recurrent costs – the reality is that there has been some resistance to implementing this option. Only in 2009 did the FTI decide to do this with the Netherlands as the supervising entity in Zambia and UNICEF as the supervising entity in Madagascar (FTI Secretariat, 2009a).

Challenge

While the decline in disbursement rates outlined under key challenge 2 is not particular only to fragile and conflict-affected states, delays have been exacerbated in countries without a major World Bank presence. This is a critical issue in those countries at the least resilient end of the fragility/conflict continuum, where budget support is not an option and long-term financing of a recurrent nature is urgently needed. Since the application of the new procedures, three fragile states have been supported by the Catalytic Fund – the Central African Republic, Rwanda and Timor Leste, with two others – Haiti and Nepal – having been granted funds in December 2009. Of these, the Catalytic Fund has used a DPO in Rwanda and Nepal to provide sector budget support to already-established donor pooled funds.¹⁵ In the remaining countries, an IO was used in project form.

It is only just over one year ago that FTI agreed upon its first budget support decisions for Burkina Faso and Rwanda and a month since an allocation was agreed for Nepal, showing that the FTI does not yet have a track record of being able to support recurrent costs in a serious and sustained way. Going forward, this will affect a significant number of countries at the less resilient end of the fragility/conflict continuum who do not have active World Bank IDA programs, and yet are either scheduled for endorsement during 2010 (e.g. Chad and Sudan) or who might want to join the FTI in the future (e.g. Myanmar, Somalia and Zimbabwe where World Bank programs have been suspended for some time).¹⁶ These countries have a much greater need for the provision of long-term predictable aid that supports recurrent costs as well as development costs given the existence of limited national resources to finance education and the low presence of bilateral or multilateral donors at country level that can scale up provision directly.

Way forward

This underlines the importance of exploring a range of different supervising entities according to country context including looking at ways these supervising entities can readily support recurrent costs, as budget support may not be appropriate in some of these contexts. However, this will require innovation and some risk since the limited existing cases have not yet been tested, meaning that the FTI has little experience to date of working with other supervising entities.

The FTI and Local Education Groups (LEGs) will need to strongly consider alternative supervising entities including international financial and education management agents as well as NGOs in fragile and conflict-affected states so as to have greater flexibility in being able to support recurrent costs in a way that minimizes undermining government ownership.

CHALLENGE 5: SCALING UP RESOURCES AND ATTRACTING NEW DONORS TO A REVAMPED FTI

Recommendation 5: Attract a larger group of existing bilateral and multilateral donors as well as the private sector and foundations to provide significant additional volumes of aid to a revamped FTI that can support the sizeable education needs of fragile and conflict-affected states where there is often a very scarce or non-existent bilateral presence that can be scaled up.

Context

In its foundational Framework Document, finance was listed as one of the four main gaps to achieving universal primary education and was therefore an integral part of the initiative's goals (FTI Secretariat, 2004). In its earliest stages, the FTI conjectured that in-country donors and national governments would both scale up their financing of basic education following the endorsement of a national education plan. In countries without existing in-country donors ("donor orphans"), the Catalytic Fund was intended to provide small amounts of short-term financing that would be used to highlight the endorsement of the national education sector plan, provide an opportunity to demonstrate good performance, and hopefully lead to increased support through both bilateral and other multilateral channels (Cambridge Education *et al.*, 2009a). Neither of these financing scenarios has played out as expected. The mid-term evaluation concluded that global evidence does not suggest that the FTI has had a large positive effect on the level of either external or domestic financing for education. International aid commitments have generally stagnated over the last several years and domestic expenditures are largely attributed to GDP growth in those countries (Cambridge Education *et al.*, 2009a).

Compared to the health sector, where there are several large-scale global funds and initiatives (e.g. the GAVI Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the US President's Emergency Plan for AIDS Relief), the education sector, including through the FTI, has not managed to galvanize nearly the same political and financial support internationally for education (see also Steer and Wathne, 2009).

Challenge

If the FTI is to focus seriously on supporting fragile and conflict-affected states, it has an urgent need to scale up its resources. These countries form a significant part of the financing gap – for example UNESCO (2010) estimates that just 20 conflict-affected countries represent 41 percent of the annual external financing requirements and it is recommended in our companion policy outlook *Education's Hardest Test: Scaling up Aid in Fragile and Conflict-Affected States* that at least 50 percent of all basic education aid is committed to and disbursed in fragile and conflict-affected states by 2011 since these countries include a much larger group than the 20 countries in UNESCO (2010).

There are three donors – the Netherlands, Spain and the U.K. – currently providing the bulk of the support for the FTI, with little pledged beyond a year or two ahead. In 2008, there were signed pledges of US\$389 million with only US\$26 million pledged for 2011 (*FTI Catalytic Fund Interim Status Report April 2009* cited in UNESCO, 2010: 259). This means that the FTI faces an enormous challenge in terms of scaling up and in addition will be constrained in offering longer-term financial commitments (and disbursements) to partner countries unless there is significant change in the provision of adequate and reliable replenishments and forward planning from donors.

With developing countries utilizing planning cycles that typically last 3-5 years and sometimes ten years, there is a real need for 5-10 year donor commitments and a regular replenishment mechanism, learning from the success of the global health funds. However, donors face an incentive challenge currently. With FTI having disbursement challenges even before the change in World Bank procedures, there is little incentive to persuade them to commit even larger volumes of funding to the FTI. Despite this, during 2009, the FTI Secretariat set up a Task Team on Replenishment of the EFA-Fast Track Initiative, which has put forward an ambitious plan to mobilize initially US\$1.2 billion for 18 months from 2009, building up to nearly three times that amount for 2011-2012 if the most ambitious option is chosen (FTI Secretariat, 2009b). This is a tremendous challenge given that the initial plan to find US\$1.2 billion during 2009-2010 would require a tripling of the FTI's current annual funding and for this to take place at a time when much of the world is still feeling the effects of the global recession.

Way forward

Bilateral and multilateral donors in addition to the three core donors of the FTI (the Netherlands, Spain and the U.K.) need to be galvanized into action. In addition, the FTI needs to be serious about diversifying its resources and attracting new donors including the large foundations and private sector companies to provide funding through a revamped FTI. Previous efforts to attract the corporate sector have generally been limited to small-scale, local-level capacity building initiatives rather than a global initiative to attract serious levels of new financing from the private sector. However, the FTI Partnership has begun to pursue ways to engage with new donors, including emerging economies and the private sector, and has engaged recently in numerous in-person visits by the FTI Chair to donor governments and private foundations. Even greater action by the whole partnership is needed and there is significant knowledge to be learned from the health sector where currently almost 50 percent of all international aid from private sources is being invested (Marten and Witte, 2008).

The annual budgets of the leading global health funds (greater even than the ambitious proposed replenishment of the FTI)¹⁷ show that partnering with the private sector and galvanizing more aid is achievable for the FTI if coupled with the right vision casting and rebranding. This would enable the FTI to target a sizeable percentage of its resources to fragile and conflict-affected states whose needs constitute over 50 percent of the estimated external financing gap for low-income countries. All members of the FTI Partnership need to work together on this challenge. A more stable replenishment mechanism with longer-term commitments would allow the FTI Secretariat and developing countries to plan ahead and would decrease the need to go back to donor partners for additional funds on an annual basis. This would increase the efficiency and effectiveness of those donor dollars.

CHALLENGE 6: CAPACITY DEVELOPMENT AND CREDIBLE NATIONAL EDUCATION SECTOR PLANS

Recommendation 6: Support LEGs to play a stronger role through early, frequent and long-term dialogue with country-level actors to both develop and implement their country-specific capacity development activities through a comprehensive and integrated approach to capacity development, with implementation support being particularly critical for education sector development in fragile and conflict-affected states. Diversify the providers of technical assistance beyond the World Bank and align capacity development support with other support being received through the FTI and other donors.

Context

In the FTI's initial development, capacity was identified as one of the four major gaps at the country-level impacting achievement of EFA. The FTI process was intended to help close that gap through upstream technical support and the endorsement of education sector plans that would identify country-specific capacity constraints and develop strategies to address them (FTI Secretariat, 2004).¹⁸

The multi-donor EPDF was established in 2004 with four core objectives: 1) to help countries to develop education sector plans; 2) to develop capacity for plan implementation; 3) to monitor and evaluate knowledge sharing; and 4) to strengthen donor partnerships around national education sector plans (FTI Secretariat, 2005). The mid-term evaluation found that while the EPDF has provided useful technical support, which has improved the quality of education sector plans, a lack of awareness of the fund outside the World Bank means that the opportunity to build capacity in many countries has been missed (Cambridge Education *et al.*, 2009a). Furthermore, due in large part to the separate funding structures of the EPDF and the Catalytic Fund, capacity development has focused primarily on assistance with plan preparation, with far less attention focused on the continuum of capacity development needs during implementation, monitoring and evaluation.

Challenge

The notion of a “light-touch” Secretariat has meant that direct technical assistance from the initiative has been extremely limited. Without a robust central bureaucracy, the FTI depends on its partners working at country level to provide the technical assistance necessary to develop and implement a credible education sector plan. In countries where the local donor group may be small or otherwise focused on other sectors, education may be overlooked. Furthermore, because fragile and conflict-affected states often experience weaker levels of security, economic opportunity, legitimacy and/or political will, capacity development has an elevated importance in these contexts. In the case of education, these countries may lack the capacity necessary for developing credible sector plans that address existing capacity gaps. Since such countries pose higher fiduciary risks for donors, there is an increased focus on investments that deliver immediate and quantifiable results, which does not align well with the longer-term vision of sustainable capacity development.

The mid-term evaluation's case study of Yemen illustrates some of the shortcomings of the FTI's capacity building approach, particularly in a context where capacity and/or political will may be especially weak. Despite

being the second largest recipient of EPDF funds, the full impact on capacity in Yemen has been questioned. Successful outcomes from EPDF-funded studies included evidence for the persistence of a gender gap, the importance of demand-side policies, and the social benefits of female literacy. However, two of the primary obstacles to scaling up capacity and will to improve the education sector were actually challenges faced by the public sector more generally: 1) long-term fiscal sustainability and 2) a weak civil service sector vulnerable to political patronage. Addressing these issues means taking on systems that are broader than the education sector and therefore need to be tackled through a holistic approach that leverages simultaneous and related work in other sectors in order to make sustainable progress that will positively affect the education sector (Abdulmalik, Duret and Jones, 2009).

Even though records show that more than 80 countries have received EPDF funding, many LEGs have expressed a lack of awareness of the EPDF, demonstrating that these activities may be fairly separate and unaligned with other educational activities. Furthermore, fewer than half of these EPDF recipients have endorsed sector plans.¹⁹ Thus, while the concept of the EPDF to provide support to countries prior to endorsement aligns with the emerging desire to include fragile and conflict-affected states, modest short-term support for planning does not adequately address the chronic challenges that these countries face. Much like the argument for funding recurrent costs in these countries, capacity development must also take a long-term approach.

Way forward

Stronger, sustained attention to capacity development should go hand-in-hand with the objective of developing a credible national education sector plan. The FTI Partnership has already acknowledged the need for an expanded process that meets countries where they are and provides the necessary interim support to build toward the development of a full plan and its implementation. Both the findings in the mid-term evaluation and the content of the proposed restructuring of the EPDF, the re-titled Policy and Capacity for Education (PACE) program, highlight the key characteristics that should be part of the FTI's reformed approach to capacity development. Building upon the movement toward a single fund with a single process, the financial and technical support provided through the FTI should be closely integrated such that funds for capacity development – whether for plan preparation and endorsement or program implementation – should be continuous, predictable and long-term. In order to uphold a country-driven approach, LEGs should be supported to play a stronger role in designing and implementing their country-specific activities, giving countries increased ownership and management responsibility over their own capacity development activities. Particularly in the case of fragile and conflict-affected states, a choice of providers is essential. Moreover, countries that do not have a strong World Bank presence should not be left without a means to build capacity. An expanded and more robust approach to capacity development should include early, frequent and long-term engagement with country-level actors to develop a strategy that is informed by existing data on the current gaps and addresses that country's most pressing issues.

CHALLENGE 7: THE NARROW FOCUS ON PRIMARY EDUCATION

Recommendation 7: Expand the scope of the FTI to allow support of the whole education sector, allowing each country to identify which strategies, levels and types of education should be prioritized. This is particularly important in fragile and conflict-affected states where youth can often miss out on educational opportunities. Not harnessing youth potential in a positive way could have a negative impact on future economic growth, social development and stability.

Context

Even though 189 countries signed up to the six EFA goals in Dakar in 2000, the subsequent global attention on the two MDGs for education has downgraded international ambition and narrowed the focus from universal quality education for all (including the very young and adults) to a completed primary education for all boys and girls. Certain EFA goals – namely relevant learning and life-skills programs for youth and adult literacy – have been neglected relative to the primary education and gender parity objectives. From its beginning, the FTI centered its efforts on primary completion, maintaining that accelerating progress toward this core objective would support the broader set of EFA goals.

Challenge

While it is clear that primary education is a vital component of a strong national education system and a full cycle of primary education for all girls and boys should be a top-line goal for all countries, this singular focus on primary education is problematic from a country-driven standpoint and can, in fact, be damaging in fragile and conflict-affected states. In the early stages of recovery from conflict, countries are often dealing with large youth populations that have been out of formal education for a number of years. These adolescents are eager for education and jobs. Thus, providing opportunities for non-formal vocational and technical education or approaches that focus on functional literacy and numeracy are just as important as primary education interventions. Un-schooled and under-schooled youth require marketable skills in order to successfully transition into a society that is in post-conflict recovery and transformation. Relevant education for these youth and young adults can have a positive impact on mitigating fragility. Evidence from a multi-year educational and job training program for displaced and conflict-affected young people found that the most successful programs offered a holistic package of services that included literacy, numeracy and life skills education as well as market-driven livelihoods skills training in multiple skill areas (Women's Refugee Commission, 2009).

Crisis situations can also lead to a greater number of groups that may need special education attention, including teenage mothers who became pregnant as a result of conflict-related rape, former child soldiers and child-headed households; while primary education may be appropriate for some members of these groups, it is likely that specific interventions may be needed, including youth livelihood programs and curricula with increased attention to parenting and household management (Sinclair, 2002).

The limited focus on universal primary completion violates the country-driven approach that is a hallmark of the FTI's aid effectiveness mantle generally. Moreover, it specifically leaves fragile and conflict-affected states

without the ability to make the relevant and necessary advances in educational reform. In accordance with the international aid effectiveness principles, donors align behind national education plans that encompass the whole sector. Yet financing through the FTI still remains reserved almost entirely for primary education, thereby creating a clear disconnect between the comprehensive plan that is required for endorsement and the one sub-sector that is eligible for allocations from the Catalytic Fund. Again the FTI's desire to meet changing needs led to the Catalytic Fund's scope to become broader, with allocations supporting early childhood education, lower secondary education, and tertiary-level training of teachers in a limited number of countries. However, this broadening has not been formally adopted as part of the FTI's mission and has not been well communicated down to the country level where proposal designs are completed. In particular, fragile and conflict-affected countries may have less access to lesson sharing with other partner countries and therefore rely more heavily upon official communications with the FTI. Without an official policy change that indicates the broader scope for funding, countries in these contexts may once again be left out.

Way forward

A focus on “education for development” and on a “country-driven approach” both lead to the conclusion that the global education architecture should support credible, country-specific education policies and programs. Drawing upon the *Principles for Good International Engagement in Fragile States and Situations*, country context must be taken as the starting point and international support should align with local priorities according to that context (OECD, 2007). To make country-led education development a reality, the FTI must reconcile the disconnect in its structure between the development of credible national education sector plans and the financing of the completion of primary school. The FTI's scope must be expanded to include the whole sector, permitting each country to identify which strategies, levels and types of education should be prioritized. Building on successful cases of Catalytic Fund allocations to Moldova and Ethiopia, among others, the FTI should continue to emphasize the important role that universal primary education plays within the broader sector to ensure that issues of educational equity and quality remain at the forefront. Moreover, consistent with earlier recommendations for a single process along the development continuum, it is important that this support of an expanded scope is part of the whole FTI process and not just available to those countries seeking support for an interim strategy. Where possible, consistent policies across development contexts will reduce perverse incentives for partner countries seeking flexible financing to opt for an interim strategy when they have the capacity to develop and implement a national education sector plan.

RECOMMENDATIONS FOR THE FTI BOARD REGARDING FRAGILE AND CONFLICT-AFFECTED STATES

1. **Create an inclusive “one process, one fund” model** by adopting a continuum approach that meets countries where they are utilizing the Progressive Framework. Allocate funding based on need and reward good performance based on progress against mutually agreed, context-specific outcomes.
2. **Make the FTI's Catalytic Fund a Financial Intermediary Fund that is independent of World Bank procedures** in order to improve aid effectiveness of the fund; to improve the abil-

ity to use modalities that can support recurrent costs; and to ensure appropriate, predictable and flexible support for fragile and conflict-affected states where the World Bank may not have country-level presence.

3. **Adopt a clear approach and guidelines for working with the best-fit-for-progress partner at country level.** While this will be the government in the majority of cases, in some fragile and conflict-affected states where it is not feasible to work in and through government systems, this may need to be others such as local government, international financial and education management agents, and non-state actors. The FTI should draw on good practice from the global health funds and their work with a range of partners at country level.
4. **Develop a roster of potential supervising entities** that work in fragile and conflict-affected states in order to have more flexibility with respect to having the best partner at country level act as supervisor of funds and be able to support recurrent and capital costs.
5. **Attract a larger group of existing bilateral and multilateral donors as well as the private sector and foundations** to provide significant additional volumes of aid to a revamped FTI that can support the sizeable education needs of fragile and conflict-affected states where there is often a very scarce or non-existent bilateral presence that can be scaled up.
6. **Support LEGs to play a stronger role through early, frequent and long-term dialogue with country-level actors to both develop and implement their country-specific capacity development activities** through a comprehensive and integrated approach to capacity development, with implementation support being particularly critical for education sector development in fragile and conflict-affected states. Diversify the providers of technical assistance beyond the World Bank and align capacity development support with other support being received through the FTI and other donors.
7. **Expand the scope of the FTI to allow support of the whole education sector**, permitting each country to identify which strategies, levels and types of education should be prioritized. This is particularly important in fragile and conflict-affected states where youth can often miss out on educational opportunities. Not harnessing youth potential in a positive way could have a negative impact on future economic growth, social development and stability.

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ANNEX 1: SELECTED EVENTS IN THE FTI'S APPROACH TOWARDS FRAGILE AND CONFLICT-AFFECTED STATES

- February 2002: In addition to 18 “fast track” countries, 5 countries (3 of which are often considered to be affected by conflict or fragility) – Bangladesh, the Democratic Republic of the Congo, India, Nigeria, and Pakistan – are invited to join the “analytical fast track”.
- March 2005: At the FTI Technical Meeting (U.K.) the applicability of FTI guidelines to fragile states is questioned. The Fragile States Task Team (FSTT) is formed and produces a background paper *Exploring the desirability and feasibility of expanding the EFA Fast Track Initiative (FTI) to Fragile States* for the FTI partnership meeting in 2005.
- November 2005: The FTI Partnership Meeting in Beijing commissions the FSTT to examine how the EPDF can support fragile states and the potential changes needed in the FTI framework.
- August 2006: Peter Buckland (World Bank) and Peter Colenso (DfID) produce an FTI discussion note *Benchmarks / Guidelines / Principles for Education in Fragile States*.
- November 2006: Gene Sperling (GCE-US) presents a paper *Closing Trust Gaps: Unlocking Financing for Fragile States to the FTI Steering Committee*.
- May 2007: The FTI Technical Meeting (Bonn) agrees upon the final *Progressive Framework*.
- April 2008: The FTI Technical Meeting (Tokyo) agrees to design procedures to include “fragile states” in the FTI Partnership. Steering Committee (SC) members express preference for enhancing current instruments rather than initiating a new fund.
- September 2008: The FSTT produces a paper *A Global Process for Education: FTI Financing Mechanisms* and the SC agrees that all low-income countries, including fragile states, can join a single FTI process. A Task Team comprised of current/potential donors (UK, Netherlands, Spain, Australia, and EC) works with UNICEF and the FTI to create an Education Transition Fund with UNICEF as Trustee/Fund Manager.
- December 2008: *The EFA-FTI Modality Guide* is officially accepted by the Catalytic Fund Committee and includes a note that states that “special guidelines will be developed with regard to aid modalities for fragile states and interim education plans.”
- February 2009: *The FTI Country Level Process Guide* is finalized but sections for inputting approach to “interim strategies” are left blank to be filled in later.
- July 2009: Discussions between UNICEF and the FTI regarding the Education Transition Fund are discontinued when expectations for Trustee role cannot be matched.
- September 2009: The FTI Secretariat produces a concept note *FTI Education Transition Funding Mechanism*. The Board of Directors agrees to create a Task Team to explore the development of an Education Transition Fund with an alternative Trustee; they ask the Catalytic Fund Committee to accommodate new requests from fragile states until alternative options have been sufficiently explored; and approve the Secretariat’s ongoing work on developing operational guidelines to adopt existing FTI process for fragile states.

ENDNOTES

1. In addition to the 18 countries initially invited to apply for FTI endorsement, five large countries – Bangladesh, the Democratic Republic of the Congo, India, Nigeria and Pakistan – were also invited to join the “analytical fast track.” At the time of publication, none of these latter five countries had yet been endorsed.
2. The Board of Directors consists of representatives from donors, developing countries, civil society and multilateral organizations.
3. General recommendations for the reform of the FTI have also been suggested in the 2010 Education for All Global Monitoring Report (UNESCO, 2010) as well as in a recent briefing note by Oxfam (Oxfam, 2010). These all suggest some similar and non-contradictory recommendations, but address issues of general reform for the FTI rather than those that are specific to fragile and conflict-affected states which is what this policy outlook seeks to address.
4. This issue of confusion over which fund to apply for happened in the case of Haiti when the proposed UNICEF-managed Education Transition Fund (ETF) was still under discussion as an alternative fund for fragile and conflict-affected states. Following its endorsement, Haiti was left unclear about whether it should apply to the Catalytic Fund or wait for the establishment of the ETF.
5. While each country affected by conflict or fragility is situated within its own country-specific context, there is some agreement on a foundational definition of ‘fragile states’ that focuses on those states that are unwilling or unable to provide the basic core services needed for poverty reduction and development, and to safeguard the security and human rights of the population (OECD, 2007).
6. This estimate is based on 28 fragile and conflict-affected countries which include some countries with high numbers of out-of-school children such as the DRC, Nigeria and Pakistan.
7. Annex 1 includes a timeline with selected important events that illustrates the FTI’s activities toward addressing fragile and conflict-affected states.
8. Four of the FTI-endorsed countries considered to be affected by conflict or fragility – Sierra Leone, Haiti, Liberia and Central African Republic – have each gone through a different process to access pooled funding from the FTI’s Catalytic Fund, including waiting for a yet-to-be-established Education Transition Fund.
9. It succeeded in disbursing US\$12.25 million over nine months in 2009 for three major activities to procure textbooks, build and rehabilitate schools and teacher training institutes (FTI Secretariat, 2009: 13).
10. The European Commission and the United States, among others, do contribute to the education sector, but not through the Education Pooled Fund.
11. According to the multidisciplinary research network Resilience Alliance, resilience is the “capacity of a system to absorb disturbance, undergo change and still retain essentially the same function, structure, identity and feedbacks”.
12. While the FTI Secretariat in personal correspondence has cited a few examples of the Catalytic Fund supporting salary payments through an IO, there is a tension in using a project modality to support recurrent costs where the most aligned modality is not being used. This takes a step backwards in supporting the aid effectiveness principles of harmonization and alignment and increases transactions costs.
13. Birmingham (2009) argues that the average time taken to implement the 34 procedures required under the IDA rules is around 18 months.
14. The World Bank Group, (2008)
15. In Nepal the Catalytic Fund allocation supports the multi-donor pooled fund that helps finance the Government of Nepal’s School Sector Support Program; and in Rwanda the Catalytic Fund allocation is channeled through a pooled donor fund (sector budget support) that supports the implementation of the Government of Rwanda’s Education Sector Strategic Plan.

16. Information on specific countries taken from: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20054572~menuPK:3414210~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>
 17. Two of the large global health funds – the US President’s Emergency Plan for AIDS Relief and the Global Fund to Fight AIDS, Tuberculosis and Malaria – had annual funds of US\$4 billion and US\$2.75 billion to spend during 2008 compared to the paltry total of US\$389 million of the FTI (US President’s Emergency Plan for AIDS Relief, 2008 and <http://www.theglobalfund.org/en/fundingdecisions/?lang=en#7>).
 18. Capacity is defined here as the ability of individuals, organizations, and society to manage their affairs successfully.
 19. It should be noted that three of the analytical fast track countries, India, Pakistan and Bangladesh, have been among the four largest recipients of EPDF funds and yet none is expected to be endorsed soon.
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