

## **Instructions for the EFA FTI Global and Regional Activities (GRA) Program Stakeholder Consultations**

### **Thematic Papers**

The EFA FTI Secretariat's Global Good Practice (GGP) Team prepared thematic issues papers on education financing, out of school, and learning outcomes. These papers will serve as the main discussion tool for the consultative sessions, and are not considered exhaustive, rather we seek your inputs on who is doing what, where, and how, and good practices to be shared, scaled up, etc.

All papers describe:

- "gaps" in knowledge and practice at the country and regional level that need to be addressed as well as the results needed and expected (outputs and outcomes) from new activities to fill those "gaps", and
- eligible activities to address each priority theme.

Based on the outcomes of the consultations, the GGP Team will develop Requests for Proposals (RFPs) for specific GRA programmatic activities in each thematic area. All RFPs will fund concrete activities from the eligible activities list. RFPs will be results-oriented and will identify the specific outputs and outcomes that the EFA FTI Partnership wants to support. Proposals that are tendered in response to these RFPs will be assessed according to objective criteria and discussed by panels of external experts. Each activity or set of activities will be implemented by a Supervising Entity (SE) which will act as a funds-holder (via a transfer agreement) and may contract out to other entities (implementing body at the local level) if appropriate. SEs will be official bodies such as bilateral donor agencies or multilateral technical or financial agencies.

### **Instructions for Responding**

For both consultations:

1. Provide written comments in a separate file, not using Track Changes or a commenting option such as in Word.
2. In the file, organize your comments so that all of the comments on each of the 3 thematic area papers are together and properly labeled with a heading.
3. Send comments to Koli Banik at the EFA FTI Secretariat at [kbanik@educationfasttrack.org](mailto:kbanik@educationfasttrack.org). All comments will be displayed on the EFA FTI website—unless you specify otherwise.

### ***Consultation 1***

According to each stakeholder's technical expertise, read one to three of the thematic papers on out of school, education financing, and learning outcomes. When preparing written responses, please think about the following guiding questions:

- Are there gaps in knowledge and practice areas which are missing? Or are there some areas we have identified as gaps that are in fact redundant because plenty of knowledge and experience exists? If redundant, please provide evidence (i.e. point to studies, projects already implemented by an institution, well-implemented policies in many countries, etc).
- Identify organizations/supervising entities best suited to coordinate/carry out program activities as described. Please explain why you think these organizations are best suited.

Deadline for comments: **June 3<sup>rd</sup>**

### ***Consultation 2***

We will do our best to accommodate comments, views, and opinions received from Consultation 1. However, we cannot promise to make sure every single opinion is reflected as there may be contradictory views, or views that exceed the budget. We will carefully study all views and do our best to deal with them. On that basis we will engage in a second consultation, in which we will ask the following.

- Read revised thematic papers (Approximately June 17<sup>th</sup>)
- Provide written comments on the revised papers if you feel strongly that your concerns have not been addressed.

Deadline to provide comments: **July 1<sup>st</sup>**

## EFA FTI Global and Regional Activities (GRA) Program

### Thematic Area: Education Financing

#### BACKGROUND

1. Education represents a substantial, if not the largest share of public expenditures in many low-income countries. Governments in those countries made significant efforts over the past decade to increase their national budgets for education. The EFA 2011 Global Monitoring Report shows that education spending as a share of Gross National Product (GNP) increased from 2.9% in 1999 to 3.8% in 2008 in low-income countries. But it is widely agreed that levels of domestic financing and external funding are not the only pressing issue when it comes to provide equal educational opportunities to all children.
2. **Efficiency of public expenditures.** Although in some countries insufficient domestic funding levels remain a challenge, in others, sub-optimal use and allocation undermine the efficiency of education expenditures. We have seen countries that achieve better results with less money than others with a higher volume of available funding. But also countries with similar levels of public spending for the education sector achieve very different results. Efficiency depends not only on the financing mechanisms, accountability structures and levels of capacity in the public institutions but efficiency, for example with regard to equity and making smart and results-oriented budget decisions, but depend on the available education sector data to inform the decision making process and transparent monitoring of the flow of funds. It also depends on structures of demand or social pressure, within the society (and in the interaction between the local society and external agencies) for efficient spending. This may relate to pressure from civil society or pressure from one state institution on another.
3. **Geographic resource disparities within a country.** Inefficient allocation of resources becomes evident in the disparities between urban and rural areas for example regarding investments in school infrastructure, which limits the chances of girls, in particular, to go to school. But also, we can see a huge variation in the pupil-teacher ratio within a country; sometimes with lower ratios in urban areas and higher ratios in rural areas (but not always: sometimes higher population densities in urban areas make higher pupil-teacher ratios possible); but very often without a predictable and transparent pattern of allocations. This is usually a result of a lack of incentives of teachers to work in the rural areas and a bad budget decision to not make rural schools more attractive places to work, or of the lack of transparent, fair, and enforced staff allocation mechanisms.
4. **Equity of public expenditures.** In many low-income countries, governments do not make equitable allocation decisions. Mingat and Kirsten (forthcoming) find that, on average, the 10 percent most educated in the low-income sub-Saharan African countries benefit from 43 percent of public

spending on education. The public education finance mechanisms and structures a government applies should promote equal educational opportunities.

5. **Private costs for schooling.** Parents pay a significant share of the costs in primary education, especially in rural and remote areas. Parents make direct investments for their children's education when they decide to establish a community school in the absence of the state providing a public school. Private household expenditures have also bridged school funding gaps when school fees were abolished and with increasing class sizes but decreasing school budgets to ensure quality in the classroom.
6. **External funding.** In Dakar, in 2000, during the World Education Forum, national governments and donor partners agreed that no country with a serious commitment to educate its children should lack the financial resources to do so. In a broader framework the MDG Declaration reiterated that vision by making development partnerships the eighth MDG. The increasing commitment and support to the EFA FTI Partnership from a broad range of education stakeholders have underlined the need for a global development partnership for education. External resources are an important way of financing the education sector in low-income countries; however, at the country level, external support remains unpredictable and disconnected from the budget planning.

## KNOWLEDGE AND ACTIVITIES GAPS

7. The following sections will present the knowledge and activities gaps in the field of the education financing within EFA FTI partnership. These activities concern regional and global issues in the sector and need to be addressed by partners to ensure acceleration of the results achievement.

### Activity # 1 Development of a methodology to improve national reporting systems on financing flows

8. FTI countries are responsible for developing and implementing an education sector plan (ESP), comprehensive or interim. The government works with the Local Donor Group and Civil Society Organizations (CSOs) to ensure efficient monitoring of the implementation of the plan through Joint Sector Reviews.
9. The development of an ESP requires having a clear understanding of challenges and issues of the education sector. **One of the most critical areas concerns the financing flows in the sector.** As discussed above, an increase of the resources for the sector is not sufficient to achieve better results either in access or in student learning - and to decrease inequality. It is important for the government to understand how to improve the effectiveness of the expenditures and to ensure a basic quality of education for all; even in remote areas and for the marginalized children. Therefore, the development of an ESP requires having **access to good quality data on financing flows in the education sector** to understand who are the main beneficiaries, where are the potential sources of savings and to identify the unit costs.

10. A costing exercise, using a projection model is the only way to identify a sustainable scenario for the evolution of the sector in the following years. This exercise should be undertaken in close cooperation with the local donors and the Ministry of Finance to ensure consistency with the overall budget planning process. This process should lead to the production of a Medium Term Expenditure Framework (MTEF) for the sector approved by the Ministry of Finance.

<p><b>Proposed activity #1:</b></p>	<ul style="list-style-type: none"> <li>• The EFA FTI Partnership should ensure that all EFA FTI developing country partners can implement <i>good reporting on financing flows</i>. This should: <ul style="list-style-type: none"> <li>✓ Be consistent with the technical capacities of the individual country, especially fragile states and include capacity development measures;</li> <li>✓ Enable an overall estimation of the resources (public, private and external) available for the sector including at the decentralized, local, and school levels;</li> <li>✓ Identify the inefficiencies in the resource allocation;</li> <li>✓ Analyze the equity of the resource allocation;</li> <li>✓ Analyze the incentives effects of the mechanisms of within-country resource transfers (are they incentivizing results or are they incentivizing input expenditure only?), such as funding and physical resource allocation formulas versus ad hoc allocations, or the linking of funds transfers to an examination of results such as in MTEF processes;</li> <li>✓ Enable the Ministry of Education to develop a costing of the ESP that will lead to the development of an MTEF when the Ministry of Finance uses already a programmatic approach for the national budget; and</li> <li>✓ Enable the Local Education Group to monitor the resource allocation and execution (especially at the local and school level) during the implementation of the ESP mainly through the Joint Sector Review Reports.</li> </ul> </li> </ul>
<p><b>Type of activity</b></p>	<ul style="list-style-type: none"> <li>• Research and basic knowledge</li> <li>• Technical workshops and knowledge dissemination</li> <li>• Technical assistance</li> <li>• Intervention to inform scale up</li> </ul>
<p><b>Link with Results framework indicators</b></p>	<ul style="list-style-type: none"> <li>• Output 1: FTI partner countries develop and implement sound sector policies in education</li> </ul>
<p><b>Proposed approach #1:</b></p>	<ul style="list-style-type: none"> <li>• The proposal for activity #1 should be based on the existing tools already in place in the sector such as: country status reports, public expenditure reviews, public expenditure tracking survey. It should take into account the project undertaken by the World Bank on benchmarking: System Assessment and Benchmarking for Education Results (SABER).</li> <li>• The proposal should be tested in at least 5 EFA FTI developing country partners that will develop or update their ESP in the coming two years (2012-</li> </ul>

	<p>2013)</p> <ul style="list-style-type: none"> <li>The proposal should take into account that the EFA FTI Partnership wants to improve the accountability at the global level to ensure that EFA FTI partners reach their commitments. UNESCO institute for Statistics (UIS) has the mandate to collect and disseminate data on education. The reporting developed at the country level will have to allow dissemination of the financing data at the global level through UIS.</li> </ul>
<b>Expected Deliverables #1:</b>	<ul style="list-style-type: none"> <li>An approach for assessing the quality of reporting on education financing flows</li> <li>A package of capacity building for improving reporting on education financing flows.</li> <li>A pilot intervention in at least 5 countries which will consist in: <ul style="list-style-type: none"> <li>Implementing capacity development, policy dialogue, and planning support activities to foster the implementation of improved financial analysis particularly in the context of ESP development, and its understanding by the local education group;</li> <li>Targeting capacity building with civil society to enhance their understanding of financial issues and their capacity to demand accountability;</li> <li>Building joint capacity for improving relationships between Ministries of Education and Ministries of Finance and/or Planning.</li> </ul> </li> <li>A series of international/regional workshops with representatives of donors, government, and civil society to build capacity and share experiences.</li> </ul>
<b>Timeframe #1:</b>	<ul style="list-style-type: none"> <li>The deliverables will be operational and validated by the EFA FTI Board of Directors by the end of January 2013.</li> </ul>

## #2 - Development of a tool to assess the Fiduciary risk in the education sector

- The implementation of activity #1 will lead to an improvement in the information on the execution of the budget. However, a specific analysis may be required to **better assess the fiduciary risk at the country level**. It will help the donor partners to choose the optimal modality for delivering aid.
- The existing Public Expenditure and Financial Accountability (PEFA) Program enables to assess the fiduciary risk at the national level. It aims at strengthening the ability of partner countries and donor agencies to: (i) assess the condition of country public expenditure, procurement and financial accountability systems, and (ii) develop a practical sequence of reform and capacity-building actions.

<b>Proposed activity #2:</b>	<ul style="list-style-type: none"> <li>• The EFA FTI Partnership should ensure that EFA FTI developing country partners can implement <b>a tool to assess the fiduciary risk in the education sector</b>. This tool will have to : <ul style="list-style-type: none"> <li>✓ Be consistent with the international criteria for fiduciary risk analysis;</li> <li>✓ Identify the capacity development needs for implementing fiduciary risk analysis and for lowering fiduciary risk;</li> <li>✓ Make proposal on the best modalities for delivering aid even in situations of high fiduciary risk, including for fragile states, and to recommend means of lowering fiduciary risk so that low-transactions-cost aid modalities can be implemented without an undue increased risk. The role of public transparency and accountability ought to be highlighted.</li> <li>✓ Score the fiduciary risk to enable international comparison and monitoring improvement.</li> </ul> </li> </ul>
<b>Type of activity</b>	<ul style="list-style-type: none"> <li>• Research and basic knowledge</li> <li>• Technical workshops and knowledge dissemination</li> <li>• Technical assistance</li> <li>• Intervention to inform scale up</li> </ul>
<b>Link with Results framework indicators</b>	<ul style="list-style-type: none"> <li>• Indicator 3: Variation between education sector plan allocation and actual budget expenditure in FTI countries</li> </ul>
<b>Proposed approach #2:</b>	<ul style="list-style-type: none"> <li>• The activity should be tested in at least five EFA FTI developing country partners that will develop, update or implement an ESP in the following two years. Some of the countries should be judged likely to have high fiduciary risk ex ante, and some should be judged to have lower risk. Some should be relatively more fragile states, others may be less. So, the performance of the approach should be assessed in a variety of conditions. The activity needs to be explicitly and concretely aimed at improved ESPs.</li> <li>• An adaptation of the PEFA methodology to the education sector should be investigated.</li> </ul>
<b>Expected deliverables #2:</b>	<ul style="list-style-type: none"> <li>• An operational tool to assess the fiduciary risk in the education sector;</li> <li>• A pilot intervention in at least 5 countries which will consist of testing the tool, implementing capacity development activities to allow the implementation of this tool and its understanding by the local education group;</li> <li>• A series of international/regional workshops with representatives of donors and government to present the new methodology; and</li> <li>• A write-up documenting lessons learned, ready for further dissemination.</li> </ul>
<b>Timeframe #2:</b>	<ul style="list-style-type: none"> <li>• The tool will have to be operational and validated by the FTI board by the end of January 2013.</li> </ul>

### #3 - Development of financing initiatives connecting resources to results

13. EFA FTI has shifted from an input-oriented approach to a results framework as the main mechanism for tracking progress and determining success of the in-country programs it supports. It is critical to now develop a concrete approach to link the EFA FTI results/objectives with financing to enforce accountability within the EFA FTI Partnership.
14. The approach would have two parts: i) at the global level, linking external financing to the total results in all EFA FTI developing countries; and ii) at the country level, linking external financing to specific results within each developing country.

<b>Proposed activity #3:</b>	<ul style="list-style-type: none"> <li>• <b>A practical approach to set up results based financing projects within the FTI partnership.</b> This approach will have to: <ul style="list-style-type: none"> <li>✓ To do a review of the literature in the field of output-based financing mechanisms in the education sector;</li> <li>✓ To make proposals on the best modalities to implement these mechanisms in EFA FTI countries, and its expected consequences for the Education for All Fund.</li> </ul> </li> </ul>
<b>Type of activity</b>	<ul style="list-style-type: none"> <li>• Research and basic knowledge</li> <li>• Technical workshops and knowledge dissemination</li> <li>• Technical assistance</li> <li>• Intervention to inform scale up</li> </ul>
<b>Link with Results framework indicators</b>	<ul style="list-style-type: none"> <li>• Indicator 2: – FTI countries meeting their EFA FTI (re)endorsement target</li> <li>• Indicator 7: Paris Declaration Indicators in the education sector</li> </ul>
<b>Proposed approach #3:</b>	<ul style="list-style-type: none"> <li>• Based on a review of evidence, three pilots projects will be tested in FTI partners countries</li> </ul>
<b>Expected deliverables #3:</b>	<ul style="list-style-type: none"> <li>• A methodology presenting the practical conditions and steps to implement a results-based financing project in education;</li> <li>• International workshop with representatives of donors and government who will present the methodology.</li> </ul>
<b>Timeframe #3:</b>	<ul style="list-style-type: none"> <li>• The methodology will be presented by the end of January 2013</li> </ul>

### #4 – Development of an approach for implementing innovative financing for education

15. The international Task force on Education and Innovative Financing met for the first time in May 2010 in Paris. The meeting brought together approximately twenty countries and organizations. The main objective is to increase the financial resources available for education by identifying new ways of raising funds. In this sense, this activity is different from others considered in the broad rubric of “education finance” this activity relates directly to innovative sources of funds. Naturally, there is some overlap with other finance activities, as some innovative sources of finance may insist that the funds be transferred only in particular ways, if they are to find the funds. For example, innovative financing sources may be much more results-oriented than more traditional

funding sources and may be relatively impatient with highly bureaucratic mechanisms of funds transfer, though, at the same time, their definition of “results” may be more flexible than that used in more traditional mechanisms.

16. But as explained in the report produced by the task force<sup>1</sup> *“It is important to emphasize the fact that innovative financing for education has objectives that go beyond simply raising funds. The main purpose of this second category of innovative financing is precisely to raise awareness among the general public on the importance to achieve the goal of Education for All. Nowadays, indeed, education is not as high in the international development agenda as it used to be one or two decades ago, and is facing increasing competition from media-friendly sectors such as health or climate change. Given the centrality of education and its impact on development outcomes, such an approach appears necessary.”*
17. The EFA FTI Partnership should support the discussion in this field to ensure that education is at the top of the agenda of innovative financing.

<b>Proposed activity #4:</b>	<ul style="list-style-type: none"> <li>• <b>Develop an approach for implementing innovating financing for education. This approach will:</b> <ul style="list-style-type: none"> <li>✓ Support the next phase of the Education for All Fund replenishment that will take place in 2013;</li> <li>✓ Align with a communication strategy to raise the profile of education and EFA FTI in particular;</li> <li>✓ Recommend an adaptation of the EFA partnership organization to attract new funders whose contribution could be smaller but the impact on the profile of education may be consequent. Small funders need to be assured that their funds will be visible and that the process to allocate money is not complicated;</li> <li>✓ Recommend a public relations/communications strategy for education according to different kind of funders</li> </ul> </li> </ul>
<b>Type of activity</b>	<ul style="list-style-type: none"> <li>• Research and basic knowledge</li> <li>• Technical workshops and knowledge dissemination</li> <li>• Technical assistance</li> <li>• Intervention to inform scale up</li> </ul>
<b>Link with Results framework indicators</b>	<ul style="list-style-type: none"> <li>• <u>Output 2: Adequate and sustainable domestic and external financing for education in FTI countries is mobilized</u></li> </ul>
<b>Proposed approach #4:</b>	<ul style="list-style-type: none"> <li>• Desk review of existing literature</li> <li>• Discussion with EFA FTI partners – donors who have the political mandate and space to push the innovative financing agenda forward, and NGOs/ CSOs (such</li> </ul>

<sup>1</sup> [http://www.leadinggroup.org/IMG/pdf\\_Innovating\\_in\\_Financing\\_Education\\_BAT.pdf](http://www.leadinggroup.org/IMG/pdf_Innovating_in_Financing_Education_BAT.pdf)

	<p>as GCE) who are an important lobby and advocacy voice in this field to inform this activity. Other potential sources of financing should be investigated: private philanthropies, corporate social responsibility funding, possible direct fund-raising for education in special segments of capital markets, tapping of public-private partnerships (of various degrees of formality) as a source of capital. The activity should also include lessons learned from other sectors such as health.</p> <ul style="list-style-type: none"> <li>• Approach at least three potential funders (validated by the EFA Secretariat) interested by the sector and reach a financial deal or understand the constraints to reach it.</li> </ul>
<b>Expected deliverables #4:</b>	<ul style="list-style-type: none"> <li>• A detailed road map to approach funders for education.</li> <li>• The testing of the road map in at least three funders.</li> </ul>
<b>Timeframe #4:</b>	<ul style="list-style-type: none"> <li>• The mechanism will be operational and validated by the FTI board by June 2012</li> </ul>

## SUMMARY

18. The concerns addressed in this paper are (a) how to make domestic education finance systems more effective to ensure efficient, equitable, transparent and evidence-based education spending in EFA FTI developing countries; and (b) how to make external funding more effective in terms of alignment to national education priorities and how to increase its predictability, specifically through innovative financing. But also, how to develop methods to induce results through external funding, i.e., results-based funding. The paper suggests four priority activities and approaches how to bridge the existing knowledge gap in these areas. These activities are in support to achieving EFA FTI's objectives and to achieve sustainable progress over the years on the indicators agreed in the EFA FTI Results Framework.

### The four proposed activities in this paper are:

1. Development of a methodology to improve national reporting systems on financing flows
2. Development of a tool to assess the fiduciary risk in the education sector
3. Development of financing initiatives tightening resources to results
4. Development of an innovative financing mechanism to increase financial resources in education